



# GROWING WITH RESPONSIBILITY

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# Growing **with** **Responsibility**

As the country moves ahead with a strong foundation for sustained economic recovery, we look forward to contributing to the economy by enhancing the productivity and returns of our plantations. Despite a multitude of operating constraints and challenges, we believe in growing and nurturing our core crops with an investment for long-term viability whilst optimising the use of available resources.

## Our Vision

To be the benchmark among plantation Companies

## Our Mission

To Contribute towards the growth of the company through optimum utilization of available resources and opportunities with the use of best management practices, whilst enhancing shareholder wealth and improving the quality of life of all stakeholders, thereby being a partner in National Development.

# FINANCIAL HIGHLIGHTS

Summary of Results	Company and Equity Accounted Investee		Change	Company		Change
	2022	2021		2022	2021	
	Rs. 000	Rs. 000		Rs. 000	Rs. 000	
<b>Earnings Highlights and Ratios</b>						
Revenue	5,127,380	3,867,404	33%	5,127,380	3,867,404	33%
<b>Results from Operating Activities</b>	<b>1,802,122</b>	<b>959,775</b>	<b>88%</b>	<b>1,902,782</b>	<b>1,084,901</b>	<b>75%</b>
Profit before tax	1,923,565	1,095,539	76%	1,793,630	1,024,352	75%
Profit after tax	1,765,452	1,180,574	50%	1,635,517	1,109,387	47%
Earnings per share	Rs. 11.30	7.56	49%	10.47	7.10	47%
Interest cover	No of times 16.51	15.85	4%	17.43	17.92	-3%
<b>Balance Sheet Highlights and Ratios</b>						
<b>Total assets</b>	<b>6,255,361</b>	<b>5,201,993</b>	<b>20%</b>	<b>5,837,494</b>	<b>4,914,061</b>	<b>19%</b>
Total debt	513,460	727,169	-29%	513,460	727,169	-29%
Stated capital	2,258,125	2,258,125	0%	2,258,125	2,258,125	0%
Total shareholders' funds/Equity	3,540,376	1,831,660	93%	3,122,508	1,543,728	102%
<b>Net assets / Liabilities) per share</b>	<b>Rs. 22.66</b>	<b>11.72</b>	<b>93%</b>	<b>19.98</b>	<b>9.88</b>	<b>102%</b>
Debt / Equity	% 15%	40%	-63%	16%	47%	-65%
Debt / Total Assets	% 8%	14%	-41%	9%	15%	-41%
<b>Market / Shareholder Information</b>						
Market price of share						
- Highest	83.00	58.00	43%	83.00	58.00	43%
- Lowest	15.10	26.10	-42%	15.10	26.10	-42%
- Year End	31.90	53.70	-41%	31.90	53.70	-41%

“The company has achieved a tea segment revenue of Rs. 2,208 million in 2022 which represents Rs. 628 million increase compared to the previous year.”

Dear Shareholder,

On behalf of the board of directors of Agalawatte Plantations PLC, I am pleased to present the Integrated Annual Report and Audited Financial Statements of the company for the year ended 31st December 2022. The year under review was extremely challenging for the country amidst the post pandemic economic crisis and microeconomic pressures due to fiscal and external imbalances. However, the company has continued to achieve a commendable performance during the FY2022 through implementing strategies and initiatives targeting the next phase of growth.

This report presents a comprehensive review of the annual performance of the company during the year 2022, and the management strategies and practices implemented towards sustainable growth.

## OPERATING ENVIRONMENT

The year 2022 saw the Sri Lankan economy contract by 7.8% when compared to the marginal growth of 3.5% recorded in the previous year. All sectors of the economy -agricultural, industrial and services contracted during the year. In particular, the GDP contracted by 12.4% during the

4th quarter in 2022. The economy recorded its worst contraction during the year due to the operational challenges and socio-economic factors. The severe contraction in the economy was particularly driven by the foreign exchange liquidity issues faced by the treasury which led to power cuts and fuel and raw material shortages in the country. The economy also suffered due to supply chain disruptions and inflationary pressures in the domestic and global markets which had a negative impact on the production sector of the economy. The country's inflation peaked at 74% in September 2022 with a gradual decrease recorded thereafter.

Under the exceptionally challenging circumstances, the agricultural sector shrank 4.6% in 2022 compared to a 2.0% contraction recorded in 2021. Considering the performance of the company, the annual crop production was negatively impacted by the economic crisis, unfavourable policy decisions by the government including raw material import restrictions, a ban on fertiliser imports, social unrest and adverse weather conditions. However, the company was able to maintain its annual crop production at a relatively satisfactory level owing to sustainable measures and best industry practices adopted by the management.

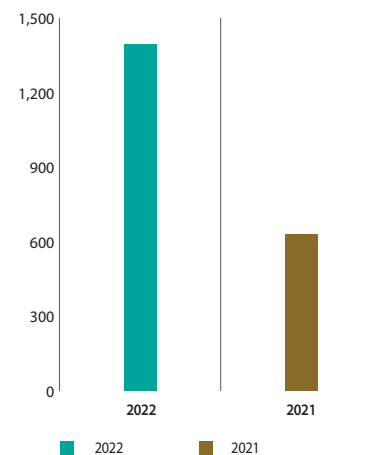
## Tea Sector

As a whole, the annual tea production of Sri Lanka considerably decreased in 2022 to 251.5 million kilos as compared to 299.4 million kilos produced in 2021. During the year, the adverse conditions impacting the company also affected the production and export of Ceylon Tea. On a cumulative basis, all elevations have shown a substantial decline over the corresponding period of 2021.

In 2022, annual made tea production of the company decreased to 1.84 million kilos compared to 2.4 million kilos in 2021. Many adverse environmental and economic factors affected the tea production, with the shortage of fertiliser application being a significant factor. During the year compared to the previous year, the green leaf production decreased by 18% from 5.28 million kilos in 2021 to 4.33 million kilos in 2022.

Despite the challenges discussed above, there was a notable increase in the tea prices relative to 2021 which has somewhat mitigated the impact of declining tea production on the segmental profitability. The Net Sales Average (NSA) of the company considerably increased in 2022 averaging at Rs. 1,165/- per kilo compared to Rs. 631 per kilo in 2021.

## NET SALES AVERAGE (NSA TEA)



The company has achieved a tea segment revenue of Rs. 2,208 million in 2022 which represents a Rs. 628 million increase from the previous year. This is mainly due to increased market prices, devaluation of the rupee and operational efficiencies resulting from management strategies. The cost of sales of the tea segment increased by 8% during the year whereas the revenue increased by 40% YOY. The segment recorded a gross profit of Rs. 434.6 million compared to a loss of Rs. 57.3 million recorded in 2021. The profitability for the segment was impacted by an increase in wages and the productivity impact due to low fertiliser application being offset by the increase in price of tea.

With an eye on future perspectives, more focused measures have been adopted to increase the quality and the production to sustain the growth momentum in forthcoming years. The management has initiated a number of integrated productivity and quality strategies with an aim to reduce the cost of production while increasing the quality of tea produced. The company has resumed applying fertiliser in recommended quantities and many measures have been taken to improve soil quality to achieve the environmental and economic sustainability of the segment. Field infilling and re-planting tea will help to maintain increased momentum of segment growth. During the year, the company has planted 73.56 hectares of tea while maintaining a further 88.1 hectares of tea to improve yields. The cost of re-planting and maintaining immature tea plantations was approximately Rs. 154.8 million during the year.

### Rubber Sector

Rubber industry plays an important role in the Sri Lankan Economy in terms of foreign exchange earned, economic growth and other socio-economic aspects. Natural rubber production of Sri Lanka continued to decline during 2022 and recorded 70.86 million kilos

in 2022 compared to 76.88 million kilos in the previous year. In 2022, global rubber prices decreased, driven by disrupted manufacturing activities in countries like China in the post pandemic economic situations.

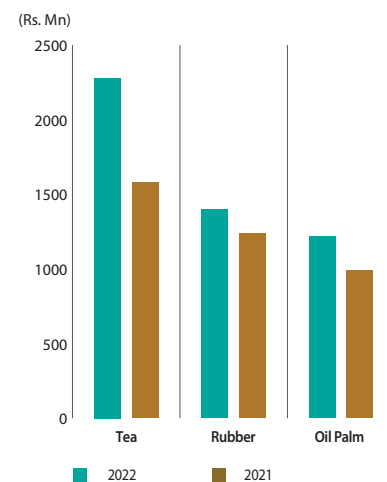
During the year 2022, the company produced 1.73 million kilos of rubber which represents a 23% decrease compared to 2.23 million kilos produced in 2021. The reduction in production was driven by several factors including extreme weather, leaf disease, fertilizer and labour shortages. The segment revenue has increased to Rs. 1,397 million in 2022 compared to Rs.1,237 million in 2021 mainly impacted by the increase of auction prices primarily driven by the devaluation of the rupee which offset the decline in global rubber prices. Average sale price of rubber has increased from Rs. 566 per kilo in 2021 to Rs. 785.80 per kilo in 2022. The company faced a significant increase in the cost of production to Rs 1,197million in 2022 compared to Rs 1,019 million in 2021, driven by labour shortages and the economic factors which impacted the Sri Lankan economy. The company recorded a profit of Rs. 199.9 million from the rubber segment when compared to a profit of Rs. 217.4 million recorded in 2021 due to cost of production increasing at a faster rate than the revenue increase.

The Company has continued to invest in productivity and efficiency measures to achieve a revival of rubber production. During the year, we have invested Rs. 397 million for re-planting and up keeping immature rubber plantations. Accordingly, 262 hectares of rubber were re-planted during the year to ensure future viability of the rubber segment.

### Financial Performance

In aggregate, the company recorded a turnover of Rs. 5,127 million in FY 2022, representing a 33% growth over the previous year (Rs. 3,867 million in FY2021). The main contribution for the commendable increase

SEGMENTAL REVENUE 2022 VS 2021



of the turnover was received from tea and oil palm segments which recorded 40 % and 23% growth YOY respectively. The segmental turnover of tea and oil palm were Rs. 2,208 million and Rs. 1,217 million respectively in FY2022. During the year, oil palm production has decreased to 11.3 million kilos from 12.5 million kilos in 2021 and the average sales price has increased from Rs 79 per kilo in 2021 to Rs. 108 per kilo in 2022. The company recorded a gross profit of Rs. 1,589 million in FY2022 compared to Rs. 895 million in FY2021 showing a significant increase in profitability during the year. Accordingly, the overall gross profit margin of the company has increased from 23% to 31% driven by cost control measures and initiatives adopted to improve the labour efficiency which significantly impacted on the average cost of production.

The increase in the gross profit and cost efficiencies have led to a significant improvement in the net profit of the company during the year which amounted to Rs. 1,635 million in 2022, compared to the Rs. 1,109 million in 2021. At the group level, the net profit has improved to Rs. 1,765 million in 2022 from Rs. 1,180 million recorded in 2021. At the end of FY2022, the net asset position of the company improved to Rs. 3,122 million

## CHAIRMAN'S STATEMENT

which shows a significant stability compared to previous years. The company has continued to post profit from the operation in the recent years - thereby the financial position is at a very strong level. It is a great pleasure to note that the company has now turned in to one of best performing entities in the sector.

### People and Welfare

Employees are the most valued resources of any organization. Therefore, employee development and welfare measures are of utmost importance to achieve the collective objectives. The company is committed to honor our social responsibility, maintaining a positive relationship with our valued employees. Many measures have been taken to develop the skills and productivity of employees to work efficiently and effectively. Training and education programs were continued to facilitate the workers and their families with the objective of enhancing expertise of the human capital. We also invested in infrastructure development and welfare facilities including medical, housing, sanitary and many other measures. During the year the company has spent more than Rs. 41 million on the welfare of employees with the objective of uplifting the living standard of our workers and their families.

### The Way Forward

The year 2023 and beyond will represent a significant challenge for Sri Lanka. The Government has implemented much required reforms in order to restore microeconomic stability and debt sustainability. The ongoing efforts have been successful so far in reviving our economy, providing a strong foundation for sustained economic recovery. Despite many operating constraints and challenges, the company looks forward to investing aggressively in replanting of rubber and tea, ensuring the long-term viability. We are also committed to maintaining our focus on continuous upgrading of our production facilities and optimizing the use of available resources.

The company envisages that the proactive measures and growth strategies implemented will drive sustainable medium to long term growth. We will also continue to focus on increasing land productivity, product quality, and operating efficiency via maintaining good agricultural practices towards future sustainability. Application of rain guarding, low frequency tapping system (such as D3 & D4) have resulted in increase in crop production and reduction in the manufacturing costs. Emphasis will also be placed on motivating the workforce and enhanced quality manufacturing facilities thereby improving performance of tea, rubber and palm oil segmental operation of the company.

### Acknowledgment

I take this opportunity to convey my sincere thanks and appreciation to the Board of Directors, corporate management team and all our valued employees including estate workers for their commitment and support extended towards implementing strategies and achieving our goals despite many challenges faced during the year. On behalf of the board, I also wish to thank our brokers, suppliers, customers and all business partners for their support and the continued relationship with the company. I also extend my gratitude to the government institutions, authorities and other service providers for the support extended to achieve our corporate objectives. Further, I also express my deep gratitude to all our shareholders including our strategic shareholder for their continued support, trust and confidence placed in the company.



**Anil Amarasuriya**

Chairman

Agalawatte Plantations PLC

30th May 2023



# BOARD OF DIRECTORS

## MR. A.S. AMARASURIYA

### Chairman

Independent Non-Executive Director

Chairman of Agalawatte Plantations PLC and Pussellawa Plantations Ltd. Appointed to the Board of Agalawatte Plantations PLC in June 2017.

Mr. Anil Amarasuriya is a Fellow of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants UK and Chartered Management Accountants Sri Lanka. He is also Honorary Fellow of the Institute of Bankers of Sri Lanka.

Mr. Anil Amarasuriya counts over 36 years of experience in the banking industry both in Sri Lanka and abroad. He has held senior corporate level positions at Abu Dhabi Commercial Bank and Sampath Bank prior to assuming duties as GM and subsequently as Managing Director of Sampath Bank. He served as Director/CEO of Union Bank of Colombo before retirement in November 2014.

He served as Chairman Sri Lanka Banks' Association and Financial Ombudsman Sri Lanka (G'tee) Ltd, Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board and of the Financial Sector Cluster, Member of the Governing Council of the National Institute of Business Management and Chairman of the Lanka Financial Services Bureau Ltd. He also served as Director in the subsidiaries of Sampath Bank Ltd, namely, S C Securities (Pvt.) Ltd., Sampath Surakum Ltd, Sampath Leasing & Factoring Ltd, Sampath Trade Services (HK) Ltd, Sampath IT Solutions Ltd and Associate Company Lanka Bangla Finance Ltd. and Chairman of Lanka Clear Pvt Ltd and currently serves as Chairman of Lanka Rating Agency Ltd, Chairman/Director of Pussellawa Plantations Ltd and several private companies in Sri Lanka.

## MR. R.P.L. RAMANAYAKE

Non Independent, Non-Executive Director

Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Lahiru Ramanayake is a graduate in marketing and management from Monash University in Melbourne, Australia. He was appointed to the Board of Damro Group in 2013. He serves as the Group Managing Director involved in the supervision of key functional operations of the Group including Production and Administration. Mr. Ramanayake is also a Director of Pussellawa Plantations Ltd and F L M C Plantations (Pvt) Ltd.

## MR. R. K. A. RANAWEERA

Independent Non - Executive Director

Appointed to the Board of Agalawatte Plantations PLC in September 2017.

Mr. Ranaweera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Institute of Certified Management Accountants of Sri Lanka and the Institute of Accounting Technicians of Sri Lanka. He also holds Honors degree in Business Administration (B.Sc. Business Admin.) from the University of Sri Jayewardenepura.

He serves as Board Member of Gampaha Wickramarachchi Ayurveda Institute – University of Kelaniya, where he is also a member of the Finance Committee and chairs the Audit Committee.

Mr. Ranaweera counts over 40 years of experience in the accounting profession. He is the managing partner of Ranaweera Associates (Chartered Accountants) while serving as the Managing Director of Assent Advisory Partners (Pvt) Ltd, engaged in consultancy services.

In addition to the audit practice, Mr. Ranaweera has wide experience in tax and company secretarial services and also in investment advisory and promotions. Further, he is actively involved in preparation of taxation text books of leading accounting professional institutions in Sri Lanka while conducting lectures in taxation at these institutions.

## MR. G. P.N. A. G. GUNATHILAKE

Managing Director/Chief Executive Officer

Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Gunathilake is a graduate of the University of Kelaniya in Human Resources Management. He counts over 20 years of service in Damro and has an extensive exposure in Human Resource and Corporate Management Practices. Mr. Gunathilake was appointed as a Director of Damro Group in 2010. He currently serves as a Group director of Damro in charge of Human Resources, Legal affairs, Special projects and Public relations. He also serves as Managing Director/Chief Executive Officer of Pussellawa Plantations Ltd and Director of related private companies including AEN Palm Oil Processing (Pvt) Ltd, F L M C Plantations (Pvt) Ltd, Melfort Green Teas (Pvt) Ltd and Ceylon Estate Teas (Pvt) Ltd.

## BOARD OF DIRECTORS

### MR. W.A. AROSHA ASANGA

Non Independent, Non-Executive Director

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Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Asanga is also a Director of Damro Group and carries responsibilities in finance and regulatory functions of the Group. He is well versed and proficient in accounting, auditing and taxation having over 20 Years expertise in the field. He joined Damro in the year 2002. Since then he has been playing an anchor role in the financial management and strategic planning of the Group. He is also a Director of Pussellawa Plantations Ltd, F L M C Plantations (Pvt) Ltd, Melfort Green Teas (Pvt) Ltd and Ceylon Estate Teas (Pvt) Ltd.

### MR. L.R.W. SUSANTHA RAJASEKARA

Non Independent, Non-Executive Director

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Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Rajasekara is a member of the Institute of Chartered Accountants of Sri Lanka. He also a graduate in Accountancy & Financial Management of the University of Sri Jayewardenepura.

He is also a Director of Damro Group and counts over 16 years of experience in Auditing, Accounting & Financial Management. He joined Damro in 2006 and handles the Group Tax, Financial Reporting & Corporate Compliances. Mr. Rajasekara is also a Director of Pussellawa Plantations Ltd, F L M C Plantations (Pvt) Ltd, Melfort Green Teas (Pvt) Ltd and Ceylon Estate Teas (Pvt) Ltd.

# MANAGEMENT DISCUSSION & ANALYSIS

## ECONOMIC OVERVIEW

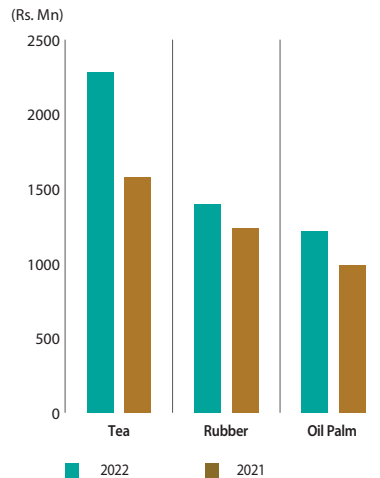
Gross Domestic Product (GDP) of Sri Lanka is contracted by 7.8% YOY against a marginal growth of 3.6% recorded in 2021. Due to the post pandemic economic situation and the external liquidity and debt repayment issues, Sri Lanka is experiencing its worst economic crisis in the history. The country was severely suffered from fuel shortages, power cuts and supply disruptions of intermediate goods (including construction materials and fertilizer) due to the shortage of foreign reserves for imports at the beginning of last year, which plunged the nation into the worst financial crisis since that time. As a result, the 4.6% negative growth rate of the agriculture sector had a significant impact on the economy. Nevertheless, the country is working to restore its economic stability and get through its biggest economic crisis in the upcoming years with the assistance and guidance of the International Monetary Fund (IMF).

## OPERATIONS REVIEW OF THE COMPANY

Main crops of the company comprise of Tea, rubber and Oil palm, cultivated on our estates located in Kalutara, Ratnapura and Nuwara Eliya Regions. Amidst the post-pandemic economic situation, shortage of fuel & fertilizer, power cuts, and other external and internal constraints that prevailed during the year, the Company was successful in achieving a substantial growth of 33% in revenue, recording Rs.5,127 million in the year 2022, vis-à-vis Rs.3,867 million achieved during the preceding year. The Company and Equity Accounted Investee turnover for 2022 was recorded at Rs. 5,127 million compared to the previous year revenue of Rs.3,867 million.

During the year, the comparative performance of each business segment of the company are as follows.

SEGMENTAL REVENUE 2022 VS 2021



### Rubber

The rubber estates of the company are located in Kalutara and Ratnapura Districts. The factories on Clyde, Culloden, Doloswella, Kiribathgala, Kiriwanaketiya and Peenkande estates have capacity of processing daily, approximately 10,000 Kgs of Thick Pale Crepe (TPC) rubber, whilst the Ribbed Smoke Sheet (RSS) facilities on Clyde, Culloden, Doloswella, Kiribathgala, Kiriwanaketiya, Niriella and Peenkande have a collective capacity of producing over 3500 Kgs of RSS a day.

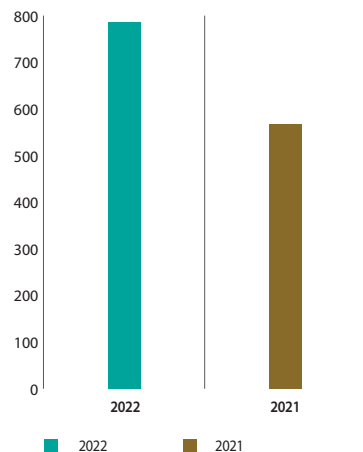
Rubber production in Sri Lanka pointedly dropped by 7.8% to 70.87 million kilos during the year 2022.

Similarly, rubber production of the company dropped to 1,731,210 Kgs from 2,237,768 Kgs recorded in the preceding year reflecting a drop of 22.6% when compared YOY. Accordingly, the Yield per Hectare (YPH) of the company declined to 602 Kgs in 2022 from 727 Kgs achieved during the previous year. The average intake per tapper which measures the productivity of rubber tappers too has slump to 7.23 Kgs in 2022 from 7.24 Kgs recorded in 2021, which is a negligible decline of 0.1% YOY. The main reasons attributing to the decreases are the adverse weather conditions prevailed during the

latter part of the year and to the wide spread "Circular Spot Leaf Disease" which was earlier known as PESTA in all rubber estates in the company. The disease interrupted carrying out recommended number of rounds of stimulation in low frequency tapping areas on the estates. The negative impacts of import ban on chemical fertilizers and agrochemicals by the government might affect the crop as well as the growth of rubber newly planted areas. However, the company has been working with research institutes and also looking at alternative methods to minimize the negative impacts.

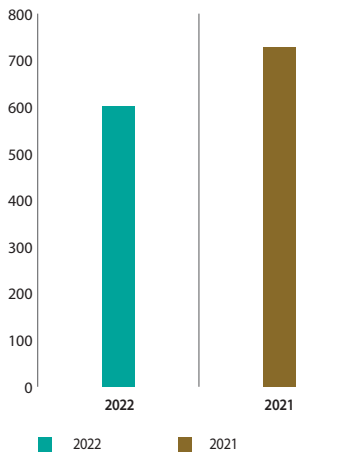
However, during the period under review, rubber prices were encouraging with marginal increases evident throughout the year. The increase in demand for global rubber industrial products resulted in increased rubber prices on offer during the period under review. Consequently, the annual Net Sales Average (NSA) of Rubber inclined to Rs. 785.80 per kilo from Rs.566.00 per kilo, recording a substantial increment of 38% against the preceding year while the revenue generated from the rubber segment indicated a marginal growth of 13% vis-à-vis year 2021.

NET SALES AVERAGE (NSA RUBBER)

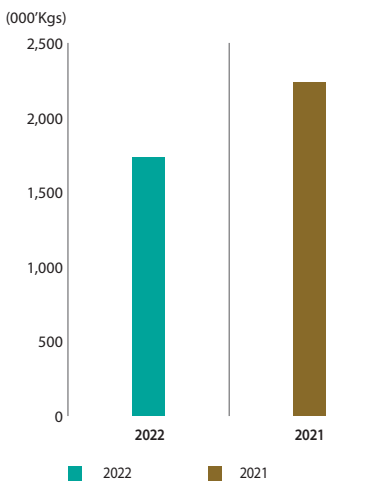


# MANAGEMENT DISCUSSION & ANALYSIS

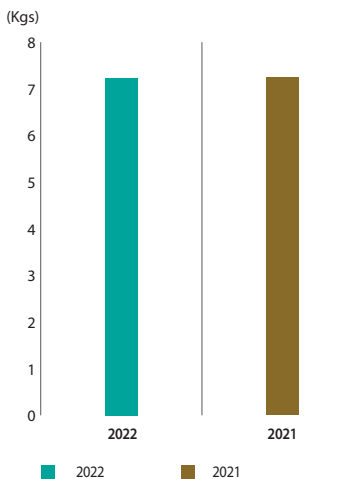
**YEILD PER HECTARE (YPH RUBBER)**



**CROP PRODUCTIONS (RUBBER)**



**INTAKE PER TAPPER (RUBBER)**



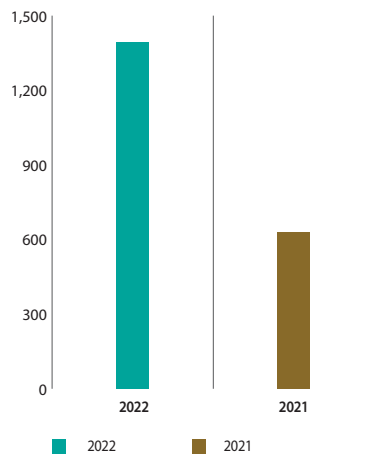
## TEA

The company possess three tea estates in the up-country region and a further three estates in low-country. The overall tea production in Sri Lanka shrank approximately by 16.0% YOY. In line with same the tea production of the company too declined to 1.84 million Kgs from 2.40 million Kgs recorded during the previous financial year. The segment depicted a revenue of Rs. 2,208 million compared to a revenue of Rs. 1,579 million generated during the preceding year signifying a growth of 40% compared to the year 2021.

The tea segment reported a gross profit of Rs. 434 million in 2022 against a gross loss of Rs. 57 million recorded in year 2021. The improved tea prices contributed towards posting an incremental revenue in the tea segment despite the decline in the production owing to increase in auction prices.

The Company continued in pursuing all possible measures to improve productivity and the quality of the tea manufactured during the year. Having undertaken all recommended agricultural practices, including timely application of foliar and ground fertilizers, and introduction of eco friendly Compost etc., have thus contributed towards such desired improvements.

**NET SALES AVERAGE (NSA TEA)**

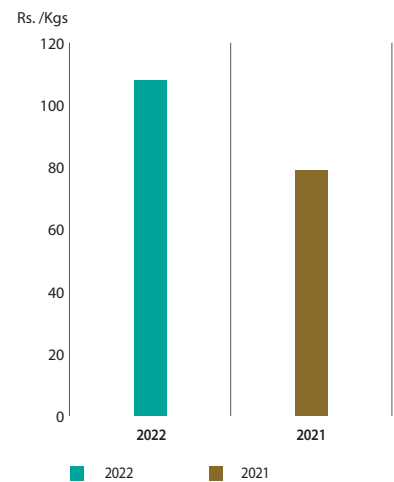


## OIL PALM

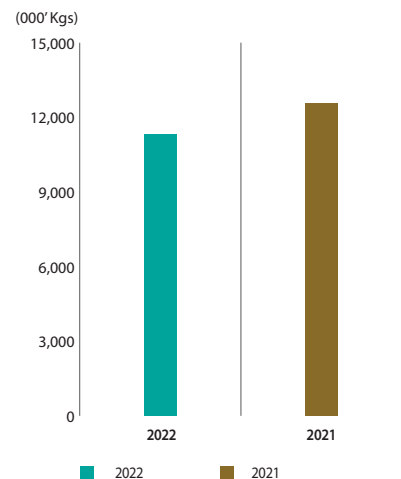
The Oil palm segment of the company continued to indicate an improvement during the year under review, where revenue grew by Rs. 229 million and stood at Rs. 1,218 million during 2022 vis-à-vis Rs. 989 million recorded in 2021. The segmental profit too increased by Rs.135 million from Rs. 737 million in 2021 to Rs. 872 million during the current year. Nevertheless, crop production of the segment declined from 12,542,320 Kgs in 2021 to 11,320,017 Kgs during the current year.

The appreciable financial performance of the Oil Palm segment mainly contributed towards the increase of the company profitability during the year.

**NET SALES AVERAGE (OIL PALM)**



**CROP PRODUCTION (OIL PALM)**



## CAPITAL EXPENDITURE

The company has invested more than Rs. 557 million in replanting Tea & Rubber, on factory renovation and upgrading etc during the year while the corresponding investments made during the preceding year amounted to Rs. 417 million. The objective of the accelerated replanting program and enhanced capital investments were made mainly to ensure future sustainability and growth. Despite many financial and operational constraints faced during the year the management yet focused on long term investment in major resources of the company to develop a sustainable business model while increasing productivity.

During the year 2022, an extent of 262.24 hectares of rubber was replanted as compared to 303.26 hectares replanted in the previous year and a further 73.56 hectares of tea too was replanted in 2022. Continuing the company's ambitious Replanting Program, the lands are being prepared to replant another 467 hectares in the year 2023. The requirement of planting materials will be obtained from 04 central nurseries which have been already established on Ambetenna, Clyde, Niriella and Peenkande Estates. An amount in excess of Rs.14.1 million has been incurred on building renovations, plant and machinery, vehicles, equipment etc in 2022.

## FINANCIAL REVIEW OF THE COMPANY

The Company has achieved a net profit of Rs. 1,635 million after tax in 2022 against a profit of Rs. 1,109 million recorded during the previous financial year while from group's point of view, a group profit of Rs 1,765 million was recorded during the period under review as opposed to a profit of Rs. 1,180 million recorded in the previous year.

Summary of key financial performance indicators:

Performance Measure	2018	2019	2020	2021	2022
Revenue (Rs. 000)	2,479,687	2,703,420	2,832,331	3,867,404	5,127,380
Revenue Growth YOY (%)	36%	9%	5%	37%	33%
Gross Profit/ (Loss) (Rs.000)	(8,266)	(49,990)	274,448	895,518	1,589,952
Gross Profit/ (Loss) Margin	(0.33%)	(2%)	10%	23%	31%
EBIT (Rs.000)	(74,002)	(27,261)	619,763	1,084,901	1,902,782
EBIT Growth YOY (%)	(116%)	(63%)	2373%	75%	75%
Capital Expenditure (Rs.000)	540,518	256,304	249,124	455,634	557,722
Cash Flow from Operations (Rs. 000)	629,958	359,845	(1,446,753)	(386,347)	444,198
Total Debts (Rs.000)	661,050	464,141	25,000	612,400	513,460

During the period under review, the Company posted an annual turnover of Rs. 5,127 million showcasing the highest revenue recorded during the past five years performance of the Company. The revenue generated through Tea and Oil Palm segments have predominantly contributed towards the incremental revenue reflecting a substantial growth of 40% and 23% year-on-year respectively. Accordingly, during the past five years, the company revenue has grown by 107%, signifying notable improvements in its performance throughout the recent past. Similarly, gross profit too reflected a substantial growth of 78% compared to the preceding year with an improved GP margin of 31%. Earnings before interest and tax (EBIT) has also improved to Rs.1,902 million in 2022, mainly owing to increased prices coupled with the productivity and efficiency measures implemented by the management.

The company has also invested over Rs. 557 million on capital expenditure, including replanting, factory renovations, plant and machinery etc which has contributed towards boosting the performance in the present year and future years ahead. Moreover, the company has managed to maintain a positive cash flows from operation depicting a turnaround in cash flow constraints with stringent cost management techniques adopted by the company.

## SOCIAL WELFARE AND TRAINING PROGRAMS

Employee advancement and wellbeing are key concern of the company. The company has focused its efforts on their welfare and skills development, aimed towards motivating the workforce and uplifting their living standards. Even during the pandemic, our commitment to the welfare of our workforce and the plantation community continued unhindered. In-house and external training programs have been conducted to improve skills and competencies of the workforce. The company also implemented awareness and skill development programs with the assistance of the national co-operative council to enhance the knowledge and technical expertise of the employees.

## MANAGEMENT DISCUSSION & ANALYSIS

The company also organized numerous health programs aimed at helping the estate community in prevention of diseases, alcoholism and to maintain good health. Immunization, ante-natal and family planning clinics too were conducted routinely in collaboration with PHDT and government health institutions. Diagnostic clinics were also conducted on cancer, diabetes, tuberculosis and eye diseases on a regular basis.

### SUSTAINABILITY AND WAY FORWARD

Productivity and operational efficiencies are top priorities towards achieving long-term sustainable development of the company. The management has shown much concern on the importance of continuous replanting of Tea and Rubber together with commercial timber plantations, even during the pandemic. In addition to the investments in field and factory development, improved agricultural practices too have been vital towards increasing productivity and the quality of produce. Margins in the Rubber Sector will continue to be pressured by increasing labour costs and production. However, growth witnessed in the momentum of tea and rubber prices have created an opportunity for the company to mitigate prevailing negative impacts and achieve organizational objectives.

The way forward for the plantation industry is based on value addition and efficiencies. Our corporate strategies are therefore directed to ensure continuous development of our core plantation businesses whilst pursuing diversification-led growth for the future sustainability.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Agalawatte Plantations PLC have pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2022 and the Auditor's report thereon.

The Board of Directors approved this report at the Board meeting held on 30th May 2023.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of cultivation, production, processing and sale of Tea, Rubber and Oil Palm and selected non-crop diversification initiatives.

The group has invested in 33.33% of stated capital of AEN Palm Oil Processing (Pvt) Ltd, a joint venture involved in the business of processing Palm Oil.

## PARENT ENTERPRISE

D.R. Investments (Pvt.) Ltd, an affiliated company of Damro Group is the parent undertaking of the Company as at 31st December 2022 and holds 51% of stake as at 31st December 2022.

The financial statements of the Company are given on pages 38 to 105.

## AUDITORS' REPORT

The Auditors' report on the financial statements is given on pages 34 to 37.

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 42 to 54.

## REVIEW OF OPERATIONS AND PERFORMANCE

Review of financial and operational performance and future business developments of the Company are discussed in the Chairman's Statement on pages 06 to 08 and Management Discussion & Analysis on pages 11 to 14.

## CORPORATE GOVERNANCE/INTERNAL CONTROL

The Board has overall responsibility for the Company's corporate governance and systems of internal controls. The company has complied with the Corporate Governance Rules laid down under the listing rules of the Colombo Stock Exchange. Details of Corporate Governance practices of the Company and specific measures taken with regard to internal controls are elaborated on pages 17 & 21.

## DIRECTORATE

The members of the Board during the financial year ended 31st December 2022 were as follows.

### Mr. A.S. Amarasuriya

*(Chairman/Independent Non-Executive Director)*

Mr. R.K.A. Ranaweera

*(Independent Non-Executive Director)*

### Mr. G.P.N.A.G. Gunathilake

*(Executive Director/CEO/Managing Director)*

### Mr. W.A. A. Asanga

*(Non-Independent Non-Executive Director)*

### Mr. L.R.W.S. Rajasekara

*(Non-Independent Non-Executive Director)*

### Mr. R.P.L. Ramanayake

*(Non-Independent Non-Executive Director)*

The Profiles of the Board of Directors of the company as at 31st December 2022 are set out on pages 09 to 10 of the Annual Report.

## INDEPENDENCE OF DIRECTORS

The Board has made a determination as to the independence of each non-executive director and confirms that two of the non-executive directors meet the criteria of independence in terms of rule 7.10.4 of Listing Rules.

Each of the independent directors has submitted a signed and dated declaration of his independence against all the specified criteria. Mr. A.S. Amarasuriya is a Director

of Pussellawa Plantations Ltd. The Board taking into account all the circumstances is of the opinion that Mr. A.S. Amarasuriya is nevertheless independent.

## DIRECTORS' REMUNERATION

Directors' remuneration is disclosed in Note 10 to the Financial Statements.

## DIRECTORS' INTEREST IN TRANSACTIONS

The Directors of the Company made the general disclosures provided for in Section 192 (2) of the Companies Act No.07 of 2007. Note 33 to the financial statements have dealt with related party disclosures and include details of their interests in transactions. The shareholdings of Directors as at 31st December 2022 are as follows.

Name of the Director	(No of shares)
Mr. A.S. Amarasuriya	Nil
Mr. R. K. A. Ranaweera	Nil
Mr. G.P.N.A.G. Gunathilake	Nil
Mr. W.A. A. Asanga	Nil
Mr. L.R.W. S. Rajasekara	Nil
Mr. R.P.L. Ramanayake	Nil

## AUDITORS

M/S KPMG, Chartered Accountants are deemed to be re-appointed as auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

The Auditors were paid Rs.5, 279,225/- as audit fees and Rs. 308,195/- for non-audit related work.

Based on the declaration made by M/S KPMG (Chartered Accountants) as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than disclosed above.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## EARNINGS AND NET ASSETS PER SHARE

Earnings per share and net assets per share figures are given below:

	2022	2021
	Rs. 000	Rs. 000
Earnings/ (Loss) per share	10.47	7.10
Net assets/ (liability) per share	19.98	9.88

## SEGMENT REPORTING

A segmental analysis of the activities of the Company is given in note 37 to the Financial Statements.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company are given on note 31 to the Financial Statements. Respective transactions and the information provided are in compliance with Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued under Section 13(c) of the Securities Exchange Commission Act.

There were no non-recurrent related party transactions which exceeds 10% of equity or 5% of the total assets of the Group, whichever is lower as per the audited financial statements for the year ended 31st December 2022.

Recurrent related party Transactions which in aggregate value exceeds 10% of the revenue of the Company as per the audited financial statements for the year ended 31st December 2022 were disclosed in Note no 31 to the Financial Statements.

## CAPITAL EXPENDITURE

The total capital expenditure on acquisition of property, plant and equipment and biological assets of the Company Rs. 557.7 million (2021 - Rs. 455 million).

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material contingent liabilities or capital commitments as at 31st December 2022.

## PERSONNEL

The Company had in its employment 3829 (2021: 4140) persons as at 31st December 2022.

## SHARE TRADING INFORMATION

The shares of the Company were listed in the Colombo Stock Exchange from 22nd January 1996.

Information relating to the trading of the Company's shares during 2022 are given below:

	2022	2021
	Rs. 000	Rs. 000
Market value per share -High	83.00	58.00
Market value per share - Low	15.10	26.10
Market value per share - 31 Dec	31.90	53.70

## SHAREHOLDER INFORMATION

As at 31st December 2022, the Company had 15,474 registered shareholders. An analysis of the shareholding, distribution and names of the 20 Major shareholders are given in the Shareholders Information section (Page 106 to 107).

## FLOAT ADJUSTED MARKET CAPITALIZATION

The Company had a float adjusted market capitalization of Rs. 996.8 million and 15,472 public shareholders as at 31st December 2022. Accordingly, the Company is compliant under option 5 of the minimum threshold requirements for the Main Board of the CSE, as per section 7.13. 1. (a) of the Listing Rules of the CSE.

## COMPLIANCE WITH LAWS AND REGULATIONS

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

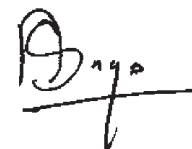
## DONATIONS

There were no donations given during the year ended 31st December 2022.

## NOTICE OF ANNUAL GENERAL MEETING

The Notice of the 28th Annual General Meeting of the Company appears on page 114.

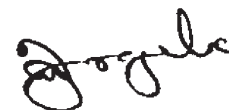
## For and on behalf of the Board



**W.A. Arosha Asanga**  
Director



**L.R.W.S. Rajasekara**  
Director



**Nexia Corporate Consultants (Pvt.) Ltd**  
Secretaries

Agalawatte Plantations PLC

30th May 2023  
Colombo



# CORPORATE GOVERNANCE

Corporate Governance is the system of rules, practices and processes by which a company is directed and controlled. The corporate governance principles and guidelines primarily revolve around the Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC), and Listing Rules of the Colombo Stock Exchange (CSE).

This statement comprises of key highlights on how Agalawatte Plantations PLC complied with the respective principles and practices during the financial year 2022. The Company maintained highest standard of corporate governance in providing valuable oversight and guidance to the management to navigate all day to-day activities through effective strategies and procedures directed for the achievement of medium to long term targets of the company. The Board has also ensured to

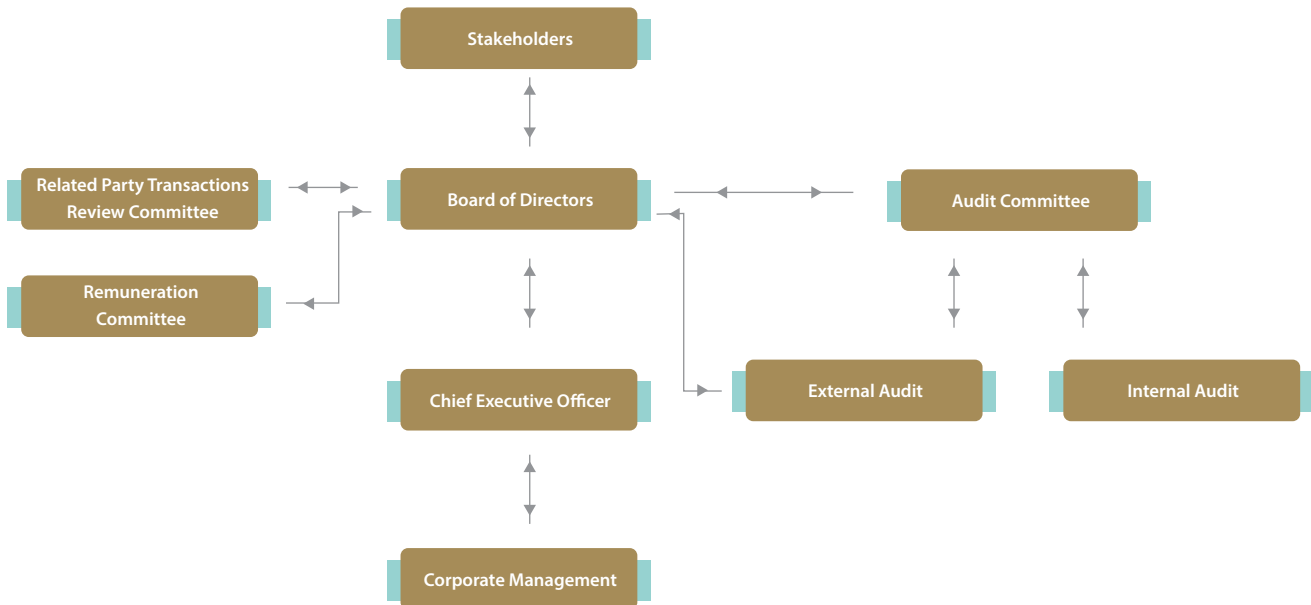
strengthen its role and responsibilities in order to enhance transparency and accountability and emphasize its commitment to the long term growth and sustainability of the company.

The corporate governance framework at Agalawatte Plantations PLC is considered as a vital element to provide sustainable returns for the benefit of all internal and external stakeholders. The Company has continuously focused on developing and maintaining a sound and transparent corporate governance structure whereas the Board members, the senior management team and also entire staff should be bound with the commitment towards adoption and implementation of transparent and effective corporate governance practices within the company with the objectives of improving corporate accountability, business prosperity and shareholder's value of the Company.

## CORPORATE GOVERNANCE FRAMEWORK

Good corporate governance covers the entire accountability framework of an organization. Therefore, it takes into consideration both corporate and business governance and is based on the premise that good governance policy alone cannot make an organization successful. It is only by having in place good corporate governance practices, which are strategically linked to performance management of an organization and able to focus on the key drivers of the business. Consequently, the corporate governance emphasizes the dual role of the Board of Directors in ensuring conformity to good governance and strategic management for adding the value.

The Governance principles and practices provide Directors and management a clear guidance on their duties and responsibilities. The governance structure of Agalawatte Plantations PLC is as follows.



# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

The Board of Directors has overall responsibility for protecting the rights and interests of the stakeholders and accountability for the management of the affairs of the Company. Also, accountable towards attaining a high standard of corporate governance practices as specified by the regulatory bodies and legislations. Therefore, the Board is committed to uphold appropriate standards of corporate governance practices which are fundamental for the achievement of overall objectives, enhancement of shareholders' value and safeguard stakeholders' interests.

Further, the role & key responsibilities of the Board include the followings,

- ⦿ Ensure all stakeholders' interests are considered in corporate decisions.
- ⦿ Direct, manage and control the business and affairs of the Company.
- ⦿ Planning, implementation and controlling of short and long term strategies to achieve the company's overall performance objectives.
- ⦿ Report on their stewardship to shareholders.
- ⦿ Identify the principal risks of the business and ensure adequate risk management systems are in place.
- ⦿ Ensure that internal controls are adequate and effective.
- ⦿ Preparation and presentation of interim and annual financial statements of the Company.
- ⦿ Accurate and efficient financials plans, performance evaluation and budgeting
- ⦿ Ensure compliance with laws and regulations

The composition of the Board of Directors during the year 2022, and the attendance of each Director at the Board meetings held during the financial year are as follows: Brief profiles of the Directors are set in page 09 to 10.

Name of Director	Appointment/ Resignation	Directorship	Independent	Attendance of the meetings
Mr. A.S. Amarasuriya	Appointed w.e.f. 22/06/2017	Chairman Non-Executive Director	Yes	4/4
Mr. R. K. A. Ranaweera	Appointed w.e.f. 20/09/2017	Non-Executive Director	Yes	4/4
Mr. G.P.N.A.G. Gunathilake	Appointed w.e.f. 22/05/2017	Executive Director/ CEO	No	4/4
Mr. W.A. A. Asanga	Appointed w.e.f. 22/05/2017	Non-Executive Director	No	4/4
Mr. L.R.W. S. Rajasekara	Appointed w.e.f. 22/05/2017	Non-Executive Director	No	4/4
Mr. R.P.L. Ramanayake	Appointed w.e.f. 22/05/2017	Non-Executive Director	No	4/4

## BOARD MEETINGS

The Board meetings have been scheduled on a regular basis during the year 2022 and adhoc meetings were held as required. The Board has met four times during the year under review.

The Directors are provided with adequate Board reports and management analysis and relevant information on discussion topics to ensure effective decision making and informed deliberation. The compliance department of the company has provided necessary support to the Board in ensuring that the Board receives timely and accurate information, advices related to corporate governance matters, Board procedures and regulatory requirements during the year under reviewed. Minutes of meetings of the Board are also tabled at the Board meetings for the Board's information. The Company Secretary is responsible for the administration of the Board meetings and maintaining board minutes and records.

## INDEPENDENCE

Independence of the Directors has been determined in accordance with the CSE Listing Rules and Independent Non-Executive Directors have submitted declarations of their independence up on appointments and during the year as required.

The Independence of all its Non-executive directors was reviewed on the basis of criteria given by the CSE Listing Rules 7.10.4 as follows;

Non-executive director shall not be considered independent if he/she,

- A. has been employed by the Listed Entity during the period of two years immediately preceding appointment as a director;

- B. currently has/had during the period of two (2) years immediately preceding appointment as a director, a Material Business Relationship with the Listed Entity, whether directly or indirectly;
- C. has a Close Family Member who is a director, Chief Executive Officer (and/or an equivalent position) in the Listed Entity;
- D. has a 10% Shareholding in the Listed Entity;
- E. has served on the board of the Listed Entity continuously for a period exceeding nine (9) years from the date of the first appointment; provided however, if such director is re-appointed after a period of two (2) years from the date of completion of the preceding nine (9) year period,
- F. is employed in another company or business,
  - i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - ii) in which a majority of the other directors of the Listed Entity have a 10% Shareholding or Material Business Relationship; or
  - iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection;
- G. is a director of another company,
  - i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - ii) that has a Business Connection in the Listed Entity or a Significant Shareholding;
- H. has a Material Business Relationship (income or non-cash benefits equivalent to 20% of the director's income) or a Significant Shareholding in another company or business,
  - i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or
  - ii) which has a Business Connection (transaction value equivalent to 10% of the turnover) with the Listed Entity or 10% Shareholding in the same

### BOARD COMMITTEES

The Board has set up following committees delegated with specific tasks and responsibilities.

- ☉ Audit Committee
- ☉ Remuneration Committee
- ☉ Related Party Transaction Review Committee

The Board has adopted a formal charter that outlines the functions, duties and responsibilities of the Board Committees in line with the Board's objective in pursuing good governance practices.

### AUDIT COMMITTEE

The composition of the Audit Committee meets the requirements in continuous listing rule 7.10.6 of Colombo Stock Exchange, where Independent Directors form the majority of non-executive directors. The members of the Audit Committee as at 31st December 2022 comprised of:

**Mr. R. K. A. Ranaweera**  
*Chairman, Independent Non-Executive Director*

**Mr. A.S. Amarasuriya**  
*Independent Non-Executive Director*

**Mr. L.R.W.S. Rajasekara**  
*Non-Independent Non-Executive Director*

In compliance with CSE continuous listing rule 7.10.6 (a), all committee members are members of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee reviews, monitor and supervise financial reporting process, monitors the works of the internal audit function and ensures an objective and professional relationship is maintained with external auditors. The Committee ensures that the accuracy and timely disclosure, transparency, integrity, consistency and quality financial reporting of the Company. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report on page no. 29 to 30.

### REMUNERATION COMMITTEE

Remuneration Committee consists of the following Directors, all of whom are Non-Executive Directors:

**Mr. A.S. Amarasuriya**  
*Chairman, Independent Non-Executive Director*

**Mr. R. K. A. Ranaweera**  
*Independent Non-Executive Director*

**Mr. W. A. A. Asanga**  
*Non-Independent Non-Executive Director*

The remuneration committee of the company recognizes the following as its key duties and responsibilities.

- ☉ Assist the Board by establishing a remuneration policy which attract, retain and motivate all executive directors, the CEO and key management personnel (KMP).
- ☉ The committee will track the competitors' remuneration structures in order to persuade executive directors to remain with the company.

## CORPORATE GOVERNANCE

- Assist the Board in evaluating the performance of the CEO and KMPs, in order to recommend suitable rewards.

The report of the Remuneration Committee is on the Page 28.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The key objective of the Related Party Transactions Review Committee is to ensure that the interests of shareholders as a whole are taken into account by the company when entering into Related Party Transactions. Further, the Committee provides an independent review, approval and oversight of all the proposed related party transactions to maintain the key principles of the company, accountability and the transparency. The committee members as at 31st December 2022 are as follows.

**Mr. R. K. A. Ranaweera**

*Chairman, Independent Non-Executive Director*

**Mr. A.S. Amarasuriya**

*Independent Non-Executive Director*

**Mr. W. A. A. Asanga**

*Non-Independent Non-Executive Director*

**Mr. L.R.W.S. Rajasekara**

*Non-Independent Non-Executive Director*

The related party transactions review committee report on page 27 describes the activities carried out during the financial year.

### CORPORATE MANAGEMENT

The Board has delegated its responsibilities to be discharged by Board through sub-committees and senior management team headed by Chief Executive Officer. Management team comprises of Chief Executive Officer, Chief Operating Officers, Head of Finance, and General Managers etc. The senior management team oversees the day to day management of the business and

affairs of the Company under the direction and supervision by the CEO. For administrative purposes, the operations of the Company have been effectively divided into three geographic regions, namely the Nuwara Eliya, Ratnapura and Kalutara Districts. The General Managers are in charge of Tea, Rubber and Oil Palm estates respectively.

### RELATIONSHIP WITH SHAREHOLDERS

The Board of Directors is directly responsible for overall company's activities to the shareholders of the Company. Therefore the Board of directors and its management provide utmost priority and importance to ensure that complete and accurate disclosure of financial and non-financial information are made to the shareholders on regular basis.

The Annual General Meetings/Extra-ordinary General Meeting are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the annual report, quarterly financial statements and press releases. Further, contact details are published in both Quarterly Financial Statements as well as in the Annual Report & the Shareholders are able to contact the Company Secretaries or Senior Management at any given time.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The Board periodically reviews and assesses the internal control system with a view to increase the efficiency and productivity of the Company's wealth.

The governance structure of the company is designed to ensure that the internal audit division of the Group reporting to the Audit Committee, regularly evaluates the internal control system and its findings are reviewed

and significant issues are thereafter reported to the Board.

The structure is designed to provide reasonable care of,

- Reliability of financial and other management information
- The prevention of fraud and irregularities.
- Efficiency and effectiveness of operations
- Compliance with relevant national laws and Company regulations.

Further the Board confirms that there is an ongoing process to identifying, evaluating and managing the significant risk associated with the operation of the company. Strategies adopted by new management during the period under review, to manage its risk are set out in its report on Risk Management on page 22 to 26.

### STAKEHOLDER RELATIONS

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders. The fundamental mode of communication between the Company and the shareholders are through the Annual Report, Interim Reports and Annual General Meeting. Further other stake holders such as trade suppliers, customers, and regulatory authorities including the government would also have significant importance in keeping active dialogue and relationship which ensures the continuous success of the business.

### COMPLIANCE

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations and financial statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly.

Corporate Governance Requirements listed under Section 7 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE listing rules Section	Provision	Level of compliance
7.10.a	Publishing a statement in the annual report for the financial year confirming compliance with the Corporate Governance rules and if unable to confirm compliance setting out the reasons for non-compliance	Complied
7.10.b	Giving an affirmative statement in the annual report with regard to complying with Corporate Governance rules or vice versa	Complied
7.10.c	Exemption to comply with Corporate Governance rules	Not Applicable
7.10.1.a	Composition of Board of Directors	Complied
7.10.1.b	Basis of calculating the total number of Directors	Complied
7.10.1.c	Rectification of changes to the ratio between total and Non-executive Directors	Not Applicable
7.10.2.a	Presence of independent Non-executive Directors and the ratio	Complied
7.10.2.b	Declaration by Non-executive Directors with regard to independence or otherwise	Complied
7.10.3.a	Annual determination of independence or non-independence of Non-executive Directors, by the Board of Directors and setting out in the annual report the names of Directors determined to be independent	Complied
7.10.3.b	Disclosure in the annual report with regard to determination of independence of a Director who does not meet the criteria for being independent	Complied
7.10.3.c	Publishing in the annual report a brief resume of each Director including the nature of expertise in the relevant functional areas	Complied
7.10.3.d	Providing a brief resume of each Director to the exchange upon appointment	Complied
7.10.4.a-h	Criteria for defining 'independence'	Complied
7.10.5.a	Composition of the Remuneration Committee	Complied
7.10.5.b	Functions of the Remuneration Committee	Complied
7.10.5.c	Disclosure in the annual report of the names of the Directors on the remuneration Committee, remuneration policy and setting out the aggregate remuneration paid to executive and Non-executive Directors	Complied
7.10.6.a	Composition of the Audit Committee	Complied
7.10.6.b	Functions of the Audit Committee	Complied
7.10.6.c	Disclosure in the Annual Report	Complied
7.10.7.a-k	Failure to comply with rule 7.10 and resultant regulatory procedures	Not Applicable
9.2.1	Reviewing of related party transactions by Related Party Transactions Review Committee	Complied
9.2.2	Composition of the Related Party Transactions Review Committee	Complied
9.2.4	The Committee shall meet at least once a calendar quarter and minutes of meetings are properly documented and communicated to the Board of Directors	Complied
9.2.5	Access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions	Complied
9.2.6 & 9.2.7	Where necessary, the committee shall request the Board of Directors to approve the Related Party Transactions prior to entering in to the relevant Related Party Transaction.	Complied
9.3	Immediate disclosures and the disclosures in the Annual Report	Complied

# RISK MANAGEMENT

Risk implies that the uncertainty, arising due to deviating the actual outcome from its expected outcome. The types of risks and its consequences varies from business to business. Uncertainties range from both risk and opportunities to the organizations. However, the negative outcome can often be led to direct financial losses, resulting in earnings volatility or in an extreme scenario in financial distress. The effective risk management is vital for a company to minimize the negative consequences of risks. Risk management is the process, analyzing, assessing, controlling, minimizing or elimination of risks to achieve company objectives.

Since the Company operates in a challenging environment, it is exposed to a multiple of risks associated with cultivating and processing of tea, rubber and oil palm within

the economic environment and industry in which it operates. Therefore, the Board of Directors has placed special emphasis on the assessment and managing risk of the company during the year under review.

## RISK MANAGEMENT PRINCIPLES

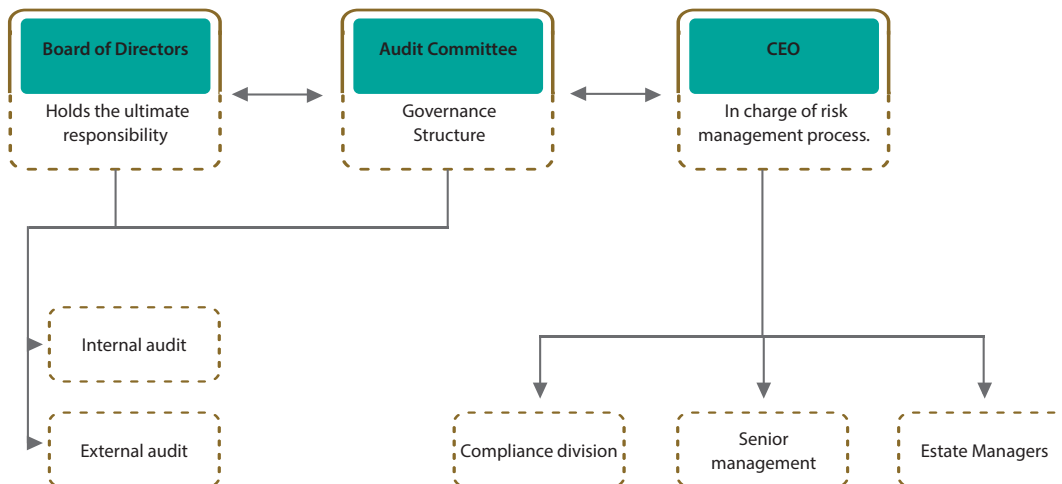
The risk management principles of the company indicate its approach to the management of risks and the culture that the Group wishes to sustain.

### Key objectives of risk management

The company aims to achieve the following key objectives by implementation of an effective risk management process management,

- i) Provide clear accountability and responsibility for risk management
- ii) Material issues are determined and resolved through a strong risk management process
- iii) Ensures to implement a sound system of controls including financial, operational and compliance are in place, to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.
- iv) Internal audit team provides assurance on the effective functioning of processes and a whistle blowing policy is in place providing a direct line to the Board.

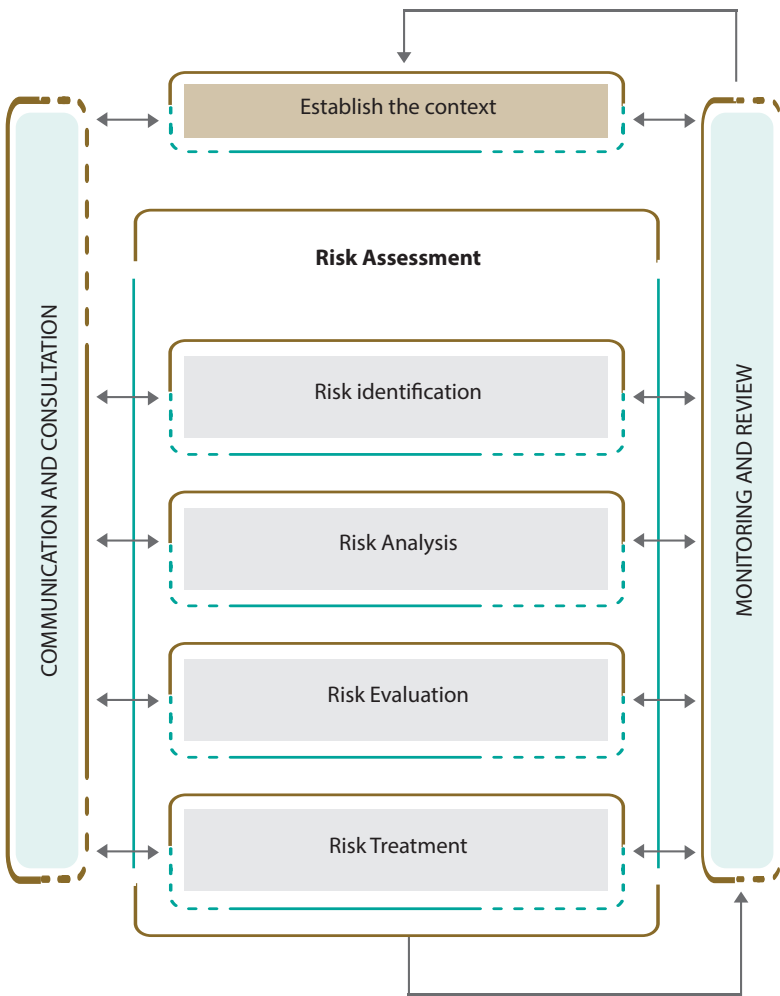
Risk management structure of the company is as follows.



**RISK MANAGEMENT STEPS**

The risk management is considered as one of the important functions of the Company. With an understanding of vast opportunities and threats prevailing in the plantations industry, the management has stepped in to the following risk management process/steps.

The risk management steps include:



**ESTABLISH THE CONTEXT**

- ⦿ Define the scope of objectives: i.e. what activity, decision, project, program, issue requires analysis
- ⦿ Identify relevant stakeholders/areas involved or impacted
- ⦿ Internal and/or external environment/factors

**IDENTIFY THE RISK**

- ⦿ Assess, what could happen? How and where it could happen? Why it could happen? What is the impact or potential impact?

**ANALYZE THE RISK**

- ⦿ Identify the causes, contributing factors and actual or potential consequences
- ⦿ Identify existing or current controls
- ⦿ Assess the likelihood & impact/consequence to determine the risk rating

**EVALUATE THE RISK**

- ⦿ Is the risk acceptable or unacceptable?
- ⦿ Does the risk need treatment or further action?
- ⦿ Do the opportunities outweigh the threats?

**TREAT THE RISK**

- ⦿ If existing controls are inadequate identify further treatment options
- ⦿ Devise a treatment plan
- ⦿ Seek endorsement & support for treatment
- ⦿ Determine the residual risk rating once the risk is treated

# RISK MANAGEMENT

## COMMUNICATE & CONSULT

At all stages of the process, it ensures those responsible for managing risk, and those with vested interests, understand the basis on which decisions are made, why particular treatment options are selected or why risks are accepted/tolerated.

## MONITOR & REVIEW

Continually checking of effectiveness of risk controls and/or treatments, changes in context or circumstances, and document & report this activity accordingly.

## PRINCIPAL RISKS

Risk	Potential Impact	Risk Minimization Strategies	Risk rating
<b>Business risks</b>			
Crude oil prices impacting prices of the produce.  Supply of Competitors affecting Sri Lankan auction prices.  Fluctuation of interest rates  Domestic instability in foreign markets  Political Risk	Increase in cost of sales in contrasted to net sales  Affect on profitability, capital expenditure, liquidity etc  Change in government regulations.  affected on operational aspects and new investment ,etc.	Improve the quality of tea, rubber and oil palm to attract higher prices.  Implement cost control & quality improving strategies.  Negotiate forward sale contracts.  Crop diversification  Inventory Controls  Comply with the rules and regulations while maintaining good relationship with government authorities in order to highlight them the industry practices, norms etc.	Overall Rating: High  Probability of occurrence: High  Severity of Impact: High
<b>Climatic Changes</b>  Unfavorable weather patterns and natural disasters	Loss of crop/harvest and increased unit cost of production  Loss of revenue  Due to the natural disasters, potential physical damage to employees, estate residents, cultivation fields and factories.	Crop diversification  Rain guarding to minimize rain interference  Introduce weather resistant clones  Identify landslide prone areas  Analysis and forecast of weather patterns facilitating early preparations  Preparing contingency plans	Overall Rating: High  Probability of occurrence: High  Severity of Impact: High



Risk	Potential Impact	Risk Minimization Strategies	Risk rating
<p><b>Increase in labour cost</b></p> <p>Increase in wage rates which are not linked to output</p>	<p>Higher cost of production</p> <p>Less cost effectiveness.</p>	<p>Implementing of out grower purchasing system</p> <p>Better HR practices at estate levels to increase the output.</p> <p>Enhance the productivity by having a linkage of cost and output.</p> <p>low frequency tapping system (such as D3 &amp; D4) to minimize the cost</p>	<p>Overall Rating: High</p> <p>Probability of occurrence: High</p> <p>Severity of Impact: High</p>
<p><b>Credit risk</b></p> <p>Possibility of defaulting payments which are mainly selling through the auction mechanism.</p>	<p>Liquidity issues</p> <p>Impact on the bottom line</p> <p>Loss of inventories</p>	<p>Implementing a system to control &amp; maximize the recovery of debts arising from direct sales</p> <p>Sound credit control policies and a system of evaluation of credit worthiness of the direct buyers.</p>	<p>Overall Rating: Medium</p> <p>Probability of occurrence: Low</p> <p>Severity of Impact: Moderate</p>
<p><b>Risk of Land acquisition</b></p> <p>The risk exposed to the acquisition of productive land for public purposes</p>	<p>Reducing the cultivation extent of land for the company</p>	<p>Continuous replanting program on productive land areas.</p> <p>Discussion and negotiation to enable losses to be minimized</p> <p>Compensation claims to be lodged for any land acquired</p>	<p>Overall Rating: Low</p> <p>Probability of occurrence: Low</p> <p>Severity of Impact: Low</p>
<b>Operational risks</b>			
<p><b>Risk of High Staff Turnover/ Worker Migration</b></p> <p>Shortage of skilled/ unskilled labour and lower labour productivity</p> <p>The risk of losing workers to other industries/businesses and increasing tendency to avoid plantation work among youth generation.</p>	<p>High labour cost and cost of production</p> <p>Lower bottom line in the income statement</p> <p>Lower growth prospects</p>	<p>Implementation of better HR practices to attract and retain workers.</p> <p>Continuous training &amp; skill development programs.</p> <p>Implement social and welfare programs to motivate the community towards the plantation industry.</p>	<p>Overall Rating: Medium</p> <p>Probability of occurrence: Moderate</p> <p>Severity of Impact: High</p>

## RISK MANAGEMENT

Risk	Potential Impact	Risk Minimization Strategies	Risk rating
<p><b>Ineffective accounting and information systems</b></p> <p>Ineffective internal information, inaccurate information and lack of timely information</p>	<p>Loss of investor confidence</p> <p>Delay in decision making</p> <p>Non-compliances</p>	<p>Implementing a sound system of internal controls.</p> <p>Technology driven information system &amp; new integrated accounting system introduced.</p> <p>Deploy qualified and experienced staff</p>	<p>Overall Rating: Medium</p> <p>Probability of occurrence: Moderate</p> <p>Severity of Impact: High</p>
<p><b>Risk of fraud</b></p> <p>Misappropriation of assets, frauds and misstatements of Financial statements</p>	<p>Impact on the income and profitability</p> <p>Loss of reputation</p> <p>Non-compliances</p>	<p>Sound internal controls &amp; information system</p> <p>Effective internal audit measures &amp; controls</p> <p>Better HR practices</p>	<p>Overall Rating: Medium</p> <p>Probability of occurrence: Moderate</p> <p>Severity of Impact: High</p>
<p><b>Legal &amp; Regulatory Risk</b></p> <p>Non- Compliance with all legal, Company, secretarial, stock market and other regulations</p>	<p>Penalties</p> <p>Loss of reputation</p> <p>Demotivation of employees</p>	<p>Sound internal control and information system</p> <p>Qualified and experienced staff</p> <p>Better supervision</p>	<p>Overall Rating: Medium</p> <p>Probability of occurrence: Moderate</p> <p>Severity of Impact: High</p>

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee is governed by the charter of Related Party Transactions Review Committee of Agalawatte Plantations PLC and in terms of the code of Best Practice on related party transactions issued by the securities and exchange commission of Sri Lanka and the section 9 of the listing rules of the Colombo Stock Exchange.

## THE COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee appointed by the Board comprises of four (04) Non-Executive Directors, two of whom are independent. The following Directors functioned as members of the Related Party Transactions Review Committee as at 31st December 2022.

Mr. R.K.A. Ranaweera – Chairman  
(Independent Non-Executive Director)

Mr. A.S. Amarasuriya  
(Independent Non-Executive Director)

Mr. W.A. A. Asanga  
(Non-Independent Non-Executive Director)

Mr. L.R.W.S. Rajasekara  
(Non-Independent Non-Executive Director)

The Company Secretary functions as the Secretary of the Related Party Transactions Review Committee.

Brief profiles of the Directors representing the Committee are given in page 09 of this Annual Report.

## CHARTER OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is governed by 'Terms of Reference' approved by the Board of Directors. The Statutory and Fiduciary responsibilities of such Committee are those as envisaged in the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka (the "Code") and regulations promulgated by the Colombo Stock Exchange ("The CSE Rules"),

Financial Reporting under LKAS 24 and Code of Best Practices on Corporate Governance 2017 jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

The charter of the Related Party Transactions Review Committee sets out key elements like the composition of the Committee, the Chairman should be a Non - Executive Independent Director, and the Committee should meet at least once in every Quarter. It also includes the guidelines on Related Party Transactions and its reporting. The Committee has direct access to the required data and information in order to discharge its duties and responsibilities and when in doubt, the Committee has the right to obtain appropriate opinions from external Specialists. The charter of the committee is subject to periodic review based on regulatory as well as operational requirements.

## MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee met four time during the year for the purpose of reviewing related party transactions.

The Chief Executive Officer and Head of Finance of the Company attend the meetings to update the Committee and to provide all the necessary information with regard to related party transactions. The Committee reviewed the related party transactions during the financial year at its meetings. The minutes of the meetings were duly recorded and disseminated to the Committee and to the Board of Directors. There were no non-recurrent related parties' transactions occurred during the year under review, requiring immediate announcement to the CSE and/or shareholder approval.

Members	Status	Committee Member Since	Attendance at meetings during 2022
Mr. R.K.A. Ranaweera (Chairman)	Independent Non-Executive Director	21st March 2018	4/4
Mr. A.S. Amarasuriya	Independent Non-Executive Director	31st July 2017	4/4
Mr. L.R.W.S. Rajasekara	Non-Independent Non-Executive Director	31st July 2017	4/4
Mr. W.A. A. Asanga	Non-Independent Non-Executive Director	31st July 2017	4/4

## POLICIES AND PROCEDURES

The Committee is constituted and functions as per Section 9 of CSE Listing Rules, LKAS 24: Related Party Disclosures and the Code of Best Practices on related party transactions issued by the Securities Exchange Commission. The details of related party transactions were circulated to the Committee in advance. All transactions with related parties were based on the arm's length price.

All recurring related party transactions are disclosed in Note No. 31 to the Financial Statements; page no 89 to 93 of this Annual Report.

On behalf of the Related Party Transactions Review Committee



**R.K.A. Ranaweera**

Chairman- Related Party Transactions Review Committee

30th May 2023

# REMUNERATION COMMITTEE REPORT

## COMPOSITION OF THE REMUNERATION COMMITTEE

The Committee appointed by the Board of Directors comprises three Non-Executive Directors, of whom two including the Chairman are Independent Directors. The following Directors serve on the Remuneration Committee as at 31st December 2022 in conformity with the listing rules of Colombo Stock Exchange.

Mr. A.S. Amarasuriya – Chairman  
*(Independent Non-Executive Director)*

Mr. R.K.A. Ranaweera  
*(Independent Non-Executive Director)*

Mr. W.A. A. Asanga  
*(Non-Independent Non-Executive Director)*

Brief profiles of the committee members are given on page 09 to 10 of this Annual Report.

## CHARTER OF THE REMUNERATION COMMITTEE

The Charter determines the terms of reference for the Remuneration Committee.

The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, other Directors and setting the Broad parameters of remuneration for senior executives and assisting the Board in the performance evaluation of the Executive Board.

## MEETINGS OF THE REMUNERATION COMMITTEE

The committee met twice during the year under review. The Minutes of the Remuneration Committee approved by the said committee is circulated and affirmed by the Board of Directors.

## ATTENDANCE AT THE MEETINGS IS AS FOLLOWS

Members	Status	Committee Member Since	Attendance at meetings during 2022
Mr. A.S. Amarasuriya (Chairman)	Independent Non-Executive Director	31st July 2017	2/2
Mr. R.K.A. Ranaweera	Independent Non-Executive Director	21st March 2018	2/2
Mr. W.A. A. Asanga	Non-Independent Non-Executive Director	31st July 2017	2/2

## REMUNERATION POLICY

The committee defines the term “remuneration” as cash and all non-cash benefits whatsoever received in consideration of employment with the company (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).

The remuneration policy is to determine the remuneration and other benefits of the Executive Directors including the Chief Executive Officer, other Directors and other Senior Executives, annually. For this purpose, the committee assists the Board in the performance evaluation of the Executive Board. Therefore, the remuneration packages are linked to individual performances and are aligned with the Company’s short-term and long-term strategy.

The aggregated remuneration/director fees paid to Executive and Non-Executive Directors are disclosed in Note No.10 to the Financial Statements.

## NON-EXECUTIVE DIRECTORS

In the case of determining remuneration for Non-Executive Directors, compensation will be based on time commitment and responsibilities taken on by the Director, and general market practices. The remuneration of Non-Executive Directors will be determined by the Board, as a whole.

The Company Secretary functions as the Secretary of the Remuneration Committee.

On behalf of the Remuneration Committee



**A.S. Amarasuriya**

Chairman- Remuneration Committee

30th May 2023

# AUDIT COMMITTEE REPORT

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board of Directors, appointed by and responsible to the Board of Directors, comprises the following two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as at 31st December 2022 in conformity with the listing rules of Colombo Stock Exchange.

Mr. R.K.A. Ranaweera – Chairman  
(Independent Non-Executive Director)

Mr. A.S. Amarasuriya  
(Independent Non-Executive Director)

Mr. L.R.W. S. Rajasekara  
(Non-Independent Non-Executive Director)

Brief profiles of the committee members are set out on page 09 to 10 of this Annual Report.

The Audit Committee Members have significant and sufficient financial experience as required by the Code of Best Practice in Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange. Their financial knowledge and valuable insight are brought to stand on their judgments, deliberations and directions on matters that come within the Committee's purview.

The Executive Director, Mr. G.P.N.A.G. Gunathilake who is the Chief Executive Officer of the company and Head of Finance attend audit committee meetings by invitation. Also, the External Auditors attend the meetings whenever committee requires their presence. The company secretary functions as the secretary to the Audit Committee.

## CHARTER OF THE AUDIT COMMITTEE

The objectives and duties & responsibilities of the Audit Committee of Agalawatte Plantations PLC are governed by the Terms of References called 'Audit Committee Charter' which is approved and adopted by the Board.

The Audit Committee Charter has been reviewed and revised periodically, in line with the Section 7.10 of the Continued Listing Requirements of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

## MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee meets as and when necessary or appropriate in its judgment, and at least quarterly each year. During the financial year 2022, there were five meetings and attendance of the Committee members are given below. The Chief Executive Officer, Head of Finance, Chief Operating Officer, General Manager and Auditors attended such meetings by invitation and updated the Committee on specific issues.

## ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Members	Status	Committee Member Since	Attendance at meetings during 2022
Mr. R.K.A. Ranaweera (Chairman)	Independent Non-Executive Director	21st March 2018	5/5
Mr. A.S. Amarasuriya	Independent Non-Executive Director	31st July 2017	5/5
Mr. L.R.W. S. Rajasekara	Non-Independent Non-Executive Director	31st July 2017	5/5

## DUTIES AND RESPONSIBILITIES

The Audit Committee Charter of the Company stated that the primary function of the Audit Committee is to assist the Board of Directors of Agalawatte Plantations PLC in fulfilling its oversight responsibilities and its subsidiary with respect to the following:

### Accounting and financial reporting

With the purpose of enhancing the integrity of accounting & financial reporting of Agalawatte Plantations PLC, the committee shall;

- oversee the preparation, presentations and adequacy of disclosures in the financial statements, as per the Sri Lanka Accounting Standards (LKASs/SLFRSs)
- Ensure compliance with rules and regulations which include financial reporting requirements, information requirements of the Companies Act and relevant related regulations.
- Confer with the management and the independent external auditors about the financial statements.
- Review significant or unusual events and accounting estimates.
- Assess whether the financial report represents a true and fair view of the company's financial position and performance, and whether it complies with regulatory requirements.

### Assessment and management of risk and internal controls

## AUDIT COMMITTEE REPORT

The Committee should oversee the adequacy of internal controls and risk assessment procedures to meet the requirements in risk assessment and management principals laid down in CSE listing rules, Code of Best Practices on Corporate Governance and Sri Lanka Auditing Standards.

### ⦿ Compliance with laws and regulations

The Committee should oversee company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. It must also review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function.

### ⦿ Internal and external audit processes

Monitor internal audit function to ensure that it is effective. Also, oversee the external audit function by evaluating and monitoring performance and independence of the company's external auditors. The Audit Committee is also responsible for the development, implementation and monitoring of the Company's policies on external audit.

### SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

#### ⦿ Financial Reporting and Disclosure Requirements

The Committee reviewed the financial reporting system of the company in preparation of its quarterly and annual financial statements to ensure the compliance with statutory and regulatory requirements.

The Committee also reviewed the accounting policies of the Company such other matters as are required to be discussed with the independent External Experts.

The committee reviewed the Annual Report containing the financial statements and also the interim financial statements prior to

release, on the compliance with statutory and regulatory requirements including Sri Lanka Accounting Standards, Companies Act No.7 of 2007, Continued Listing Requirements of the Colombo Stock Exchange and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and recommended their adoption to the Board.

### ⦿ External Audit

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit. The committee closely reviewed the performance of external auditors- M/s KPMG (Chartered Accountants) during the year. The external auditors kept the audit committee informed on an ongoing basis of all matters of significance. The Committee discussed issues with auditors, which were arisen from the audit and corrective action taken where necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the Company while ensuring that the independence of Auditors has not been compromised.

The Audit Committee, having evaluated the performance of the external auditors, has recommended to the Board of Directors that Messrs. KPMG be re-appointed as auditors of the Company for the financial year ended 31st December 2023, subject to the approval of the Shareholders at the next Annual General Meeting.

### ⦿ Internal Controls and Risk Management

The Audit Committee reviews during its meetings the adequacy and effectiveness of the internal controls and its exposure to the business and financial risks. The Committee also ensures that the respective internal controls and the risk management process sufficiently meet with the requirements of the Sri Lanka Auditing Standards and that

the company is in compliance with legal, regulatory and ethical requirements.

### CONCLUSION

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

The Audit Committee concurs that the adoption of the going concern basis in the preparation of the financial statement is appropriate, as described in the Note No 2.7 to the Financial Statements. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved and Messrs KPMG chartered accountant be re-appointed as auditors for the forthcoming year subject to the approval of the shareholder.

On behalf of the Audit Committee



Chairman- Audit Committee

30th May 2023

# RESPONSIBILITIES OF THE MANAGING DIRECTOR AND HEAD OF FINANCE FOR FINANCIAL REPORTING

We hereby confirmed that the Financial Statements of the Agalawatte Plantations PLC are prepared and presented 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, the Listing Rules of the Colombo Stock Exchange, Code of Best Practices on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Company. Further, the significant accounting policies used in the preparation of the Financial Statements are appropriate and are constantly applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors.

The management has also taken proper and sufficient steps in installing a system of internal control 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. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company has closely worked with the external auditors to review their audit plans, assess the manner in which the auditors are performing their responsibilities and to discuss their reports on financial reporting issues. To ensure complete independence, the external auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

The financial statements of the company were audited by M/S KPMG, Chartered Accountants and their report is given on page 34 to 37 of the Annual Report.

The Company has complied with all applicable laws, regulations and prudential requirements and in the opinion of the Company's legal council, the litigations which are currently pending will not have a material impact on the reported financial results or future operations of the Company. It's also confirmed that all taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes paid on behalf of and in respect of the employees of the Company as at the date of Statement of Financial Position have been paid or where relevant provided for.



**G.P.N.A.G. Gunathilake**  
Managing Director/CEO



**I.S. Hatangala**  
Head of Finance

Colombo  
30th May 2023

# 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 page no 36, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the preparation and presentation of financial statements.

Directors of Agalawatte Plantations PLC acknowledged their responsibility under the Sections 150(1), 151, 152(1) and 153 of the Companies Act No. 7 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 ensure to prepare these financial statements on the going concern basis where it's assumed that the Company would continue in business for foreseeable future.

The Financial Statements of the Company for the year ended 31 December 2022 included in this Report, have been prepared and presented in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange. The Directors confirmed that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the Financial Statements. All material deviations from these standards if any, have been disclosed where applicable. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

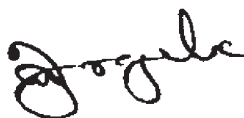
The Board of Directors have taken necessary steps to establish and maintain proper books of accounts and ensure the accuracy and Completeness accounting records. The Directors are also responsible for taking reasonable measures to safeguard the assets

of the Company and in that context to have proper regarded to implement appropriate & sufficient internal control with a view to prevent and detect frauds, errors and other irregularities.

The Board and the audit committee closely liaised with the Auditors, M/S KPMG, Chartered Accountants, and provided relevant information and facilitate to the best of their knowledge to carry out the reviews, tests and examination that they consider appropriate and necessary for the performance of their responsibilities.

The Directors of the Company are of the view that they have discharged their responsibilities as set out in this statement during the year under review.

By order of the Board



**Nexia Corporate Consultants (Pvt) Ltd**  
Secretaries

Agalawatte Plantations PLC

Colombo  
30th May 2023



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# INDEPENDENT AUDITOR'S REPORT



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

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## TO THE SHAREHOLDERS OF AGALAWATTE PLANTATIONS PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Agalawatte Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 38 to 105.

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

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka

(Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

#### 1. MEASUREMENT OF BIOLOGICAL ASSETS

Refer to the significant accounting policies in note 3.3.3 and explanatory note in notes 15 and 16 of the financial statements.

#### Risk Description

The Company has reported consumable biological assets carried at fair value, amounting to Rs. 657 Mn and bearer biological assets amounting to Rs. 2,941 Mn as at 31st December 2022.

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

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

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

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
T.J.S. Rajakerier FCA  
Ms. S.M.B. Jayasekara FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA  
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA(UK), FTI



We identified the measurement of biological assets as a key audit matter because the valuation of consumable assets involved significant assumptions and judgments exercised by the management and the independent valuation expert could be subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer of bearer biological asset require management to exercise their judgment in determining the point at which a plant is deemed ready for commercial harvesting.

**Our audit procedures for consumable biological assets included;**

- ⦿ Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert.
- ⦿ Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price, expected timber content at harvest and harvesting plan.
- ⦿ Obtaining estate wise census books of timber trees and comparing the number of timber trees with the valuation report to ensure the completeness and accuracy of the data and checking the mathematical accuracy of the consumable biological assets valuation.

- ⦿ On sample basis, physically verifying trees during estate visits to assess the girth and height of the respective trees.
- ⦿ Assessing the adequacy of the disclosures made on the fair value of biological assets in the financial statements

**Our audit procedures for bearer biological assets included;**

- ⦿ Testing the design, implementation and operating effectiveness of key internal controls in respect of the capitalization of bearer biological assets.
- ⦿ Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- ⦿ Assessing the reasonableness of the capitalized costs by comparing actual costs transferred to mature plantations from immature plantations with budgeted costs included in annual Board approved budgets to assess if the actual costs are consistent with management expectations at the beginning of the financial year.

- ⦿ Testing immature to mature cost transfer worksheet for selected estates to check whether the amount transferred during the year was consistent with the Company's accounting policy and industry norms.
- ⦿ Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies and related accounting standards.

**2. VALUATION OF RETIREMENT BENEFIT OBLIGATION**

Refer to the significant accounting policies in note 3.7 and explanatory notes in note 27 of the financial statements.

**Risk Description**

The Company has recognized retirement benefit obligation of Rs. 607 Mn as at 31st December 2022. The retirement benefit obligation of the Company is significant in the context of the total liabilities of the Company. The valuation of the Company's retirement benefit obligation require significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the estimation of the Retirement benefit obligation.



We considered the estimation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

### Our audit procedures included;

- ⦿ Assessing the competency, objectivity and 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, future salary increases and mortality rates.
- ⦿ Assessing the adequacy of the disclosures made on the financial statements in accordance with the accounting policy of the Company and related accounting standards.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

**Chartered Accountants**

Colombo, Sri Lanka

30th May 2023.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December	Note	Company and Equity Accounted Investee		Company	
		2022	2021	2022	2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Revenue	5.1	5,127,380	3,867,404	5,127,380	3,867,404
Cost of sales	5.2	(3,537,428)	(2,971,886)	(3,537,428)	(2,971,886)
<b>Gross profit</b>	5.3	<b>1,589,952</b>	<b>895,518</b>	<b>1,589,952</b>	<b>895,518</b>
Other income	6	339,517	143,943	440,177	269,069
Loss on changes in fair value of biological assets	7	(12,048)	(20,612)	(12,048)	(20,612)
Selling and distribution expenses		-	(57)	-	(57)
Administration expenses		(94,310)	(54,361)	(94,310)	(54,361)
Other expenses	8	(20,989)	(4,656)	(20,989)	(4,656)
<b>Results from operating activities</b>		<b>1,802,122</b>	<b>959,775</b>	<b>1,902,782</b>	<b>1,084,901</b>
Finance income		67	73	67	73
Finance costs		(109,219)	(60,622)	(109,219)	(60,622)
<b>Net finance costs</b>	9	<b>(109,152)</b>	<b>(60,549)</b>	<b>(109,152)</b>	<b>(60,549)</b>
Share of profit of equity accounted investee, net of tax	17.1.1	230,595	196,313	-	-
<b>Profit before taxation</b>	10	<b>1,923,565</b>	<b>1,095,539</b>	<b>1,793,630</b>	<b>1,024,352</b>
Income tax (expenses)/reversal	11	(158,113)	85,035	(158,113)	85,035
<b>Profit for the Year</b>		<b>1,765,452</b>	<b>1,180,574</b>	<b>1,635,517</b>	<b>1,109,387</b>
<b>Other comprehensive income</b>					
Actuarial Gain/(Loss) on retirement benefit obligations	27	(81,051)	101,563	(81,051)	101,563
Deferred Tax on other comprehensive income		24,315	(10,664)	24,315	(10,664)
Other comprehensive expense for the year, net of taxes		(56,736)	90,899	(56,736)	90,899
<b>Total comprehensive income for the year</b>		<b>1,708,716</b>	<b>1,271,473</b>	<b>1,578,781</b>	<b>1,200,286</b>
Basic earnings/(loss) per share (Rs.)	12	11.30	7.56	10.47	7.10

(Figures in brackets indicate deductions.)

The Financial Statements are to be read in conjunction with the related notes which form a part of the Financial Statements set out on pages 42 to 105.

# STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Company and Equity Accounted Investee		Company	
		2022 Rs. 000	2021 Rs. 000	2022 Rs. 000	2021 Rs. 000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Right to use assets	13	448,089	429,326	448,089	429,326
Property, plant and equipment	14	670,052	728,190	670,052	728,190
Bearer biological assets	15	2,941,018	2,470,714	2,941,018	2,470,714
Consumable biological assets	16	657,160	680,679	657,160	680,679
Investment in joint venture	17	424,857	294,922	6,990	6,990
<b>Total non current assets</b>		<b>5,141,176</b>	<b>4,603,831</b>	<b>4,723,309</b>	<b>4,315,899</b>
<b>Current assets</b>					
Produce on bearer biological assets	18	22,421	16,979	22,421	16,979
Inventories	19	728,579	388,549	728,579	388,549
Trade and other receivables	20	88,494	122,216	88,494	122,216
Amount due from related parties	21	219,012	28,548	219,012	28,548
Cash and cash equivalents	22	55,679	41,870	55,679	41,870
<b>Total current assets</b>		<b>1,114,185</b>	<b>598,162</b>	<b>1,114,185</b>	<b>598,162</b>
<b>Total Assets</b>		<b>6,255,361</b>	<b>5,201,993</b>	<b>5,837,494</b>	<b>4,914,061</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Stated capital and reserves</b>					
Stated capital	23	2,258,125	2,258,125	2,258,125	2,258,125
Retained Earnings		1,282,251	(426,465)	864,384	(714,397)
<b>Total equity</b>		<b>3,540,376</b>	<b>1,831,660</b>	<b>3,122,509</b>	<b>1,543,728</b>
<b>Non-current liabilities</b>					
Lease Liabilities	25	501,022	468,575	501,022	468,575
Deferred tax liabilities	26	391,498	257,699	391,498	257,699
Retirement benefit obligations	27	606,659	524,567	606,659	524,567
Deferred income	28	188,107	144,739	188,107	144,739
<b>Total non current liabilities</b>		<b>1,687,286</b>	<b>1,395,580</b>	<b>1,687,286</b>	<b>1,395,580</b>
<b>Current liabilities</b>					
Trade and other payables	29	459,178	468,873	459,178	468,873
Amounts due to related parties	30	50,491	774,961	50,491	774,961
Loans and borrowings	24	300,391	612,400	300,391	612,400
Lease liabilities	25	4,570	3,750	4,570	3,750
Bank overdrafts	22	213,069	114,769	213,069	114,769
<b>Total current liabilities</b>		<b>1,027,699</b>	<b>1,974,753</b>	<b>1,027,699</b>	<b>1,974,753</b>
<b>Total Liabilities</b>		<b>2,714,985</b>	<b>3,370,333</b>	<b>2,714,985</b>	<b>3,370,333</b>
<b>Total Equity And Liabilities</b>		<b>6,255,361</b>	<b>5,201,993</b>	<b>5,837,494</b>	<b>4,914,061</b>

(Figures in brackets indicate deductions.)

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements set out on pages 42 to 105.

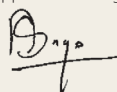
It is certified that these financial statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



I.S. Hatangala  
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors of Agalawatte Plantations PLC.



W.A.A. Asanga  
Director



L.R.W.S. Rajasekara  
Director

# STATEMENT OF CHANGES IN EQUITY

<i>For the Year Ended 31st December</i>	Stated	Retained	Total
	Capital	Earnings	
	Rs. 000	Rs. 000	Rs. 000
<b>Company and Equity Accounted Investee</b>			
Balance as at 1st January 2021	2,258,125	(1,697,938)	560,187
Total comprehensive income for the year			
Profit for the year	-	1,180,574	1,180,574
Other comprehensive expense for the year, net of taxes	-	90,899	90,899
	-	1,271,473	1,271,473
Balance as at 31st December 2021	2,258,125	(426,465)	1,831,660
Balance as at 1st January 2022	2,258,125	(426,465)	1,831,660
Total comprehensive income for the year			
Profit for the year	-	1,765,452	1,765,452
Other comprehensive expense for the year, net of taxes	-	(56,736)	(56,736)
	-	1,708,716	1,708,716
<b>Balance as at 31st December 2022</b>	<b>2,258,125</b>	<b>1,282,251</b>	<b>3,540,376</b>

<i>For the Year Ended 31st December</i>	Stated	Retained	Total
	Capital	Earnings	
	Rs. 000	Rs. 000	Rs. 000
<b>Company</b>			
Balance as at 1st January 2021	2,258,125	(1,914,683)	343,442
Total comprehensive income for the year			
Profit for the year	-	1,109,387	1,109,387
Other comprehensive income for the year, net of taxes	-	90,899	90,899
	-	1,200,286	1,200,286
Balance as at 31st December 2021	2,258,125	(714,397)	1,543,728
Balance as at 1st January 2022	2,258,125	(714,397)	1,543,728
Total comprehensive income for the year			
Profit for the year	-	1,635,517	1,635,517
Other comprehensive expense for the year, net of taxes	-	(56,736)	(56,736)
	-	1,578,781	1,578,781
<b>Balance as at 31st December 2022</b>	<b>2,258,125</b>	<b>864,384</b>	<b>3,122,509</b>

(Figures in brackets indicate deductions.)

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements set out on pages 42 to 105.



# STATEMENT OF CASH FLOWS

For the Year Ended 31st December	Note	Company and Equity Accounted Investee	Company and Equity Accounted Investee	Company	Company
		2022	2021	2022	2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		1,923,565	1,095,539	1,793,630	1,024,352
Adjustments for :					
Share of profit of equity accounted investee	17	(230,595)	(196,313)	-	-
Gain on changes in fair value of biological assets	7	12,047	20,612	12,047	20,612
Depreciation and amortization	10	211,033	216,027	211,033	216,027
Write off of bearer biological assets	8	2,669	-	2,669	-
Write off of obsolete inventories	8	2,672	-	2,672	-
Write off of other receivables	8	2,121	-	2,121	-
Gain on disposal of Property, Plant and Equipment	6	-	(13,087)	-	(13,087)
Gain on disposal of rubber/firewood trees	6	(302,580)	(99,470)	(302,580)	(99,470)
Provision for retirement benefit obligations	27	87,087	82,419	87,087	82,419
Under/(over) provision of unsettled gratuity payable	27	4,540	(790)	4,540	(790)
Dividend income	6	-	-	(100,660)	(125,126)
Interest expenses	9	109,219	60,622	109,219	60,622
Interest income	9	(67)	(73)	(67)	(73)
Write back of Payable		(3,595)	(20,027)	(3,595)	(20,027)
Amortization of government grants	6	(3,384)	(7,845)	(3,384)	(7,845)
<b>Operating profit before working capital changes</b>		<b>1,814,732</b>	<b>1,137,614</b>	<b>1,814,732</b>	<b>1,137,614</b>
<b>Working capital changes</b>					
(Increase) / decrease in inventories		(340,029)	(100,794)	(340,029)	(100,794)
Decrease in trade and other receivables		33,722	7,302	33,722	7,302
Decrease / (increase) in amounts due from related parties		(190,464)	(17,817)	(190,464)	(17,817)
(Decrease) / (increase) in trade and other payables		(9,691)	43,476	(9,691)	43,476
(Decrease) / (increase) in amounts due to related parties		(724,470)	(1,387,534)	(724,470)	(1,387,534)
<b>Cash (used in) / generated from operations</b>		<b>583,800</b>	<b>(317,753)</b>	<b>583,800</b>	<b>(317,753)</b>
Interest paid		(49,017)	(3,443)	(49,017)	(3,443)
Gratuity paid	27	(90,584)	(65,151)	(90,584)	(65,151)
<b>Net cash (used in) / generated from operating activities</b>		<b>444,198</b>	<b>(386,347)</b>	<b>444,198</b>	<b>(386,347)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment in bearer biological assets	15	(595,238)	(437,537)	(595,238)	(437,537)
Investment in consumable biological assets	16	(56)	(629)	(56)	(629)
Purchase of property, plant and equipment	14	(14,155)	(56,494)	(14,155)	(56,494)
Proceeds from disposal of property, plant and equipment		-	18,170	-	18,170
Proceeds from disposal of rubber/firewood trees		304,134	99,732	304,134	99,732
Proceeds from sale of timber trees	16.1	6,084	16,082	6,084	16,082
Capital grant received	28	46,752	55,879	46,752	55,879
Interest Income received		67	73	67	73
Dividend received	17	100,660	125,126	100,660	125,126
<b>Net cash generated from / (used in) investing activities</b>		<b>(151,752)</b>	<b>(179,598)</b>	<b>(151,752)</b>	<b>(179,598)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds Froms Short Term loan borrowings	24	300,391	600,000	300,391	600,000
Repayment of Short Term borrowings	24	(612,400)	(12,600)	(612,400)	(12,600)
Lease rental	25	(64,927)	(60,791)	(64,927)	(60,791)
Proceeds from Rights Issue		-	-	-	-
<b>Net cash generated from/ (used in) financing activities</b>		<b>(376,936)</b>	<b>526,609</b>	<b>(376,936)</b>	<b>526,609</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(84,491)</b>	<b>(39,336)</b>	<b>(84,491)</b>	<b>(39,336)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(72,899)</b>	<b>(33,563)</b>	<b>(72,899)</b>	<b>(33,563)</b>
<b>Cash and cash equivalents at end of the year (a)</b>	22	<b>(157,390)</b>	<b>(72,899)</b>	<b>(157,390)</b>	<b>(72,899)</b>
<b>(a) Analysis of cash and cash equivalents at the end of the year</b>					
Cash in hand and at bank		55,679	41,870	55,679	41,870
Bank overdrafts		(213,069)	(114,769)	(213,069)	(114,769)
		(157,390)	(72,899)	(157,390)	(72,899)

(Figures in brackets indicate deductions.)

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements set out on pages 42 to 105.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

Agalawatte Plantations PLC is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (reregistered under the Companies Act No. 7 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government Owned Business Undertaking into Public Companies Act No. 23 of 1987. The registered office of the Company is located at No 361, Kandy Road, Nittambuwa and Plantations are situated in the planting districts of Nuwara Eliya, Rathnapura and Kalutara.

### 1.2 Financial Statements

The Financial Statements for the year ended 31st December 2022 comprise the Company and its equity accounted investee. (Together referred to as the "Company and equity accounted investee" and individually as "joint venture")

### 1.3 Authorization for issue

The financial statements of Agalawatte Plantations PLC for the year ended 31st December 2022 were authorized for issue in accordance with a resolution of the Board of Directors of the Company dated on 30th May 2023.

### 1.4. Principal Activities and Nature of Operations

#### 1.4.1 Principal Activities

During the year the principal activities of Agalawatte Plantations PLC consist of cultivation, production, processing and sale of tea, rubber and oil palm.

#### 1.4.2 Joint Ventures

Name of the Company	Relationship	Principal business activity
AEN Palm Oil Processing (Private) Limited	Joint Venture	Processing and selling of palm oil

Financial Statements for the period ending on 31st December reviewed by the Auditors have been used in preparation of these Financial Statement.

#### 1.4.3 Immediate and Ultimate Parent Enterprise

The Company's immediate and ultimate parent undertaking as at the date of statement of financial position is D.R. Investments (Private) Limited, a Company incorporated in Sri Lanka.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards 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.

### 2.2 Basis of Preparation

These financial statements of the Company have been prepared in accordance with the historical cost convention except for the following material items in the statement of financial position:

- ⊙ Consumable biological assets are measured at fair value less cost to sell as per LKAS 41 – Agriculture.
- ⊙ Liability for retirement benefit obligations is recognized as the present value of the defined benefit obligation based on the actuarial valuation.
- ⊙ Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41- Agriculture.

### 2.3 Functional and Presentation Currency

The financial Statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Thousand, unless otherwise indicated.

### 2.4 Presentation of Financial Statements

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

### 2.5 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 the Sri Lanka Accounting Standard - 1 on 'Presentation of Financial Statements.

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

## 2.6 Significant Accounting judgments, Estimates and Assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

### a) Judgments

Information about critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are included in the following notes to these Financial Statements;

Financial Statement Area	Disclosure Reference	
	Note	Page
Consumable Biological Assets – Timber	16	73
Produce on bearer biological Assets	18	77
Retirement Benefit Obligation	27	86
Deferred Taxation	26	84

### (b) Measurement of fair value

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financials and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to Head of Finance.

The said officer regularly reviews significant unobservable inputs and valuation adjustments.

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

### Fair Value Measurement Hierarchy

- ☉ **Level I** : Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

- ☉ **Level II** : Inputs other than quoted market prices included within Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

- ☉ **Level III** : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the best estimate of the most appropriate model assumptions.

## NOTES TO THE FINANCIAL STATEMENTS

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes.

Financial Statement Area	Disclosure Reference	
	Note	Page
Consumable Biological Assets - Timber	16	73
Produce on bearer biological Assets	18	77
Retirement Benefit Obligation	27	86

### 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

### 2.8 Comparative Information

Previous period figures and notes have been reclassified wherever necessary to conform to the current year's presentation of the Company.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company unless otherwise indicated.

### 3.1 Jointly Control Entities -

Jointly controlled entities are those entities over whose activities of the Company have joint control, established by contractual agreement. These financial statements include the Company's share of the total recognized gains and losses of joint venture on an equity accounted basis (LKAS-11), from the date that joint control commences until the date that joint control ceases.

### 3.2 Foreign Currency Translations

All foreign exchange transactions are converted to Sri Lankan Rupees, which is the functional and reporting currency of the Company, at the rates of exchange prevailing at the time the payment was made. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the statement of profit or loss.

### 3.3 Assets and Basis of their Valuation

#### 3.3.1 Leased Assets

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

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

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflator, the

Company shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

#### **i) As a Lessee**

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a

change in future lease payments arising from a change in an index or rate, if there is a change in the Company estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payments.

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

#### **Short Term Leases and Leases of Low Value Assets**

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

### **3.3.2 Property, Plant and Equipment**

#### **3.3.2.1 Basis of Recognition**

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

#### **3.3.2.2 Basis of Measurement**

Property, Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

The cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met.

The cost of self-constructed assets includes the cost of materials direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

#### **3.3.2.3 Subsequent Cost**

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the cost of replaced part, and recognizes the new part as

## NOTES TO THE FINANCIAL STATEMENTS

individual assets (major Components) with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in the statement of profit or loss as incurred.

### 3.3.2.4 De-recognition

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

### 3.3.2.5 Land Development cost

Permanent land development costs are the costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalized and amortized 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.

### 3.3.2.6 Depreciation

Depreciation is recognized in the statement of profit or loss on a straight line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term.

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

Buildings	40 years
Plant and Machinery	13 1/3 years to 5 years
Office Equipment	8 years to 3 years
Motor Vehicles	5 years
Furniture and Fittings	10 years
Sanitation, water and electricity	20 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate.

### 3.3.2.7 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 utilization or at the time the asset is commissioned.

## 3.3.3 Biological Assets

### 3.3.3.1 Recognition

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

### 3.3.3.2 Basis of Classification

Biological assets are classified as 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. Tea, Rubber, Oil Palm, Timber, Other plantations and nurseries are classified as biological assets.

Biological assets of the Company are further classified as bearer biological assets and consumable biological assets.

Bearer biological assets includes tea, rubber, oil Palm and other crops, those that are not intended to be sold or harvested, however, used to grow for harvesting agricultural produce from such biological assets.

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

### 3.3.3.3 Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing etc, incurred between the time of planting and harvesting (When the planted area attains maturity) are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest (borrowing cost) attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber & Coconut fields), which come into bearing during the year, has been transferred to mature bearer biological assets and depreciated over their useful life in accordance with the LKAS 16 – Property, Plant and Equipment.

#### 3.3.3.3.1 Immature and Mature Plantations

The cost of replanting and new planting are classified as immature plantations up to the time of harvesting the crop. Further, the general charges incurred on the plantation are apportioned based on the labour days spent on respective replanting and new planting and capitalized on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred. The cost of areas coming into bearing is transferred to mature plantations at end of the financial year.

#### 3.3.3.3.2 Infilling Costs

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only if it increases the expected future benefits from that field, beyond its pre-infilling standard of performance assessment. Infilling costs so capitalized are depreciated over the newly assessed remaining useful life of the relevant mature plantation or the unexpired lease period, whichever is lower.

Infilling cost that are not capitalized have been charged to the statement of Profit or loss for the year in which they are incurred

#### 3.3.3.3.3 Growing Crop Nurseries

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

### 3.3.3.3.4 Amortization

The cost of areas coming in to bearing are transferred to mature plantation and depreciated as follows.

#### Bearer Biological Asset at Cost (Replanting and New Planting)

	No. of Years	Rate
Tea	33 1/3 years	3%
Rubber	20 Years	5%
Oil Palm	20 Years	5%

No amortization is provided for immature plantations.

### 3.3.3.4 Consumable Biological Assets

Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees of the 15 estates of the Company are measured on initial recognition at cost and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41 – “Agriculture”. The cost of young plants which are below 4 years is treated as an approximation to the fair value as the impact on biological transformation of such plants to price during the period is immaterial.

The fair value of timber trees are measured using discounting cash flows method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

### 3.3.3.5 Non-harvested Produce crop on Bearer Biological Assets

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

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) Rubber-One day's crop.

## NOTES TO THE FINANCIAL STATEMENTS

Value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board 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. Rubber crop is fair valued using RSS prices.

### 3.3.4 Capitalization of 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 capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognised as expense in the period in which they are incurred and charged to the statement of Profit or Loss for the period.

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

Borrowing cost incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature bearer biological assets. The capitalization will cease when the crops are ready for commercial harvesting. The amount so capitalized is disclosed in the notes to the financial statements.

## 3.4 Financial Instruments

### 3.4.1 Recognition and initial measurement

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

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

### 3.4.2 Classification and subsequent measurement

#### 3.4.2.1 Financial assets

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

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

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

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

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

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

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

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

- ⦿ The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- ⦿ How the performance of the portfolio is evaluated and reported to the Company's management.
- ⦿ The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- ⦿ The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

Assessment whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that

could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- ⦿ contingent events that would change the amount or timing of cash flows;
- ⦿ terms that may adjust the contractual coupon rate, including variable-rate features;
- ⦿ prepayment and extension features; and
- ⦿ terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

**b) Subsequent measurement and gains and losses:**

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.
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.

**3.4.2.2 Financial liabilities**

**i) 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

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 3.4.3 Derecognition

#### 3.4.3.1 Financial assets

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

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

#### 3.4.3.2 Financial liabilities

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

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

### 3.4.4 Offsetting

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

### 3.4.5 Impairment – Financial Assets Non-derivative financial assets

#### 3.4.5.1 Financial instruments

The Company recognizes loss allowances for ECLs on financial assets measured at amortised cost;

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

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

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

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

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

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be high credit rates.

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

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

#### **3.4.5.2 Measurement of ECLs**

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

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

#### **3.4.5.3 Credit-impaired financial assets**

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

#### **3.4.5.4 Presentation of allowance for ECL in the statement of financial position**

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For the debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

#### **3.4.5.5 Write-off**

For individual customers, the Company has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply

with the Company's procedures for recovery of amounts due. Evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

#### **3.4.5.6 Impairment of Non-Financial Assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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

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

### **3.5. Inventories**

Finished Goods Manufactured from Agricultural Produce of Biological Assets.

## NOTES TO THE FINANCIAL STATEMENTS

These are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the estimated selling price at which inventories can be sold in the ordinary course of business after allowing cost of realization and/or cost of conversion from their existing state to saleable condition.

Input Materials, Spares and Consumables

At actual Cost using Weighted Average Cost Formula.

Agricultural Produce Harvested from Biological Assets

Agricultural produce represent the tea leaves, latex and coconut harvested at the reporting date and which were not further processed at the end of the reporting period. Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest.

The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to their fair value of the agricultural produce.

### 3.6. Liabilities and Provisions

#### 3.6.1 General

##### a) Liabilities

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Noncurrent liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements.

Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

##### b) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events when it is more probable that an outflow of resources will be required

to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized, even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### 3.7 Retirement Benefits to Employees

#### 3.7.1 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

##### Retiring Gratuity

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 No.19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messer's Actuarial and Management Consultants (Private) Limited as at 31st December 2022.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

A provision is recognized in the Statement of Financial Position when the Company has a 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.

The Company recognizes all the re-measurements of the net defined benefit liability in other comprehensive income. Re measurements of the net defined benefit liability comprise an actuarial gain or loss.

The liability is not externally funded. 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 5 years continued services.

### 3.7.2 Defined Contribution Plans - EPF, ESPS, CPPS and ETF

All employees who are eligible for defined Provident Fund Contributions (EPF, ESPS and CPPS) and Employees Trust Fund Contributions are covered by relevant contributory funds in line with respective statutes.

### 3.8 Income Tax Expense

The tax liability is computed according to the provisions of the Inland Revenue Act using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

Deferred tax asset is recognized 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 utilized. Deferred tax assets are required at each reporting date and are reduced to the extent that it is no longer Probable that the related tax benefit will be realized.

### 3.9 Statement of Comprehensive Income

For the purpose of presentation of the statement of comprehensive income, the nature of expenses method is adopted, as it represents fairly the elements of the Company performance.

#### 3.9.1 Revenue

Revenue principally consists of sale of tea, rubber and oil palm. Revenue will be recognised upon satisfaction of performance obligation. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and service.

#### Disaggregation of revenue

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

### 3.10 Segment reporting

A segment is a distinguishable component of the Company 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 Company's business. Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact. Thus, there are no distinguishable components to be identified as geographical segment for the Company. The business segments are reported based on the Company management and reporting structure.

The activities of the segments are described in note 37 in the Financial Statements. The Company transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, investments, consumer biological assets, receivable/payable which cannot be directly allocated and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.11 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 33.

### 3.12 Earnings per share

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

### 3.13 Comparative Figures

The Accounting Policies have been consistently applied by the Company and are consistent with those of the previous year's figures and phrases and have been re-arranged wherever necessary to conform to the current presentation.

### 3.14 Events occurring after the reporting date

All the events after the reporting date known to the present management with certainty and matters arisen during the audit are considered, and where necessary adjustments are made in the financial statements or appropriate disclosures made in accompanying notes. Further, explained in note 32 for more details.

## 4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following new amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning on or after 1st January 2023. Accordingly, the Company has not applied the following amended standards and interpretations in preparing these Financial Statements.

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

- ⦿ Classification of liabilities as current or non-current (amendments to LKAS 1)
- ⦿ Annual improvements to SLFRS Standards 2018-2022
- ⦿ Deferred tax related to assets and liabilities arising from a single transaction (Amendment to LKAS 12)
- ⦿ Disclosure of Accounting policies (Amendments to LKAS 1)
- ⦿ Definition of Accounting Estimates (Amendments to LKAS 8)

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>				
<b>5.1 Revenue</b>				
Revenue from contracts with customers				
Rubber	1,397,850	1,237,453	1,397,850	1,237,453
Tea	2,208,367	1,579,724	2,208,367	1,579,724
Oil palm	1,217,935	989,069	1,217,935	989,069
Others	303,228	61,158	303,228	61,158
<b>Total Revenue (Note 5.1.1)</b>	<b>5,127,380</b>	<b>3,867,404</b>	<b>5,127,380</b>	<b>3,867,404</b>
<b>5.1.1 Timing of Revenue Recognition</b>				
Services transferred at point in time	5,127,380	3,867,404	5,127,380	3,867,404
Services transferred at over the time	-	-	-	-
<b>Total Revenue</b>	<b>5,127,380</b>	<b>3,867,404</b>	<b>5,127,380</b>	<b>3,867,404</b>
<b>5.1.2 Contract Balances</b>				
The following table provides information about receivables from contracts with customers and contract liabilities.				
Receivables, which are included in "trade and other receivables"(Note 20)	21,222	35,346	21,222	35,346
	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>				
<b>5.2 Cost Of Sales</b>				
Industry segment				
Rubber	(1,197,909)	(1,019,996)	(1,197,909)	(1,019,996)
Tea	(1,773,711)	(1,637,035)	(1,773,711)	(1,637,035)
Oil palm	(345,636)	(251,869)	(345,636)	(251,869)
Others	(220,172)	(62,986)	(220,172)	(62,986)
	<b>(3,537,428)</b>	<b>(2,971,886)</b>	<b>(3,537,428)</b>	<b>(2,971,886)</b>

## NOTES TO THE FINANCIAL STATEMENTS

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>				
<b>5.3 Gross Profit/(Loss)</b>				
Industry segment				
Rubber	199,941	217,457	199,941	217,457
Tea	434,656	(57,311)	434,656	(57,311)
Oil palm	872,299	737,200	872,299	737,200
Others	83,056	(1,828)	83,056	(1,828)
	1,589,952	895,518	1,589,952	895,518

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>				
<b>6 OTHER INCOME</b>				
Amortization of Government grants	3,384	7,845	3,384	7,845
Dividend income	-	-	100,660	125,126
Gain on sale of rubber/firewood trees	302,580	99,470	302,580	99,470
Gain on disposal of Property, Plant and Equipment	-	13,087	-	13,087
Restaurant income ( Note 6.1)	15,718	3,514	15,718	3,514
Write back of Other payables	3,595	20,027	3,595	20,027
Sundry income	14,240	-	14,240	-
	339,517	143,943	440,177	269,069

**6.1** Restaurant income is recorded after charging all the relevant expenses incurred in order to generate the sales.

	Note	Company and Equity Accounted Investee		Company	
		2022	2021	2022	2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>					
<b>7 GAIN/(LOSS) ON CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS</b>					
Consumable biological assets (Note 16)		(17,490)	(27,911)	(17,490)	(27,911)
Produce on Bearer Biological Assets (Note 18)		5,442	7,299	5,442	7,299
		(12,048)	(20,612)	(12,048)	(20,612)



	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>				
<b>8 OTHER EXPENSES</b>				
Write-off of trade and other receivables	2,121	-	2,121	-
Write off of obsolete inventories	5,342	-	5,342	-
Other expenses	13,526	4,456	13,526	4,456
	20,989	4,656	20,989	4,656

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>For the Year Ended 31st December</i>				
<b>9 NET FINANCE COSTS</b>				
<b>9.1 Finance Income</b>				
Interest income	67	73	67	73
	67	73	67	73
<b>9.2 Finance Costs</b>				
Interest on Leases (Note 25)	60,202	57,180	60,202	57,180
Interest on loans and overdrafts	49,017	3,442	49,017	3,442
	109,219	60,622	109,219	60,622
Net Finance Costs	(109,152)	(60,549)	(109,152)	(60,549)

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>10 PROFIT BEFORE TAXATION</b>				
Profit before taxation is stated after charging all the expenses including the followings;				
Directors' remunerations	5,700	5,700	5,700	5,700
Auditors' remunerations	4,650	4,200	4,650	4,200
Depreciation / Amortization				
- Right to use Assets (Note 13)	19,229	17,993	19,229	17,993
- Immovable Leased Assets	339	618	339	618
- Property, Plant and equipment (Note 14)	71,952	74,654	71,952	74,654
- Bearer Biological Assets (Note 15)	119,513	122,763	119,513	122,763
Personnel Costs				
- Salaries and Wages	1,311,933	1,271,981	1,311,933	1,271,981
- Defined benefit plan costs - Retiring gratuity (Note 27)	87,087	82,419	87,087	82,419
- Defined contribution plan cost - EPF / CPPS / ESPS and ETF	284,790	271,229	284,790	271,229

For the Year Ended 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>11 INCOME TAX EXPENSES (REVERSAL)</b>				
<b>11.1 Current Income Tax Expenses</b>				
Income tax expense on current year's profit (Note 11.2)	-	1,408	-	1,408
Deferred tax charge/(reversal) (Note 26)	158,113	(90,300)	158,113	(90,300)
Write-off of Economic Service Charge	-	3,858	-	3,858
<b>Taxes included in Statement of Profit or Loss</b>	<b>158,113</b>	<b>(85,035)</b>	<b>158,113</b>	<b>(85,035)</b>
Deferred tax recognised in other comprehensive income (Note 26)	(24,315)	10,664	(24,315)	10,664
<b>Taxes included in Total Comprehensive Income</b>	<b>133,798</b>	<b>(74,371)</b>	<b>133,798</b>	<b>(74,371)</b>

For the Year Ended 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>11.2 Reconciliation between the Taxable Income and the Accounting Profit/(Loss)</b>				
Accounting profit/(loss) before tax	1,923,565	1,095,539	1,793,630	1,024,352
Less :				
Loss on Change in Fair Value of Biological Assets	12,047	20,612	12,047	20,612
Share of profit from equity accounted investee	(230,595)	(196,313)	-	-
Other Sources of Income	-	-	(100,660)	(125,126)
	1,705,017	919,838	1,705,017	919,838
Aggregate disallowable expenses	406,794	421,136	406,794	421,136
Aggregate allowable expenses	(768,330)	(701,619)	(768,330)	(701,619)
	1,343,481	639,355	1,343,481	639,355
Other sources of income liable for tax	100,660	131,066	100,660	131,066
Exempt Gain	(1,095,097)	(676,910)	(1,095,097)	(676,910)
Statutory profit from business	349,044	93,511	349,044	93,511
Set off against accumulated tax losses	(349,044)	(87,644)	(349,044)	(87,644)
Taxable Income	-	5,867	-	5,867
Income Tax Expense at 30% (2021-24%)	-	1,408	-	1,408
<b>11.3 Tax Losses Carried Forward</b>				
Tax Losses Brought Forward	2,575,792	2,881,613	2,575,792	2,881,613
Adjustment in respect of previous years	(80,658)	(218,177)	(80,658)	(218,177)
Claimed during the year	(349,044)	(87,644)	(349,044)	(87,644)
	2,146,090	2,575,792	2,146,090	2,575,792

## NOTES TO THE FINANCIAL STATEMENTS

### 11.4 Applicable Rates of Income Tax

The Inland Revenue (Amendment) Act No. 45 of 2022, was certified by the speaker on 19th December 2022. As per the Amendment Act, the company is liable to pay tax at the rate of 30% on its entire taxable profits. Prior to 1st October 2022, profits from Argo processing and Investment Income are taxed at the rate of 14% and 24% respectively as per the Inland Revenue (Amendment) Act No 10 of 2021. Profits from Agro Farming will continue to be exempt from income tax up to 31st March 2024 under the Inland Revenue Act.

### 12 BASIC EARNINGS / (LOSS) PER SHARE

The basic earnings /(loss) per share has been computed based on profit/ (loss) attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares in issue during the year and calculated as follows:

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
Profit Attributable to Ordinary Shareholders (Rs. '000)	1,765,452	1,180,574	1,635,517	1,109,387
Weighted Average Number of Ordinary Shares in Issue (Nos '000)	156,250	156,250	156,250	156,250
Basic Earnings Per Ordinary Share (Rs.)	11.30	7.56	10.47	7.10

#### 12.1 Diluted Earnings Per Share

There were no potentially dilutive ordinary shares as at 31st December 2022 and there have been no transactions involving ordinary share as at the reporting date which would require restatement of earnings per share.

As at 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>13 RIGHT TO USE OF ASSETS</b>				
<b>JEDB/SLSPC Lands</b>				
As at 1st January	621,569	605,581	621,569	605,581
Remeasurement during the year	37,992	15,988	37,992	15,988
As at 31st December	659,561	621,569	659,561	621,569
<b>Accumulated amortization</b>				
Balance as at 1st January	192,243	174,251	192,243	174,251
Charge for the year	19,229	17,992	19,229	17,992
Balance as at 31st December	211,472	192,243	211,472	192,243
	448,089	429,326	448,089	429,326

### 13.1 Right To Use of Land

Lease agreements of all JEDB/SLSPC estates handed over to the Company have been executed to date. All of these lease are retroactive to 22nd June 1992, the date of formation of the Company. The leasehold rights to the bare land on all of these estates have been taken into the books of the Company on 22nd June 1992, immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board of Directors of the Company decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. Wickramasinghe just prior to the formation of the Company. The fair value as at 22nd June 1992 was taken into the books of Company.

- (a) The Company has obtained 17 estates on lease from Janatha Estates Development Board (JEDB) and Sri Lanka State Plantations Corporation (SLSPC). Some important terms under which these leases have been obtained are as follows:
- (i) The period of the leases is 53 years from 22nd June 1992 to 21st June 2045.
  - (ii) The effective total lease rental for any twelve-month period is the previous twelve-month period's lease rental escalated by the applicable Gross Domestic Product (GDP) deflator. The lease rental is payable quarterly in advance.
- (b) The present value of future lease rentals (excluding the portion arising from the annual escalation of the amount due by using the GDP deflator) is shown as a liability.

## NOTES TO THE FINANCIAL STATEMENTS

### 13.2 Leasehold Rights to Bare Land of JEDB/SLSPC Estate Assets and Immovable (JEDB/SLSPC) Estates Assets on Finance Lease

The Government of Sri Lanka has initiated actions under provisions of the Land Acquisition act to acquire land from lands leased to the Company in Peenkande, Kiribathgalla, Doloswella, Niriella and Noragalla estates located in Ratnapura district; Ambetenna, Mohamedi, Culloden, Clyde, Pimbura and Kiriwanaketiya located in Kalutara district and Labookelle, Weddamulla and Frotoft located in Nuwara eliya district. The total extent of land in question is approximately 289.46 Hectare which has been taken over. As per the lease agreement, the company is entitled to the compensations of any lands acquired. The details are given below.

The details of lands required by the government are given below.

No Lands have been acquired by the government during the year ended 31st December 2022.

District	Estate	Purpose of acquisition	Extent (Hectares)
<b>13.2.a Land Acquired by the Government</b>			
<b>Kaluthara</b>	Pimbura	Provide land for war heroes and to construct a Police station	10.39
	Kiriwanaketiya	Provide land for war heroes	4.59
	Mohamadi	Provide land and houses for war heroes and construct a bridge	14.23
	Clyde	Southern Highway and Provide land for Soldiers	36.02
	Culloden	Southern Highway and Provide land for Soldiers	6.99
<b>Rathnapura</b>	Noragalla	Village expansion and construct a school and for Flood victims	20.64
	Peenkanda	Village expansion	71.62
	Niriella	Village expansion and construct houses for Flood victims	28.63
	Doloswella	Landside Victims and Village expansion	31.68
	Kiribathgala	Village expansion and construct hospital	44.19
	Watapotha	Construct houses for Flood victims	9.90
<b>Nuwara Eliya</b>	Labookellie	Gampola Highway	6.50
	Weddamulla	Gampola Highway and construct School	2.47
	Frotoft	Construct hospital and School	1.61
			289.46

No adjustments have been made to the Financial statements in respect of the lands acquired as the compensation receivable on these acquisitions are not known and the transactions pertaining to those acquisitions have been incomplete as at 31st December 2022.

As at 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>14 PROPERTY, PLANT AND EQUIPMENT</b>				
Immovable (JEDB/SLSPC) assets on finance lease (other than bare land) (Note 14.1)	-	341	-	341
Tangible assets other than biological assets (Note 14.2)	670,052	727,849	670,052	727,849
	670,052	728,190	670,052	728,190

#### 14.1 Immovable (JEDB/SLSPC) assets on finance lease (other than bare land) (Company / Company & Equity Accounted Investee)

As more fully explained in Note 13 to financial statements, all JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in the JEDB/SLSPC estates under finance leases have been taken into the books of the Company as at 22nd June 1992. These assets are taken into the statement of financial position of Company as at 22nd June 1992 and the amortization of immovable lease assets as at 31st December 2022 are as follows.

	Vested improvements	Buildings	Machinery	Other vested assets	Total
	to land				
	Rs. 000				
<b>Capitalized value (22nd June 1992)</b>					
As at 31st December 2022	14,275	46,430	11,259	4,282	76,246
As at 31st December 2021	14,275	46,430	11,259	4,282	76,246
<b>Amortization</b>					
As at 31st December 2020	13,532	46,430	11,259	4,068	75,289
Charge for the year	475	-	-	143	618
As at 31st December 2021	14,007	46,430	11,259	4,211	75,907
Charge for the year	268	-	-	71	339
<b>As at 31st December 2022</b>	<b>14,275</b>	<b>46,430</b>	<b>11,259</b>	<b>4,282</b>	<b>76,246</b>
<b>Written down value</b>					
As at 31st December 2022	-	-	-	-	-
As at 31st December 2021	268	-	-	71	341

## NOTES TO THE FINANCIAL STATEMENTS

### 14.2 Tangible and Intangible assets other than biological assets

Company	2022					
	Land and buildings	Plant and machinery	Motor Vehicles	Sanitation, water and electricity	Equipment	Furniture & Fittings
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Cost</b>						
<b>Freehold assets</b>						
As at 1st January	725,593	333,807	374,465	30,257	86,569	30,679
Additions during the year	-	5,012	1,368	972	2,956	555
Transfers from CWIP	1,952	4,190	-	637	1,341	-
Disposal for the year	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
As at 31st December	727,545	343,009	375,833	31,866	90,866	31,234
<b>Depreciation and Impairment</b>						
<b>Freehold assets</b>						
As at 1st January	(242,050)	(177,346)	(335,138)	(29,062)	(62,123)	(15,193)
Charge for the year	(15,148)	(16,040)	(29,999)	(253)	(8,356)	(2,156)
Disposal for the year	-	-	-	-	-	-
As at 31st December	(257,198)	(193,386)	(365,137)	(29,315)	(70,479)	(17,349)
<b>Written down value</b>						
As at 31st December	470,347	149,623	10,696	2,551	20,387	13,885



		2021									
Capital work in progress	Total	Land and buildings	Plant and machinery	Motor Vehicles	Sanitation, water and electricity	Equipment	Furniture & Fittings	Capital work in progress	Total		
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000		
7,392	1,588,761	708,598	285,048	381,379	30,587	82,952	26,114	28,651	1,543,329		
3,292	14,155	-	22,816	4,146	103	4,226	4,138	21,065	56,493		
(8,120)	-	16,549	25,774	-	-	-	-	(42,324)	-		
-	-	-	-	(11,060)	-	-	-	-	(11,060)		
-	-	445	168	-	(432)	(609)	427	-	-		
2,564	1,602,916	725,593	333,807	374,465	30,257	86,569	30,679	7,392	1,588,761		
-	(860,912)	(226,551)	(162,103)	(304,914)	(28,452)	(57,221)	(12,999)	-	(792,240)		
-	(71,952)	(15,499)	(15,243)	(36,206)	(610)	(4,901)	(2,195)	-	(74,654)		
-	-	-	-	5,982	-	-	-	-	5,982		
-	(932,864)	(242,050)	(177,346)	(335,138)	(29,062)	(62,123)	(15,193)	-	(860,912)		
2,564	670,052	483,543	156,461	39,327	1,195	24,446	15,485	7,392	727,849		

## NOTES TO THE FINANCIAL STATEMENTS

### 14.2.2 Tangible assets other than biological asset (Continued)

Company and Equity Accounted Investee /Company	2022					
	Land and buildings	Plant and machinery	Motor Vehicles	Sanitation, water and electricity	Equipment	Furniture & Fittings
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Cost</b>						
<b>Freehold assets</b>						
As at 1st January	725,593	333,807	374,465	30,257	86,569	30,679
Additions during the year	-	5,012	1,368	972	2,956	555
Transfers from CWIP	1,952	4,190	-	637	1,341	-
Disposal for the year	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
<b>As at 31st December</b>	<b>727,545</b>	<b>343,009</b>	<b>375,833</b>	<b>31,866</b>	<b>90,866</b>	<b>31,234</b>
<b>Depreciation and Impairment</b>						
<b>Freehold assets</b>						
As at 1st January	(242,050)	(177,346)	(335,138)	(29,062)	(62,123)	(15,193)
Charge for the year	(15,148)	(16,040)	(29,999)	(253)	(8,356)	(2,156)
<b>Disposal for the year</b>			-			
Transferred from leasehold assets	-	-	-	-	-	-
Provision for Impairment (Note 14.2.3)	-	-	-	-	-	-
<b>As at 31st December</b>	<b>(257,198)</b>	<b>(193,386)</b>	<b>(365,137)</b>	<b>(29,315)</b>	<b>(70,479)</b>	<b>(17,349)</b>
<b>Written down value</b>						
<b>As at 31st December</b>	<b>470,347</b>	<b>149,623</b>	<b>10,696</b>	<b>2,551</b>	<b>20,387</b>	<b>13,885</b>

		2021									
Capital work in progress	Total	Land and buildings	Plant and machinery	Motor Vehicles	Sanitation, water and electricity	Equipment	Furniture & Fittings	Capital work in progress	Total		
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000		
7,392	1,588,761	708,598	285,048	381,379	30,587	82,952	26,114	28,651	1,543,329		
3,292	14,155	-	22,816	4,146	103	4,226	4,138	21,065	56,494		
(8,120)	-	16,549	25,774	-	-	-	-	(42,324)	-		
-	-	-	-	(11,060)	-	-	-	-	(11,060)		
-	-	445	168	-	(433)	(609)	427	-	-		
2,564	1,602,916	725,593	333,807	374,465	30,257	86,569	30,679	7,392	1,588,761		
-	(860,912)	(226,551)	(162,103)	(304,914)	(28,452)	(57,221)	(12,999)	-	(792,240)		
-	(71,952)	(15,499)	(15,243)	(36,206)	(610)	(4,901)	(2,195)	-	(74,654)		
-	-	-	-	5,982	-	-	-	-	5,982		
-	-	-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-	-	-		
-	(932,864)	(242,050)	(177,346)	(335,138)	(29,062)	(62,123)	(15,193)	-	(860,913)		
2,564	670,052	483,543	156,461	39,327	1,195	24,446	15,485	7,392	727,849		

## NOTES TO THE FINANCIAL STATEMENTS

14.2.3 The cost fully depreciated property, plant & equipment as at 31st December 2022 are as follows,

For the Year Ended 31st December	Company & Equity Accounted Investee	Company	Company & Equity Accounted Investee	Company
	2022	2022	2021	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Buildings	10,348	10,348	10,348	10,348
Plant and machinery	78,888	78,888	78,842	78,842
Motor Vehicles	293,379	293,379	193,772	193,772
Sanitation, water and electricity	21,808	21,808	20,796	20,796
Equipment	34,778	34,778	34,109	34,109
Others	8,192	8,192	8,192	8,192
	447,393	447,393	346,059	346,059

As at 31st December	2022				
	Tea	Rubber	Oil palm	Others	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>15 BEARER BIOLOGICAL ASSETS (COMPANY / COMPANY &amp; EQUITY ACCOUNTED INVESTEE)</b>					
On lease (Note 15.1)	-	-	-	-	-
Investments after formation of the company (Note 15.2)	680,352	1,914,499	342,045	4,122	2,941,018
	680,352	1,914,499	342,045	4,122	2,941,018
<b>15.1 On Finance Lease</b>					
Balance as at 1st January	80,925	203,448	-	-	284,373
Balance 31st December	80,925	203,448	-	-	284,373
<b>Amortization</b>					
Balance as at 1st January	(79,576)	(199,689)	-	-	(279,265)
Amortization for the year	(1,349)	(3,759)	-	-	(5,108)
Balance 31st December	(80,925)	(203,448)	-	-	(284,373)
Carrying Amount	-	-	-	-	-

	2021				
	Tea	Rubber	Oil palm	Others	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
	1,349	3,759	-	-	5,108
	535,811	1,547,403	378,106	4,287	2,465,606
	537,160	1,551,162	378,106	4,287	2,470,714
	80,925	203,448	-	-	284,373
	80,925	203,448	-	-	284,373
	(76,879)	(192,907)	-	-	(269,786)
	(2,698)	(6,781)	-	-	(9,479)
	(79,576)	(199,689)	-	-	(279,265)
	1,349	3,759	-	-	5,108

## NOTES TO THE FINANCIAL STATEMENTS

	2022	2021
	Rs. 000	Rs. 000
<b>15.2 Investments after Formation of the Company</b>		
Immature plantations (Note 15.2.1)	1,514,987	1,067,795
Mature plantations (Note 15.2.2)	1,341,328	1,350,623
Growing Crop Nurseries (Note 15.2.3)	84,703	47,188
	2,941,018	2,465,606

Company	2022				
	Tea Rs. 000	Rubber Rs. 000	Oil palm Rs. 000	Others Rs. 000	Total Rs. 000
<b>15.2.1 Immature plantations</b>					
Balance as at 1st January	240,011	760,079	66,992	713	1,067,795
Additions during the year	154,805	397,902	4,908	106	557,721
Transfer out during the year	(11,413)	(30,838)	(65,609)	-	(107,860)
Adjustments/Write-off during the year	-	-	(2,669)	-	(2,669)
<b>Balance 31st December</b>	<b>383,403</b>	<b>1,127,143</b>	<b>3,622</b>	<b>819</b>	<b>1,514,987</b>
<b>15.2.2 Mature plantations</b>					
Balance as at 1st January	469,309	1,450,047	725,437	8,388	2,653,181
Transfer during the year	11,413	30,838	65,609	-	107,860
Write off During the Year	-	(23,556)	-	-	(23,556)
<b>Balance 31st December</b>	<b>480,722</b>	<b>1,457,329</b>	<b>791,046</b>	<b>8,388</b>	<b>2,737,485</b>
<b>Depreciation</b>					
Balance as at 1st January	(194,475)	(688,945)	(414,323)	(4,815)	(1,302,557)
Charge for the year	(13,958)	(61,875)	(38,300)	(272)	(114,405)
Write off During the Year	-	20,805	-	-	20,805
<b>Balance 31st December</b>	<b>(208,433)</b>	<b>(730,015)</b>	<b>(452,623)</b>	<b>(5,086)</b>	<b>(1,396,157)</b>
<b>Carrying Amount Mature Plantations</b>	<b>272,289</b>	<b>727,314</b>	<b>338,423</b>	<b>3,302</b>	<b>1,341,328</b>
<b>15.2.3 Growing Crop Nurseries</b>					
Balance as at 1st January	20,965	26,222	-	-	47,188
Increase / (Decrease) during the year	3,695	33,820	-	-	37,515
<b>Balance 31st December</b>	<b>24,660</b>	<b>60,042</b>	<b>-</b>	<b>-</b>	<b>84,703</b>
<b>Total</b>	<b>680,352</b>	<b>1,914,499</b>	<b>342,045</b>	<b>4,121</b>	<b>2,941,018</b>

	2021				
	Tea	Rubber	Oil palm	Others	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
	152,652	540,897	56,363	455	750,368
	120,118	286,193	10,629	257	417,197
	(32,759)	(67,011)	-	-	(99,770)
	-	-	-	-	-
	240,011	760,079	66,992	713	1,067,795
	437,012	1,386,217	725,437	8,388	2,557,053
	32,759	67,011	-	-	99,770
	(462)	(3,181)	-	-	(3,642)
	469,309	1,450,047	725,437	8,388	2,653,181
	(181,095)	(628,973)	(378,052)	(4,535)	(1,192,655)
	(13,629)	(63,104)	(36,271)	(280)	(113,284)
	250	3,132	-	-	3,382
	(194,475)	(688,945)	(414,323)	(4,815)	(1,302,557)
	274,834	761,102	311,113	3,574	1,350,624
	9,331	17,517	-	-	26,848
	11,634	8,705	-	-	20,340
	20,965	26,222	-	-	47,188
	535,811	1,547,403	378,106	4,287	2,465,606

## NOTES TO THE FINANCIAL STATEMENTS

**15.2.3** These are investments in bearer biological assets carried at cost (Tea, Rubber, Palm Oil and Mixed Crop) which comprises of immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases are set out in the Notes 15.1 to the Financial Statements. Investment in immature plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since, taken over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out under this note.

<i>For the Year Ended 31st December</i>		2022		2021	
		Extent - Ha	Rs. 000	Extent - Ha	Rs. 000
<b>15.3</b>	<b>Bearer Biological Assets - Capital Expenditure</b>				
	Uprooting				
	- Tea	-	-	8.75	66.07
	- Rubber	-	-	-	-
	- Oil Palm	-	-	-	-
	Planting				
	- Tea	73.56	71,457	48.50	86,033
	- Rubber	262.24	167,562	303.26	141,357
	- Oil Palm	-	-	-	-
	- Mixed Crop	-	-	-	-
	Upkeep				
	- Tea	88.06	83,348	38.37	34,019
	- Rubber	923.16	230,340	594.31	144,836
	- Oil Palm	22.76	4,908	66.32	10,629
	- Mixed Crop	8.20	106	0.61	257
		1,378	557,721	1,060.12	417,197



	Company and Equity Accounted Investee			
	Company		Company	
	2022	2021	2022	2021
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>16 CONSUMEABLE BIOLOGICAL ASSETS</b>				
Mature Plantations (Note 16.1)	653,759	677,334	653,759	677,334
Immature Plantations (Note 16.2)	3,401	3,345	3,401	3,345
	<b>657,160</b>	<b>680,679</b>	<b>657,160</b>	<b>680,679</b>
<b>16.1 Mature Plantations - at fair value</b>				
Balance as at 1st January	677,333	721,327	677,333	721,327
Harvested Trees During the Year	(6,084)	(16,082)	(6,084)	(16,082)
	<b>671,249</b>	<b>705,244</b>	<b>671,249</b>	<b>705,244</b>
Gain Arising from Changes in Fair Value (Note 16.3)	(17,490)	(27,911)	(17,490)	(27,911)
Fair value as at 31st December	<b>653,759</b>	<b>677,333</b>	<b>653,759</b>	<b>677,333</b>
<b>16.2 Immature Plantation - at cost</b>				
Balance as at 1st January	3,345	2,716	3,345	2,716
Additions during the year	56	629	56	629
Transferred to Mature Plantations	-	-	-	-
Balance as at 31st December	<b>3,401</b>	<b>3,345</b>	<b>3,401</b>	<b>3,345</b>

### 16.3 Measurement of Fair value

The valuation of consumable biological assets was carried by Mr.W.M. Chandrasena, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31st December 2022 has been prepared based on the physically verified timber statistics provided by the Company.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 16.3 Measurement of Fair value (Continued)

#### Valuation techniques and significant unobservable inputs

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 31st December 2022.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber	Discounted cash flows	Determination of Timber Content	The estimated fair value would increase/(decrease) if;
Standing timber older than 4 years.	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 .	Timber trees in inter-crop areas and pure crop areas have been identified field-wise and species were identified and harvestable trees were separated, according to their average girth and estimated age.	<ul style="list-style-type: none"> <li>- the estimated timber content were higher/(lower).</li> <li>- the estimated timber prices per cubic ft. were higher/(lower).</li> </ul>
	Expected cash flows are discounted using a risk-adjusted discount rate.	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.	<ul style="list-style-type: none"> <li>- the estimated selling related costs were lower/(higher).</li> </ul>
		<p>Determination of Price of Timber</p> <p>Trees have been valued as per the current timber prices per cubic ft. based on the price list of the State Timber Corporation prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka.</p>	<ul style="list-style-type: none"> <li>- the estimated maturity age were higher/(lower).</li> <li>- the risk-adjusted discount rate were lower/(higher).</li> </ul>
		<p>In this exercise, following factors have been taken into consideration.</p> <p>a) Cost of obtaining approval of felling.</p> <p>b) Cost of felling and cutting into logs.</p> <p>c) Cost of transportation.</p> <p>d) Sawing cost.</p> <p>e) Cost of sale</p> <p>Accordingly, prices falling within the range of Rs. 1000 - 250 per cubic ft. has been considered in the valuation.</p>	
		<p>Risk-adjusted discount rate.</p> <p>2022- 22% (Risk Premium - 3.5%)</p> <p>2021- 15.1% (Risk Premium - 3.5%)</p>	

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

**Regulatory and environmental risks**

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

**Supply and demand risk**

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

**Climate change and other risks**

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

**16.4 Sensitivity Analysis - Price changes**

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:

<i>As at 31st December</i>	-10%	2022	+10%
	Rs. 000	Rs. 000	Rs. 000
Timber	588,383	653,759	719,135
Total	588,383	653,759	719,135

**Sensitivity Analysis 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:

<i>As at 31st December</i>	-1%	2022	+1%
	Rs. 000	Rs. 000	Rs. 000
Timber	660,296	653,759	647,221
Total	660,296	653,759	647,221

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st December	Percentage of holding		Company & Equity Accounted Investee		Company	
	2022	2021	2022	2021	2022	2021
	%	%	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>17 INVESTMENT IN JOINT VENTURE</b>						
AEN Palm Oil Processing (Private) Limited	33.33%	33.33%	424,857	294,922	6,990	6,990
			424,857	294,922	6,990	6,990

### 17.1 SUMMARIZED INFORMATION OF THE JOINT VENTURE

#### 17.1.1 AEN Oil Palm Processing (Private) Limited

The Group has invested in 33.33% of stated capital of AEN Oil Palm Processing (Pvt) Ltd, a Joint Venture involved in the business of processing crude Palm Oil. The Group's interest in AEN Palm Oil Processing (Pvt) Ltd is accounted for by using the equity method in the consolidated financial statements. Summarised financial information of this Joint Venture are set out below.

As at 31st December	Company & Equity Accounted Investee	
	2022	2021
	Rs. 000	Rs. 000
<b>Summarised statement of financial position of AEN Palm Oil Processing (Pvt) Ltd</b>		
Current assets, including cash and cash equivalents	842,885	585,604
Non current assets	1,010,104	833,499
Current liabilities, including tax payable	(435,361)	(344,058)
Non current liabilities, including deferred tax liabilities	(143,058)	(190,280)
Total Equity	1,274,570	884,765
Group's carrying amount of the investment	424,857	294,922

As at 31st December	Company & Equity Accounted Investee	
	2022	2021
	Rs. 000	Rs. 000
<b>17.1.2 Summarized statement of profit or loss of the AEN Palm Oil Processing (Pvt) Ltd</b>		
Revenue	9,074,973	6,524,771
Cost of sales	(8,133,050)	(5,686,803)
Other income	23,588	5,034
Administration expenses including depreciation	(185,898)	(121,110)
Selling & distributions expenses	(2,014)	(1,218)

Finance cost	(11,156)	(14,646)
Profit before taxation	766,443	706,028
Income tax expense	(74,658)	(117,090)
Profit for the year	691,785	588,938
Total comprehensive income for the year	691,785	588,938
Group's share of profit for the year	230,595	196,313
Group's share of profit before tax	255,481	235,343
Group's share of profit after tax	230,595	196,313
Number of shares invested (Nos)	698,997	698,997
Dividend received	100,660	125,126

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>18 PRODUCE ON BEARER BIOLOGICAL ASSETS</b>				
Balance as at 1st January	16,979	9,680	16,979	9,680
Change in fair value of growing crops	5,442	7,299	5,442	7,299
Balance as at 31st December	22,421	16,979	22,421	16,979

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. Value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board 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. Rubber crop is fair valued using RSS prices. The Volume of Produce growing on bearer plants are measured using the estimated crop of the harvesting cycle of the year as follows,

Tea – three day's crop (50% of 6 days cycle), Oil Palm -Five day's crop(50% of 10 days cycle) Rubber – one day's crop

## NOTES TO THE FINANCIAL STATEMENTS

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>19 INVENTORIES</b>				
Input materials	304,429	186,729	304,429	186,729
Inventory in Labookellie tea centre	12,624	7,498	12,624	7,4978
Harvested crops :				
- Tea	361,162	142,293	361,162	142,293
- Rubber	46,141	45,885	46,141	45,885
Consumables and spares	4,223	6,144	4,223	6,144
	728,579	388,549	728,579	388,549

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>20 TRADE AND OTHER RECEIVABLES</b>				
Produce trade receivables	21,222	35,346	21,222	35,346
Advances, deposits and prepayments	67,272	86,103	67,272	86,103
Other debtors	-	767	-	767
	88,494	122,216	88,494	122,216

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>21 AMOUNT DUE FROM RELATED COMPANIES</b>				
D R Industries (Pvt) Ltd	39,731	-	39,731	-
D.R.Home Appliances (Pvt) Ltd	234	5	234	5
Damro Exports (Pvt) Ltd	56,408	13	56,408	13
D.R Rubber Products (Pvt) Ltd	-	114	-	114
Mackply Industries (Private) Limited	3,987	-	3,987	-
D.R. Manufacturing (Pvt) Ltd	-	127	-	127
D R Export (Pvt) Ltd	1,119	-	1,119	-
D R Management Services (Pvt) Ltd	936	-	936	-
Damro Leisure (Pvt) Ltd	17	-	17	-
Furnimix (Pvt) Ltd	789	-	789	-
Pussellawa Plantation Ltd	79,277	-	79,277	-
Piyestra Furniture (Pvt) Ltd	2,366	-	2,366	-
AEN Oil Palm Processing (Pvt) Ltd	33,984	28,289	33,984	28,289
Marino Beach (Private) Limited	164	-	164	-
	219,012	28,548	219,012	28,548

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>22 CASH AND CASH EQUIVALENTS</b>				
<b>Favorable balances</b>				
Cash in hand	6,553	3,358	6,553	3,358
Cash at banks	49,126	38,512	49,126	38,512
	55,679	41,870	55,679	41,870
<b>Unfavorable balances</b>				
Less: Bank overdrafts	(213,069)	(114,769)	(213,069)	(114,769)
<b>Cash and cash equivalents for the purpose of cash flows</b>	<b>(157,390)</b>	<b>(72,899)</b>	<b>(157,390)</b>	<b>(72,899)</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st December	No of Shares			
	2022	2021	2022	2021
			Rs. 000	Rs. 000
<b>23 STATED CAPITAL</b>				
Balance as at 1st January	156,250,000	156,250,000	2,258,125	2,258,125
Balance as at 31st December	156,250,000	156,250,000	2,258,125	2,258,125

### 23.1 Golden Shareholder

The holders of ordinary shares and the Golden Share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Golden Share has been allotted to the Secretary to the Treasury by capitalization of revaluation reserve on 1st August 1995. Articles of Association of the Company embodies the specific rights assigned to the Golden Shareholder on behalf of the State of Democratic Socialist Republic of Sri Lanka. In addition to the rights of the normal ordinary shareholders, in terms of the Articles of the Company, following special rights are vested with the Golden Shareholder.

The Golden share of Rs. 10/- held by the Secretary to the Treasury, enjoys the following special rights:

- The concurrence of the Golden Shareholder should be obtained to sub-lease estate lands and amend the Articles of Association of the Company in which the Golden Shareholder's rights are given.
- The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- The Company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre- specified format agreed to by the Golden Shareholder and the Company.
- The Golden Shareholder shall be entitled to call upon the Board of Directors once in three months to meet him or his nominee to discuss matters of the Company of interest to the estate.
- The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information related to the company in a pre-specified format agreed to by the Golden Shareholder and the Company.

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

The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(12) of the Articles of Association of the Company which deals with the Golden shareholder.

The Company shall obtain the written consent of the Golden Shareholder prior to subleasing, ceding or assigning its rights in part or all of the lands set out in the Article of Association of the Company.



	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>24 LOANS AND BORROWINGS</b>				
Term loans (Note 24.2)	300,391	612,400	300,391	612,400
	300,391	612,400	300,391	612,400
<b>24.1 Maturity analysis</b>				
<b>Amount payable within one year</b>				
Term loans	300,391	612,400	300,391	612,400
	300,391	612,400	300,391	612,400
<b>24.2 Term loans</b>				
<b>(a) Summary</b>				
Balance as at 1st January	612,400	25,000	612,400	25,000
Loans obtained during the year	300,391	600,000	300,391	600,000
Repayments during the year	(612,400)	(12,600)	(612,400)	(12,600)
Balance as at 31st December	300,391	612,400	300,391	612,400
<b>(b) Lender-wise summary</b>				
Sampath Bank PLC	300,391	612,400	300,391	612,400
	300,391	612,400	300,391	612,400

## NOTES TO THE FINANCIAL STATEMENTS

### 24.3 Assets pledged as collaterals by the Company & Equity Accounted Investee

Name of financial institution	Nature of facility	Interest rates and repayment term	Facility granted / rescheduled	Balance as at	Balance as at	Securities pledged
				31.12.2022	31.12.2021	
				Rs. 000	Rs. 000	
Sampath Bank PLC	Covid loan	4% p.a payable monthly together with applicable statutory levies. To be repaid in 17 equal monthly instalment of Rs,1,400,000/- and financial instalment of Rs.1,200,000/- after a capital grace period of 06 months.	-	-	12,400	1. Primary Mortgage Bond for Rs. 160,000,000/-, Secondary Mortgage Bond for Rs. 10,000,000/-, Tertiary Mortgage Bond for Rs. 70,000,000/- & Additional Mortgage Bond for Rs. 50,000,000/- over Lease hold rights (Lease hold rights up to 2045) together with factory building therein of Protoft Estate at Nuwara Eliya.
Sampath Bank PLC	Revolving loan	Payable within 30 days from the date of grant	300,000	300,000	300,000	2. Primary Mortgage Bond for Rs. 50,300,000/- over Leasehold rights (Lease hold rights up to 2045) together with factory building therein of Delgoda Estate at Kalawana.
Sampath Bank PLC	Short Term loan	Payable within 30 days from the date of grant	-	-	300,000	3. Primary Mortgage Bond for Rs. 88,000,000/-, Secondary Mortgage Bond for Rs. 54,100,000/- and Tertiary Mortgage Bond for Rs. 20,400,000/- over Leasehold rights (Lease hold rights up to 2045) together buildings of Pimbura Estate at Agalawatta.
						4. Primary Mortgage Bond for Rs. 171,500,000/- over Lease hold rights (Lease hold rights up to 2045) together with buildings there in of Peenkande Estate in Nivithigala.
Assets pledged as collaterals by the Company				300,000	612,400	

	Company and Equity Accounted Investee			
	Company		Company	
	2022	2021	2022	2021
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>25 LEASE LIABILITY</b>				
Net liability to lessor of JEDB / SLSPC (Note 25.1)	505,592	472,325	505,592	472,325
	505,592	472,325	505,592	472,325
<b>25.1 Net liability to lessor of JEDB / SLSPC</b>				
Balance as at 1st January	472,325	459,949	472,325	459,949
Remeasurement during the year	37,992	15,988	37,992	15,988
Repayments during the year	(64,927)	(60,791)	(64,927)	(60,791)
Interest Charge for the year	60,202	57,180	60,202	57,180
Balance as at 31st December	505,592	472,325	505,592	472,325
<b>25.2 Analysis of net lease liability</b>				
Current liability	4,570	3,750	4,570	3,750
Non current liability	501,022	468,575	501,022	468,575
	505,592	472,326	505,592	472,326
<b>25.3 Maturity analysis of undiscounted cash flows</b>				
(a) Amount payable within one year	66,137	61,295	66,137	61,295
(b) Amount payable after one year and less than five years	264,550	245,180	264,550	245,180
(c) Amount payable after five years	1,157,405	1,133,960	1,157,405	1,133,960
	1,488,092	1,440,435	1,488,092	1,440,435
<b>25.4 Leases as lessee</b>				
<b>i) Amount recognised in the profit or loss</b>				
Lease interest for the year	60,202	57,180	60,202	57,180
Amortisation of Right to Use Assets	19,229	17,993	19,229	17,993
	79,431	75,173	79,431	75,173
<b>ii) Amount recognised in the separate statement of cash flows</b>				
Lease rental paid	64,927	60,791	64,927	60,791
	64,927	60,791	64,927	60,791

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>26 DEFERRED TAX LIABILITIES</b>				
Balance as at 1st January	257,699	337,336	257,699	337,336
<b>Recognised in profit or loss</b>				
Deferred tax Charged/(reversal) during the year	158,113	(90,300)	158,113	(90,300)
<b>Recognised in other comprehensive income</b>				
Deferred tax Charged/(reversal) during the year	(24,314)	10,664	(24,314)	10,664
Balance as at 31st December	391,498	257,699	391,498	257,699

The effective rate used to calculate deferred tax liability as at 31st December 2022 is 30% (2021-10.5%)

The deferred tax liability is relating to the following,

As at 31st December	Taxable/ (deductible) Temporary Difference		Taxable/ (deductible) Temporary Difference	
	Tax Effect		Tax Effect	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Company and Equity Accounted Investee</b>				
Retirement benefit obligation	(606,659)	(181,998)	(524,567)	(55,080)
Net lease liability	(57,502)	(17,251)	(43,000)	(4,515)
Property, plant and equipment	352,293	105,689	326,194	34,250
Bearer biological assets	2,800,318	840,095	2,237,881	234,978
Consumable biological assets	477,805	143,342	457,779	48,067
Tax losses carried forward	(1,661,262)	(498,379)	-	-
	1,304,993	391,498	2,454,287	257,700
<b>Company</b>				
Retirement benefit obligation	(606,659)	(181,998)	(524,567)	(55,080)
Net lease liability	(57,502)	(17,251)	(43,000)	(4,515)
Property, plant and equipment	352,293	105,689	326,194	34,250
Bearer biological assets	2,800,318	840,095	2,237,881	234,978
Consumable biological assets	477,805	143,342	457,779	48,067
Tax losses carried forward	(1,661,262)	(498,379)	-	-
	1,304,993	391,498	2,454,287	257,700

**26.1** The Board of directors of the Company assumes that the prices of tea, rubber will increase favourably or maintain at same level in future resulting the company earning a taxable profit. Accordingly, the deferred tax asset has been recognised in the Financial Statements to the extent of forecasted profit.

**26.2** The Company/ Equity accounted investee has not recognised the following deferred tax assets on accumulated tax losses since it is not probable that future taxable profits will be available against which the Company can utilise the benefit there-from.

	Deductible Temporary Difference		Deductible Temporary Difference	
	Tax Effect		Tax Effect	
<i>As at 31st December</i>	2022		2021	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Company</b>				
On Accumulated Tax Losses	484,828	145,448	2,575,792	270,458

	Deductible Temporary Difference		Deductible Temporary Difference	
	Tax Effect		Tax Effect	
<i>As at 31st December</i>	2022		2021	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Company and Equity accounted investee</b>				
On Accumulated Tax Losses	484,828	145,448	2,575,792	270,458

**26.3** Deferred tax originated /(change) to Other comprehensive income

	Company and Equity accounted investee		Company	
	2022	2021	2022	2021
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Due to change in the effective Tax rate	15,805	3558	15,805	3558
Due to change in temporary difference	8,510	(14,231)	8,510	(14,231)
	24,315	(10,674)	24,315	(10,674)

Deferred tax originated /(change) to Profit or (Loss)

	Company and Equity accounted investee		Company	
	2022	2021	2021	2022
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Due to change in the effective Tax rate	270,278	(89,458)	270,278	(89,458)
Due to change in temporary difference	(112,165)	20,496	(112,165)	20,496
	158,113	(68,962)	158,113	(68,962)

## NOTES TO THE FINANCIAL STATEMENTS

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>27 RETIREMENT BENEFIT OBLIGATIONS</b>				
<b>27.1 Movement in the present value of the retirement benefit obligations</b>				
<b>Provision for Gratuity</b>				
As at 1st January	473,810	556,695	473,810	556,695
<b>Add:</b>				
Expenditure recognized in the Profit or Loss for the year (Note 27.3)	87,087	82,419	87,087	82,419
Actuarial Loss in Other Comprehensive income	81,051	(101,563)	81,051	(101,563)
	<b>641,948</b>	<b>537,551</b>	<b>641,948</b>	<b>537,551</b>
<b>Less: Benefits paid during the year</b>	<b>(62,604)</b>	<b>(44,070)</b>	<b>(62,604)</b>	<b>(44,070)</b>
Transfer of unsettled gratuity claimed during the year to current liability	(31,156)	(19,671)	(31,156)	(19,671)
	<b>548,188</b>	<b>473,810</b>	<b>548,188</b>	<b>473,810</b>
<b>Unsettled Gratuity Payable</b>				
As at 1st January	50,756	52,956	50,756	52,956
<b>Add:</b> unsettled gratuity claimed during the year	31,156	19,671	31,156	19,671
Adjustment to (over)/under provision of gratuity payable	4,540	(790)	4,540	(790)
<b>Less: Benefits paid during the year</b>	<b>(27,981)</b>	<b>(21,081)</b>	<b>(27,981)</b>	<b>(21,081)</b>
As at 31st December	<b>58,471</b>	<b>50,756</b>	<b>58,471</b>	<b>50,756</b>
<b>Grand Total</b>	<b>606,659</b>	<b>524,567</b>	<b>606,659</b>	<b>524,567</b>

**27.2** The retirement benefit obligation of the company as at 31st December 2022 is based on the Actuarial Valuation carried out by Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries.

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
<i>As at 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>27.3 Expenses recognized in the Profit or Loss and Other Comprehensive income.</b>				
<b>Statement of Profit or Loss</b>				
Current service costs	32,125	32,817	32,125	32,817
Past Service Cost	-	(500)	-	(500)
Interest Costs	54,962	50,102	54,962	50,102
	<b>87,087</b>	<b>82,419</b>	<b>87,087</b>	<b>82,419</b>
<b>Other Comprehensive Income</b>				
Actuarial (Gain)/loss for the year	81,051	(101,563)	81,051	(101,563)
	<b>81,051</b>	<b>(101,563)</b>	<b>81,051</b>	<b>(101,563)</b>

## 27.4 Actuarial assumptions

The key assumptions used by M/s Actuarial & Management Consultants (Private) Limited include the following,

	2022	2021
Rate of Discount (Long Term Government Bond)	18.5%	11.6%
As per the guideline issued by the Institute of Chartered Accountants of Sri Lanka, discount rate has been adjusted to convert the coupon bearing yield to a Zero Coupon yield to match the characteristics of gratuity liability and the resulting yield to maturity for the purpose of the valuing employee benefit obligation as per LKAS 19.		
<b>Retirement Age</b>		
- For Staff	60 years	60 years
- For Workers	60 years	60 years
<b>Daily Wage rate</b>		
- Tea	Rs. 1000/-	Rs. 1000/-
- Rubber	Rs. 1000/-	Rs. 1000/-

Weighted Average duration of the retirement benefit obligation, in addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the actuarial valuation. "1949/52 Mortality Table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

## 27.5 Sensitivity Analysis

The sensitivity analysis on the total Compressive Expense and financial position based on the assumed rate on salary increment and discount rate as at 31st December 2022 is given below,

Discount Rate	Salary Escalation Rate	Present value of defined benefit obligation		Present value of defined benefit obligation	
		Change	Change	Change	Change
		2022	2021	2022	2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
One percentage point increase		513,978	(34,210)	443,797	(30,014)
One percentage point decrease		586,797	38,609	507,791	33,980
	One percentage point increase	589,973	41,784	511,632	37,821
	One percentage point decrease	510,717	(37,471)	440,042	(33,769)

Future Working Life Time	Defined Benefit Obligation		Defined Benefit Obligation	
	2022	2021	2022	2021
	Staff	Workers	Staff	Workers
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Within the next 12 months	3,842	87,125	5,268	71,940
Between 2-5 years	19,747	155,273	15,597	147,438
Beyond 5 years	15,831	266,370	33,490	200,076
<b>Total</b>	<b>39,420</b>	<b>508,768</b>	<b>54,355</b>	<b>419,455</b>

## 27.6 Maturity Analysis

Within the next 12 months	3,842	87,125	5,268	71,940
Between 2-5 years	19,747	155,273	15,597	147,438
Beyond 5 years	15,831	266,370	33,490	200,076
<b>Total</b>	<b>39,420</b>	<b>508,768</b>	<b>54,355</b>	<b>419,455</b>

## NOTES TO THE FINANCIAL STATEMENTS

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>28 DEFERRED INCOME</b>				
<b>(a) Total capital grants received</b>				
Balance as at 1st January	210,821	154,942	210,821	154,942
Add : Total grants received during the year	46,752	55,879	46,752	55,879
Balance at the 31st December	257,573	210,821	257,573	210,821
<b>(b) Total amortization</b>				
Balance as at 1st January	66,082	58,237	66,082	58,237
Add : Amount amortized during the year	3,384	7,845	3,384	7,845
Balance at the 31st December	69,466	66,082	69,466	66,082
<b>(c) Total unamortized capital grants at the end of the year</b>	188,107	144,739	188,107	144,739

The above represents the following;

- The funds received from the Plantation Housing and Social Welfare Trust (PHSWT), Plantation Development Project (PDP) and Plantation Human Development Trust (PHDT) for the development of workers' welfare facilities and improvements to institutional facilities.
- The funds received from the plantation reform project for the development of forestry plantations.
- The amount spent is capitalized under the relevant classification of property, plant and equipment and corresponding grant component is reflected under deferred grants and subsidies and is amortized over the useful life span of the related assets.

	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<i>As at 31st December</i>				
<b>29 TRADE AND OTHER PAYABLES</b>				
Trade creditors	121,545	100,706	121,545	100,706
Employee related payables	121,489	115,761	121,489	115,761
Dividends payable	811	811	811	811
Other creditors	215,333	251,595	215,333	251,595
	459,178	468,873	459,178	468,873



As at 31st December	Company and Equity Accounted Investee		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>30 AMOUNTS DUE TO RELATED PARTIES</b>				
Damro Leisure (Pvt) Ltd	-	100,000	-	100,000
F L M C Plantations (Pvt) Ltd	5,385	-	5,385	-
Pusellawa Plantations Ltd	-	8,376	-	8,376
D.R Rubber Products (Pvt) Ltd	83	-	83	-
Melfort Green Teas (Pvt) Ltd	118	-	118	-
D.R. Manufacturing (Pvt) Ltd	10	-	10	-
D R Investment (Pvt) Ltd	44,895	666,585	44,895	666,585
	50,491	774,961	50,491	774,961

### 31 RELATED PARTY DISCLOSURES

#### 31.1 Substantial Shareholding and Ultimate Parent Company

The immediate and ultimate parent company is D.R.Investments (Pvt) Ltd which holds 51% of shares at Agalawatte Planatations PLC.

#### 31.2 Transactions with Key Management Personnel (KMP)

The Company considers the Board of Directors as key management personnel of the Company.

#### Compensations to Key Management Personnel of the Company

Emoluments to the directors of the Company are disclosed in Note 10 to the Financial Statements.

Other than those disclosed on Note 10 to the financial statements, there are no transactions with the key management personnel of the company and its parent company

## NOTES TO THE FINANCIAL STATEMENTS

### 31.3 Transactions with related Companies

Name of the Company	Nature of Relationship	Name of the Directors	Nature of the Transactions	Company			
				Transaction Amount		Balance as at 31st December	
				2022	2021	2022	2021
				Rs. 000	Rs. 000	Rs. 000	Rs. 000
Mackply Industries (Pvt) Ltd	Affiliated company	Mr. G.P.N.A.G.Gunathilake	Settlement of current account balance	-	(955)	3,987	-
		Mr. W.A.A.Asanga	Funds Given	(2,262)	509		
		Mr. L.R.W.S.Rajasekara	Sales Invoice	6,249	446		
		Mr. R.P.L.Ramanayake					
AEN Oil Processing (Private) Limited	Joint venture	Mr. G.P.N.A.G.Gunathilake	Palm oil sales	1,361,236	1,107,341	33,984	28,289
			Cash Received	(1,355,541)	(1,089,784)		
D R Industries (Pvt) Ltd	Affiliated company	Mr. G.P.N.A.G.Gunathilake	Funds received	(1,292,596)	(2,580,429)	39,731	-
		Mr. W.A.A.Asanga	Purchase Invoices	(20,302)	(2,404)		
		Mr. L.R.W.S.Rajasekara	Settlements Current account balance	1,352,629	3,752,921		
		Mr. R.P.L.Ramanayake		-	-		
D R Furniture Manufacturing (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Settlement of Current account balance	-	266,634	-	-
		Mr. R.P.L.Ramanayake	Purchase Invoices	-	(34)		
D R Export (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sales Invoice	9,060	3,533	1,119	-
		Mr. R.P.L.Ramanayake	Settlements	(7,975)	(3,419)		
			Purchase Invoices	34	(114)		
Piyestra Furniture (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Settlement	1,621	72,598	2,366	-
		Mr. R.P.L.Ramanayake	Purchase Invoices	(1,621)	(29,398)		
			Sales Invoice	2,366	10,593		
Furnimix (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sales Invoice	4,046	954	789	-
		Mr. R.P.L.Ramanayake	Settlements	(3,257)	(593)		
			Purchase Invoices	-	(361)		
Melfort Green Teas (Pvt) Ltd	Affiliated company	Mr R. P. D. Ramanayake	Purchases	(484)	-	(118)	-
		Mr R.P.L. Ramanayake	Purchase Settlements	366	-	-	-
		Mr W. A.A.Asanga					
		Mr G.P.N.A.G.Gunathilaka					
		Mr L.R.W.S.Rajasekara					

### 31.3 Transactions with related Companies (Conted.)

Name of the Company	Nature of Relationship	Name of the Directors	Nature of the Transactions	Company			
				Transaction Amount		Balance as at 31st December	
				2022	2021	2022	2021
				Rs. 000	Rs. 000	Rs. 000	Rs. 000
D R Home Appliances (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Purchases	(10,120)	(2,440)	234	5
		Mr. R.P.L.Ramanayake	Settlement	4,733	(529)		
			Sales	5,616	2,975		
D R Transport Services (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Vehicle service cost , repair expenses, transport charges, etc	(30,492)	(25,350)		
		Mr. R.P.L.Ramanayake	Settlements	30,492	25,350		
D R Enterprises (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Purchases made for estate bungalow maintenance including furnitures	-	(3,348)	-	-
		Mr. R.P.L.Ramanayake	Settlements	(9,206)	922		
			Sales Invoice	9,206	2,426		
Damro Exports (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Rubber Sales	602,204	459,071	56,408	13
		Mr. R.P.L.Ramanayake	Funds Received	(748,168)	(459,071)		
			Tea Purchase & Packing Cost	(274,494)	(28,201)		
			Settlements	476,853	28,214		
D R Wooden Furniture (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of Firewood , log	55,785	49,614	-	-
		Mr. R.P.L.Ramanayake	Purchase of FireWood	-	(151)		
			Funds Received	(55,785)	(49,463)		
D R Manufacturing (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of rubber trees	18,512	14,596	(10)	127
		Mr. R.P.L.Ramanayake	Settlement	(17,535)	(12,219)		
			Purchase of furnitures	(1,114)	(2,250)		
DR Management Services (Pvt) Ltd	Affiliated Company	Mr. R.P.D. Ramanayake	Sales	-	-	936	-
		Mr. R.P.L.Ramanayake	Settlements	(36)	-		
		Mr. W.A.A.Asanga	Purchase	(4,611)	-		
		Mr. G.P.N.A.G.Gunathilaka	Settlements	5,583	-		
Marino Beach (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Settlement	329	(820)	164	-
		Mr. R.P.L.Ramanayake	Expenses Incurred on behalf of company	(46)	117		
			Funds received	(119)	704		

## NOTES TO THE FINANCIAL STATEMENTS

### 31.3 Transactions with related Companies (Conted.)

Name of the Company	Nature of Relationship	Name of the Directors	Nature of the Transactions	Company			
				Transaction Amount		Balance as at 31st December	
				2022	2021	2022	2021
				Rs. 000	Rs. 000	Rs. 000	Rs. 000
F L M C Plantations (Pvt) Ltd	Affiliated company	Mr. G.P.N.A.G.Gunathilake	Funds Provided for Settlement of related party balances	(31,360)	-	(5,385)	-
		Mr. W.A.A.Asanga	Settlement	25,975	-		
		Mr. L.R.W.S.Rajasekara					
		Mr. R.P.L.Ramanayake					
Pusellawa Plantations (Pvt) Ltd	Affiliated company	Mr.A .S Amarasuriya	Funds provided for working capital requirements	41,440	1,501	79,277	(8,376)
		Mr. G.P.N.A.G.Gunathilake	Fertilizer	20,020	-		
		Mr. W.A.A.Asanga	Settlement	117,186	64,827		
		Mr. L.R.W.S.Rajasekara	Sale/ purchase of green leaf (net)	(16,670)	(7,172)		
		Mr. R.P.L.Ramanayake	Sale of refuse tea	25,453	14,356		
			Fuel Granted	26,705	-		
			Sales of firewood	659	1,271		
			Purchase of Latex	(98,570)	(44,403)		
			Purchase of Firewood & Rubber Log	(12,609)	(28,221)		
			Vehicle Repair By Helboda Work shop	(20,896)	(7,191)		
			Sales Invoice	1,952	1,371		
	Sale of Plants	2,983	616				
D R Investment (Pvt) Ltd	Parent Company	Mr R.P.D. Ramanayake	Sales	-	-	(44,895)	(666,585)
		Mr.W.A.A.Asanga	Settlement	(434)	-		
		Mr.L.R.W.S.Rajasekara	Purchase invoice	(40,508)	(51,705)		
			Funds Given	662,632	51,802		
Damro Investment (Pvt) Ltd	Affiliated Company	Mr. R.P.D. Ramanayake	Sales	315,450	-	-	-
		Mr. R.P.L.Ramanayake	Settlements	(315,450)	-		
		Mr. S.Samarasinghe	Purchase				
D.R Apparel (Pvt) Ltd	Affiliated Company	Mr. R.P.D. Ramanayake	Purchase invoice	12	-	-	-
		Mr. W.A.M.S.H. Hemantha	Settlements	(12)	-		
DR Advertising (Pvt) Ltd	Affiliated Company	Mr. R.P.D. Ramanayake	Purchases	(78)	-	-	-
		Mr. W.A.A.Asanga	Fund Given & Purchase Settlement	78			
D R Security Service (Pvt) Ltd	Affiliated Company	Mr. G.P.N.A.G.Gunathilake	Purchase invoice	(8,006)	(876)	-	-
			Funds Given	8,006	876		
D R Rubber Products (Pvt) Ltd	Affiliated Company	Mr. R.P.D. Ramanayake	Sales Invoice	(471)	114	(83)	114
		Mr. W.A.A.Asanga	Settlement purchase invoice	274	-		
		Mr. G.P.N.A.G.Gunathilake					
Damro Leisure (Pvt) Ltd	Affiliated Company		Funds Received	(100,000)	(100,000)	-	(100,000)
			Funds Given	100,000			

### 31.4 Major transactions with related parties

The following recurrent related party transactions were taken place during the financial year 2022 in the ordinary course of business where the aggregate value of series of recurrent transactions exceeds 10% of gross revenue as per the financial statements for the year ended 31st December 2022.

Name of the related Party	Relationship	Nature of Transactions	Aggregate value of related party transactions entered into during the financial year	Aggregate value of related party transactions as a % of Company revenue
AEN Oil Processing (Private) Limited	Joint venture	Palm oil sales	1,361,236	27%
Damro Exports (Pvt) Ltd	Affiliated company	Rubber Sale	602,204	12%

### 32 EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to the reporting date, no material circumstance have arisen which require adjustments to or disclosure in the financial statements.

### 33 COMMITMENTS

There are no material commitments as at the reporting date where require disclosures in the financial statements.

### 34 CONTINGENT LIABILITIES

There are no material contingent liabilities as at the reporting date that require adjustment to or disclosure in the financial statements.

### 35 FINANCIAL RISK MANAGEMENT

#### 35.1 Financial Risk Factors

The company's principal financial liabilities comprise with loans and borrowings and trade and other payables and amounts due to related companies. The main purpose of these financial liabilities is to finance the company's operations and to provide guarantees to support its operations. Further, the company has amounts due from related companies, trade and other receivables and cash that arrive directly from its operations.

Accordingly, the company's activities are exposed to variety of financial risks:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

#### 35.2 Risk management framework

The Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 35.2.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

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

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

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents and short term investments, the Company's exposure to credit risk from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure the counterparties fulfill their obligations.

The company has Trade and other receivables, cash and short term deposits that arise directly from its operations. The company's principle financial liabilities, comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The company is exposed to market risk, credit risk and liquidity risk.

#### 35.2.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following figures shows the maximum risk positions.

As At 31st December	Company and Equity Accounted Investee				
	Company		Company		
	2022	2021	2022	2021	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Trade and other receivables	20	21,222	36,113	21,222	36,113
Amounts due from related Companies	21	219,012	28,548	219,012	28,548
Cash at bank	22	49,126	38,512	49,126	38,512
Total Credit Risk Exposure		289,360	103,173	289,360	103,17
Neither past due nor impaired.		21,222	36,113	21,222	36,113
Past due but not impaired		-	-	-	-
90-365 days		-	-	-	-
> 365 days		-	-	-	-
Gross carrying value		21,222	36,113	21,222	36,113
Less: impairment provision		-	-	-	-
Total		21,222	36,113	21,222	36,113

### 35.2.1.2 Trade and Other Receivables

The requirement for an impairment is analysed at each reporting date on an individual basis for all clients. The calculation is based on actual incurred historical date.

### 35.2.1.3 Amounts due from related Companies

The Company's amounts due from related parties mainly consist of balances due from companies under common control and from affiliate companies.

### 35.2.1.4 Cash and Cash Equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Company consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

## 35.3 Liquidity Risk

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

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

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

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

		Company and Equity Accounted Investee		Company	
		2022	2021	2022	2021
As At 31st December		Rs. 000	Rs. 000	Rs. 000	Rs. 000
		Note			
<b>35.3.1</b>	<b>Net (debt) / cash ratio</b>				
	Cash in hand and at bank	22	55,679	41,870	55,679
	Liquid assets		55,679	41,870	55,679
	Loans and borrowings	24	300,391	612,400	300,391
	Bank overdrafts	22	213,069	114,769	213,069
	Liquid liabilities		513,460	727,169	513,460
	Net (debt)/ Cash		(457,781)	(685,299)	(457,781)

## NOTES TO THE FINANCIAL STATEMENTS

### 35.3.2 Liquidity risk management

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

The table below summarises the maturity profile of the Company's/ Company and Equity Accounted Investee financial liabilities based on contractual undiscounted payments.

#### Company

As At 31st December 2022	Note	Carrying Amount	Contractual Cash flows	Less than 3 Months	3 to 12 Months	More than 12 Months
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Lease liability	25	505,592	1,488,092	16,534	49,603	1,421,955
Trade and other payables	29	459,178	459,178	114,795	344,383	-
Amounts due to related Companies	30	50,491	50,491	-	50,491	-
Interest bearing borrowings	24	300,391	300,391	75,098	225,293	-
Bank overdrafts	22	213,069	213,069	213,069	-	-
		1,528,721	2,511,221	419,496	669,770	1,421,955
<b>As at 31st December 2021</b>						
Lease liability	25	472,325	1,440,435	15,324	45,971	1,379,140
Trade and other payables	29	468,873	468,873	117,218	351,655	-
Amounts due to related Companies	30	774,961	774,961	-	774,961	-
Interest bearing borrowings	24	612,400	612,400	153,100	459,300	-
Bank overdrafts	22	114,769	114,769	114,769	-	-
		2,443,328	3,411,438	400,411	1,631,887	1,379,140

#### Company & Equity Accounted Investee

As At 31st December 2022	Note	Carrying Amount	Contractual Cash flows	Less than 3 Months	3 to 12 Months	More than 12 Months
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Lease liability	25	505,592	1,488,092	16,534	49,603	1,421,955
Trade and other payables	29	459,178	459,178	114,795	344,383	-
Amounts due to related Companies	30	50,491	50,491	-	50,491	-
Interest bearing borrowings	24	300,391	300,391	75,098	225,293	-
Bank overdrafts	22	213,069	213,069	213,069	-	-
		1,528,721	2,511,221	419,496	669,770	1,421,955
<b>As At 31st December 2021</b>						
Lease liability	25	472,325	1,440,435	15,324	45,971	1,379,140
Trade and other payables	29	468,873	468,873	117,218	351,655	-
Amounts due to related Companies	30	774,961	774,961	-	774,961	-
Interest bearing borrowings	24	612,400	612,400	153,100	459,300	-
Bank overdrafts	22	114,769	114,769	114,769	-	-
		2,443,328	3,411,438	400,411	1,631,887	1,379,140



### 35.4 Market risk

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

- (a) Interest rate risk
- (b) Currency risk
- (c) Commodity price risk
- (d) Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### a) Currency risk

The Company is exposed to currency risk mostly on purchases that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which these transactions primarily denominated are United States Dollars (USD). Since the frequency of the transaction done in foreign currency is very low, the company is not exposed to a higher degree of currency risk.

#### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the deposits and borrowings.

#### Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were,

		Carrying Amounts			
		Company and Equity Accounted Investee		Company	
<i>As At 31st December</i>		2022	2021	2022	2021
Note		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Variable rate Instruments					
Financial Liabilities	22 & 24	513,460	727,169	513,460	727,169
		513,460	727,169	513,460	727,169

#### Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

## NOTES TO THE FINANCIAL STATEMENTS

	Effect on Profit before Tax			
	Company and Equity Accounted Investee		Company	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<i>As At 31st December</i>	Rs. 000	Rs. 000	Rs. 000	Rs. 000
31st December 2022	5,135	(5,135)	5,135	(5,135)
31st December 2021	7,272	(7,272)	7,272	(7,272)

### 35.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company'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 behavior. Operational risks arise from all of the Company'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 Company 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 Company standards is supported by a programme of periodic reviews undertaken by Internal Audit and also finance team. The results of Internal Audit reviews are discussed with the Management, summaries submitted to the senior Management of the Company.

### 35.6 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The Company's Debt to Equity ratio at the end of the reporting periods is as follows:

As At 31st December	Note	Carrying Amounts			
		Company and Equity Accounted Investee		Company	
		2022	2021	2022	2021
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Total Liabilities		2,714,985	3,370,333	2,714,985	3,370,333
Less: Cash and cash equivalents	22	(55,679)	(41,870)	(55,679)	(41,870)
Net debts		2,659,306	3,328,463	2,659,306	3,328,463
Total Equity		3,540,376	1,831,660	3,122,509	1,543,728
Debt to Equity ratio(Gearing Ratio)		0.75	1.82	0.85	2.16

### 36 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. However the company does not have any financial instruments carried at fair values as at the reporting date.

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 36.1 Fair values versus the Carrying amounts

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

As At 31st December	Company			
	2022		2021	
	Caring Amount	Fair Value	Caring Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Assets carried at amortised cost</b>				
Trade and Other Receivables	21,222	21,222	36,113	36,113
Amounts due from related Companies	219,012	219,012	28,548	28,548
Cash and Cash Equivalents	55,679	55,679	41,870	41,870
Total	295,913	295,913	106,531	106,531

As At 31st December	Company and Equity Accounted Investee			
	2022		2021	
	Caring Amount	Fair Value	Caring Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Assets carried at amortised cost</b>				
Trade and Other Receivables	21,222	21,222	36,113	36,113
Amounts due from related Companies	219,012	219,012	28,548	28,548
Cash and Cash Equivalents	55,679	55,679	41,870	41,870
Total	295,913	295,913	106,531	106,531

As At 31st December	Company			
	2022		2021	
	Caring Amount	Fair Value	Caring Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Liabilities carried at amortised cost</b>				
Loans and Borrowings	300,391	300,391	612,400	612,400
Trade and other payables	459,178	459,178	468,873	468,873
Amounts due to related Companies	50,491	50,491	774,961	774,961
Lease Liability	505,592	505,592	472,325	472,325
Bank overdrafts	213,069	213,069	114,769	114,769
Total	1,528,721	1,528,721	2,443,328	2,443,328

As At 31st December	Company and Equity Accounted Investee			
	2022		2021	
	Caring Amount	Fair Value	Caring Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Liabilities carried at amortised cost</b>				
Loans and Borrowings	300,391	300,391	612,400	612,400
Trade and other payables	459,178	459,178	468,873	468,873
Amounts due to related Companies	50,491	50,491	774,961	774,961
Lease Liability	505,592	505,592	472,325	472,325
Bank overdrafts	213,069	213,069	114,769	114,769
	1,528,721	1,528,721	2,443,328	2,443,328

### 36.2 Financial assets and liabilities by categories

As At 31st December 2022	Classification					
	Company & Equity Accounted Investee			Company		
	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive
		Rs. 000	Rs. 000		Rs. 000	Rs. 000
a) Financial Assets						
Trade and Other Receivables	21,222	-	-	21,222	-	-
Amount Due from Related Companies	219,012	-	-	219,012	-	-
Cash and Cash Equivalents	55,679	-	-	55,679	-	-
	295,913	-	-	295,913	-	-

As At 31st December 2021	Classification					
	Company & Equity Accounted Investee			Company		
	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive
		Rs. 000	Rs. 000		Rs. 000	Rs. 000
Trade and Other Receivables	36,113	-	-	36,113	-	-
Amount Due from Related Companies	28,548	-	-	28,548	-	-
Cash and Cash Equivalents	41,870	-	-	41,870	-	-
	106,531	-	-	106,531	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### Financial Liabilities

<i>As at 31st December 2022</i>	Classification			
	Company & Equity Accounted Investee		Company	
	Amortised Cost	Fair value through profit	Amortised Cost	Fair value through Profit
		or loss		or loss
Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Loans and Borrowings	300,391		300,391	
Trade and Other Payables	459,178	-	459,178	-
Lease Liabilities	505,592	-	505,592	-
Amounts Due To Related Parties	50,491	-	50,491	-
Bank Overdrafts	213,069	-	213,069	-
	1,528,721	-	1,528,721	-

<i>As at 31st December 2021</i>	Classification			
	Company & Equity Accounted Investee		Company	
	Other Financial Liabilities	Fair value through profit	Amortised Cost	Fair value through Profit
		or loss		or loss
Rs. 000	Rs. 000	Rs. 000	Rs. 000	
Loans and Borrowings	612,400	-	612,400	-
Trade and Other Payables	468,873	-	468,873	-
Lease Liabilities	472,325	-	472,325	-
Amounts Due To Related Parties	774,961	-	774,961	-
Bank Overdrafts	114,769	-	114,769	-
	2,443,328	-	2,443,328	-

### 36.3 Financial assets and liabilities by fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique as explained in Note 2.6 to the financial statements:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.  
 Level 2: Other techniques for which all inputs with significant effect on the recorded fair value are observable, either directly or indirectly.  
 Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31st December 2022	Classification							
	Company & Equity Accounted Investee				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Assets Carried at amortised Cost</b>								
Trade and other receivables	-	-	21,222	21,222	-	-	21,222	21,222
Amounts due from related Companies	-	-	219,012	219,012	-	-	219,012	219,012
Cash and Cash Equivalents	-	55,679	-	55,679	-	55,679	-	55,679
	-	55,679	240,234	295,913	-	55,679	240,234	295,913
<b>Liabilities Carried at amortised Cost</b>								
Trade and other payables	-	-	459,178	459,178	-	-	459,178	459,178
Amounts due to related Companies	-	-	50,491	50,491	-	-	50,491	50,491
Loans and borrowings	-	-	300,391	300,391	-	-	300,391	300,391
Bank overdrafts	-	213,069	-	213,069	-	213,069	-	213,069
	-	213,069	810,060	1,023,129	-	213,069	810,060	1,023,129

As at 31st December 2022	Classification							
	Company & Equity Accounted Investee				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Assets Carried at amortised Cost</b>								
Trade and other receivables	-	-	36,113	36,113	-	-	36,113	36,113
Amounts due from related Companies	-	-	28,548	28,548	-	-	28,548	28,548
Cash and Cash Equivalents	-	41,870	-	41,870	-	41,870	-	41,870
	-	41,870	64,662	106,532	-	41,870	64,662	106,532
<b>Liabilities Carried at amortised Cost</b>								
Trade and other payables	-	-	468,873	468,873	-	-	468,873	468,873
Amounts due to related Companies	-	-	774,961	774,961	-	-	774,961	774,961
Loans and borrowings	-	-	612,400	612,400	-	-	612,400	612,400
Bank overdrafts	-	114,769	-	114,769	-	114,769	-	114,769
	-	114,769	1,856,234	1,971,003	-	114,769	1,856,234	1,971,003

## NOTES TO THE FINANCIAL STATEMENTS

### 37 SEGMENTAL ANALYSIS - COMPANY

For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows. The following table presents the revenue, profit information and other disclosures regarding Company's business segments.

Statement of Profit or Loss	Tea	Tea	Rubber	Rubber
	2022	2021	2022	2021
	Rs.000	Rs.000	Rs.000	Rs.000
Revenue	2,208,367	1,579,724	1,397,850	1,237,453
Cost of sales	(1,773,711)	(1,637,035)	(1,197,909)	(1,019,996)
<b>Gross profit/(loss)</b>	<b>434,656</b>	<b>(57,311)</b>	<b>199,941</b>	<b>217,457</b>
Other income	-	-	302,580	99,470
	-	-	302,580	99,470
Other income	-	-	-	-
Gain on changes in fair value of biological assets	-	-	-	-
Selling and distribution expenses	-	-	-	-
Administration expenses	-	-	-	-
Other expenses	-	-	-	-
<b>Results from operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Finance costs	-	-	-	-
<b>Profit/(loss) before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income tax expenses	-	-	-	-
<b>Profit/(loss) for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Statement of Financial Position	Tea	Tea	Rubber	Rubber
	2022	2021	2022	2021
	Rs.000	Rs.000	Rs.000	Rs.000
Non-current assets	835,661	746,383	2,259,494	2,066,373
current assets	184,290	117,178	498,291	324,411
Total assets	1,019,951	863,561	2,757,785	2,390,784
Non-current liabilities	347,363	287,092	939,213	794,820
Current liabilities	139,337	120,836	376,746	334,535
Total liabilities	486,700	407,928	1,315,959	1,129,355
<b>Capital Expenditure</b>				
Field development	154,805	110,794	397,902	271,287
Property, plant and equipment	7,128	26,529	7,027	24,548
Total	161,933	137,323	404,930	295,836
Total Depreciation/Amortization	32,358	44,573	111,626	110,071



	Oil Palm	Oil Palm	Other	Other	Unallocated	Unallocated	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
	1,217,935	989,069	303,228	61,157	-	-	5,127,380	3,867,404
	(345,636)	(251,869)	(220,172)	(62,986)	-	-	(3,537,428)	(2,971,886)
	872,299	737,200	83,056	(1,828)	-	-	1,589,952	895,518
	-	-	-	-	-	-	302,580	99,470
	-	-	-	-	-	-	1,892,532	994,988
	-	-	-	-	137,597	169,599	137,597	169,599
	-	-	-	-	(12,048)	(20,612)	(12,048)	(20,612)
	-	-	-	-	-	(57)	-	(57)
	-	-	-	-	(94,310)	(54,361)	(94,310)	(54,361)
	-	-	-	-	(20,989)	(4,656)	(20,989)	(4,656)
	-	-	-	-	10,250	89,913	1,902,782	1,084,901
	-	-	-	-	(109,152)	(60,549)	(109,152)	(60,549)
	-	-	-	-	(98,903)	29,364	1,793,630	1,024,352
	-	-	-	-	(158,113)	85,035	(158,113)	85,035
	-	-	-	-	(257,016)	114,399	1,635,517	1,109,387

	Oil Palm	Oil Palm	Other	Other	Unallocated	Unallocated	Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
	964,003	815,475	-	-	664,151	687,668	4,723,309	4,315,899
	212,593	128,026	-	-	219,011	28,547	1,114,185	598,162
	1,176,596	943,501	-	-	883,162	716,215	5,837,494	4,914,061
	400,710	313,668	-	-	-	-	1,687,286	1,395,580
	160,734	132,021	-	-	350,882	1,387,361	1,027,699	1,974,753
	561,444	445,689	-	-	350,882	1,387,361	2,714,985	3,370,333
	4,908	10,008	106	791	-	-	557,721	392,880
	-	-	-	-	-	5,416	14,155	56,494
	4,908	10,008	106	791	-	5,416	571,877	449,374
	59,526	51,024	2,076	1,471	5,447	8,888	211,033	216,027

# SHARE INFORMATION

## 01. PUBLIC SHARE HOLDINGS

As at 31st December	2022	2021
The percentage of shares held by the public (%)	20.00	20.00
Number of public shareholders	15,472	13,618
Number of shares	31,250,000	31,250,000
<b>Minimum public holding requirement</b>		
Float adjusted market capitalisation as at 31.12.2022 (Rs.)	996,875,000	1,678,125,000

## 02. DISTRIBUTION OF SHAREHOLDING

Shareholding	Residents				Non-Residents				Total	
	No. of Holders	%	No. of Shares	%	No. of Holders	%	No. of Shares	%	Local %	Foreign %
1 to 1,000	13,254	86%	2,758,494	2%	7	35%	1,313	0%	1.77%	0.00%
1,001 to 10,000	1,735	11%	6,433,338	4%	7	35%	31,600	1%	4.12%	0.02%
10,001 to 100,000	431	3%	11,945,076	8%	4	20%	91,008	2%	7.64%	0.06%
100,001 to 1,000,000	32	0%	6,199,071	4%	1	5%	220,000	6%	3.97%	0.14%
Over 1,000,000 Shares	2	0%	125,000,000	82%	1	5%	3,570,100	91%	80.00%	2.28%
	15,454	100%	152,335,979	100%	20	100%	3,914,021	100%	97.50%	2.50%

## 03. CATEGORIES OF SHAREHOLDERS

Shareholding	Institutional				Non Institutional				Total			
	No of shareholders	(%)	No of Shares	(%)	No of shareholders	(%)	No of Shares	(%)	No of shareholders	(%)	No of Shares	(%)
1 to 1,000	60	21%	19,555	0%	13,201	87%	2,740,252	11%	13,261	86%	2,759,807	2%
1,001 to 10,000	117	42%	537,631	0%	1,625	11%	5,927,307	24%	1,742	11%	6,464,938	4%
10,001 to 100,000	88	31%	2,976,241	2%	347	2%	9,059,843	37%	435	3%	12,036,084	8%
100,001 to 1,000,000	14	5%	2,974,461	2%	19	0%	3,444,610	14%	33	0%	6,419,071	4%
Over 1,000,000 Shares	2	1%	125,000,000	95%	1	0%	3,570,100	14%	3	0%	128,570,100	82%
	281	100%	131,507,888	100%	15,193	100%	24,742,112	100%	15,474	100%	156,250,000	100%

## 04. MARKET VALUE ANALYSIS

For the period ended 31 March	2022	2021
Highest	83.00	58.00
Lowest	15.10	26.10
Closing price	31.90	53.70

## 05. TWENTY (20) LARGEST SHAREHOLDERS AS AT 31ST DECEMBER 2022

Name	No. of Shares. held	% of the holding
D.R. INVESTMENT (PVT)LTD	79,687,500	51.00
D R INDUSTRIES (PRIVATE) LIMITED	45,312,500	29.00
MISS SONIA WIN-YEN NG	3,570,100	2.28
HATTON NATIONAL BANK PLC/ANUSHMAN RAJARATNAM	688,077	0.44
MR. AJITH HARINDRA WEERASURIYA	376,094	0.24
MERCHANT BANK OF SRI LANKA & FINANCE PLC/U.D. PREMAKUMARA	267,667	0.17
MR. SEMASINGHE NAWARATNA CHANDRASEKARA WANNINAYAKA MUDIYANSELAGE BANDARA CHANDRASEKARA KANDEGEDARA	263,040	0.17
DFCC BANK PLC/B. SUTHARSHAN	255,000	0.16
MR. PUSHPAKUMARA SAMANTHA DANGAMPOLA & MRS. N.P. DANGAMPOLA	250,000	0.16
MERCHANT BANK OF SRI LANKA & FINANCE PLC/A.C. SENANKA	224,548	0.14
DEUTSCHE BANK AG SINGAPORE A/C 2 (DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE- PWM WM CLIENT)	220,000	0.14
MR. SUGATH WEERARATNE & MR. P.N. WEERARATNE	212,810	0.14
MR. GUNASENA DANGAMPOLA & MRS. N.P. DANGAMPOLA	210,810	0.13
DR. ATHUGODAGE ARUNA MAHESH DHARMADASA	206,103	0.13
MR. WELIWATTAGE LUCILLE PERERA WIJEWARDENA	200,000	0.13
MR ANTON VASANTHAKUMAR EMMANUEL	199,300	0.13
MR. VASHI CHANDIRAM MAHTANI & MRS. M.V. MAHTANI	198,829	0.13
MERCHANT BANK OF SRI LANKA & FINANCE PLC/A.W.L.R. SILVA & P.M. ABAYASEKARA	196,372	0.13
MR. AKARAVITAGE OSHAN SAMITHA KUMARA	185,561	0.12
CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/H.D.D. GAYAN	175,000	0.11
	132,899,311	85.06
Balance Held by 15,452 shareholders	23,350,689	14.94
	156,250,000	100.00

### THE GOLDEN SHARE HOLDER

The Golden share of Rs 10/- is currently held by the Secretary of 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 shareholder, the Golden Shareholder has specific rights according to the Articles of Association of the company which are specified in note 25.

# INFORMATION ON ESTATES AND FACTORIES

Estate	Crop	Area in Tea		Area in Rubber		Area in Oil Palm		Area in Others		Total revenue extent Ha	
		Total Extent Ha	Immature Ha	Mature Ha	Immature Ha	Mature Ha	Immature Ha	Mature Ha	Immature Ha		
<b>RATNAPURA DISTRICT</b>											
Peenkande	Rubber	1,328			203.89	657.43			0.61	8.62	666
	Oil Palm							141.31			141
Doloswella	Tea	871	22.64	72.09							72
	Rubber				122.16	302.94					303
Kiribathgala	Rubber	819			170.69	321.65			0.26	9.72	331
	Oil Palm							53.67			54
Noragalla	Tea	133	14.37	63.07					9.80		63
Watapotha	Tea	365	8.28	38.89						7.52	46
	Rubber				16.13	53.41					53
Niriella	Tea	932	1.00	8.08							8
	Rubber				86.15	336.99				47.94	385
	Oil Palm							35.22			35
Delgoda	Tea	7									-
	Rubber					2.02					2
<b>KALUTARA DISTRICT</b>											
Culloden	Rubber	1,232			143.45	339.21				7.35	346
	Oil Palm							393.6			394
Ambetenna	Rubber	613			55.65	166.56					167
	Oil Palm							285.96			286
Clyde	Rubber	616			155.79	274.99				14	289
Kiriwanaketiya	Rubber	768			74.59	312.50				3	316
	Oil Palm						23	24			24
Mohamedi	Tea	724	1.00	9.8	32.25					8.8	19
	Rubber					193.4					193
	Oil Palm							197.18			197
Pimbura	Rubber	370			27.84	95.52				7	103
	Oil Palm							169.86			170
<b>NUWARA ELIYA DISTRICT</b>											
Labookellie	Tea	538	15	282					0.5	66	348
Frotoft	Tea	1,016	28	379						184	563
Weddemulle	Tea	772	24	276						170	446
		11,104	114	1,129	1,089	3,057	23	1,301	11	534	6,022

	Tea	Rubber	Oil palm	Other
Total Mature Extent (Ha)	1,129	3,057	1,301	534
Total Immature Extent (Ha)	114	1,089	23	11
Total Planted Extent (Ha)	1,243	4,145	1,324	545
<b>Total Extent (Ha)</b>	11,104			

No. of Workers		Crop (KG)				Building Information					
Staff	Workers	Tea	Rubber	OIL	Yield Kg/Ha	Factory Elevation m	Made Tea Production KG	Factory Capacity Kg	No of Buildings	Buildings/ Bungalow Gardens/ Roads/ other etc., (Ha)	Value of the Buildings (Rs.) as per books
43	437		411,573		626	318		7,000	114	176.16	20,267,721
				1,291,832	9,142						
30	353	300,718			4,171	150-300	277,871	13,500	17	247.03	49,883,760
			140,988		465			2,000	15		3,950,094
20	240		165,121		513.36			2,000	90	177.65	5,111,605
				174,698	3,255						
13	194	280,896			4,454				45	36.18	8,338,258
5	90	112,026			2,881				21	25.01	5,800,407
			38,252		716						
13	194	43,944			5,438.61				187	326.58	6,396,177
			172,805		513						
				357,840	10,160						
9	46					180-252	428,467	12,500	17	3.89	10,233,560
20	278		268,623		792	46		2,000	138	291.55	25,050,161
				4,320,770	10,978						
9	104		63,727		383				17	98.14	1,328,894
				1,584,110	5,540						
15	128		157,503		573	30-100		1,600	37	135	4,199,160
16	160		170,919		547	90-122		2,500	67	291.99	6,364,795
				240,940	10,039						
		26,549			2,709						
11	152		99,072		512				9	253.53	2,123,855
				1,646,200	8,349						
8	80		42,688		447				17	66.24	1,211,113
				1,705,010	10,038						
25	485	1,252,092			4,444	1543	455,833	12,500	480	165	37,574,877
25	585	1,333,630			3,522	1525	334,242	15,000	439	154	23,606,228
22	482	980,805			3,560	1327	342,060	9,500	773	245	29,573,767
284	4,008	4,330,660	1,731,271	11,321,400			1,838,472	80,100.00	2,483.00	2,693.0	241,014,432

	Tea	Rubber	Oil palm
Total Crop ( kg )	4,330,660	1,731,271	11,321,400
Total NSA (Rs/kg)	1,165	786	108
Total COP ( Rs /KG)	1,084	774	24

Tea Production ( Made Tea )	
Estate Crop (Kg)	910,428
Bought Crop (Kg)	928,044
	1,838,472

# GLOSSARY

## FINANCIAL TERMS

### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

### Agricultural Activity

Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

### Agricultural Produce

Is the harvested product of the entity's biological assets.

### AGM

Annual General Meeting.

### Amortization

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

### Associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

### AWDR

Average Weighted Deposit Rate.

### AWPLR

Average Weighted Prime Lending Rate.

### Basic Earnings per Share

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

### Bearer Biological Assets

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

### Biological Assets

Is a living animal or plant.

### Biological Transformation

It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in biological assets.

### Borrowings

All interest-bearing liabilities.

### Capital Employed

Total equity, minority interest and interest-bearing borrowings.

### Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

### Cash Equivalents

Liquid investments with original maturity periods of three months or less.

### CEA

Central Environment Authority.

### Contingent Liability

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

### Consumable Biological Assets

The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

### CSR

Corporate Social Responsibility.

### Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

### DCF Method

Discounted Cash Flow method.

### Deferred Taxation

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

### Derivative

Is a financial instrument or other contracts whose prices are dependent upon or derived from one or another underline asset.

### Dividends

Distribution of profits to holders of equity investments.

### Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

### Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

### **EBITDA**

Abbreviation for Earnings Before Interest, Tax, Depreciation and Amortization.

### **Effective Tax Rate**

Income tax expense divided by profit from ordinary activities before tax.

### **Equity**

Shareholders' fund.

### **Equity Instruments**

Is any contract that evidences a residual interest in the assets of a entity after deducting all its liabilities.

### **Equity Method**

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post- acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

### **ERP**

Enterprise Resources Planning.

### **Financial Instrument**

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

### **Fair Value**

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction.

### **Forward Currency Contract**

A forward contract in the forex market that locks in the price at which an entity can buy or sell a currency on a future

date. Also known as 'outright forward currency transaction,' 'forward outright' or 'FX forward.'

### **FSC**

Forest Stewardship Council.

### **Gearing**

Proportion of total interest-bearing borrowings to capital employed.

### **HACCP**

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

### **IAS**

International Accounting Standards.

### **ICASL**

The Institute of Chartered Accountants of Sri Lanka.

### **IFRIC**

International financial Reporting Interpretations Committee.

### **IFRS**

International Financial Reporting Standards.

### **Key Management Personnel**

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

### **LIBOR**

London Inter-Bank Offered Rate.

### **Market Capitalisation**

Number of shares in issue multiplied by the market value of a share at the reported date.

### **Net Assets per Share**

Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

### **Non-controlling interest**

Is the equity in a subsidiary not attributable, directly or indirectly, to a Parent.

### **Price Earning Ratio**

Market price of a share divided by earnings per share as reported at that date.

### **Related Parties**

Parties who could control or significantly influence the financial and operating policies of the business.

### **Retirement Benefits**

#### **- Present Value of a Defined Benefit Obligation**

Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

#### **- Current Service Cost**

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

#### **- Interest Cost**

Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

#### **- Actuarial Gains and Losses**

Is the effect of difference between the previous actuarial assumptions and what has actually occurred and effects of changes in actuarial assumption.

# GLOSSARY

## Return on Equity

Attributable profits to the shareholders divided by shareholders' funds.

## Return on Capital Employed

Profit before tax plus net interest cost divided by capital employed.

## Return on Assets

Profit before tax plus net interest cost divided by total assets.

## Revenue Reserves

Reserves considered as being available for distribution and investments.

## SIC

Standing Interpretations Committee.

## Segments

Constituent business units grouped in terms of similarity of operations and location.

## SLFRS/LKAS

Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

## SoRP

Statement of Recommended Practice.

## Subsidiary

A subsidiary is an entity y, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the Parent).

## SLAS

Sri Lanka Accounting Standards. Also known as LKAS and SLFRS.

## UITF

Urgent Issue Tasks Force of The Institute of Chartered Accountants of Sri Lanka.

## Value Addition

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

## Working Capital

Capital required to finance day-to - day operations computed as the excess of current assets over current liabilities.

## VAT

Value Added Tax

## NON-FINANCIAL TERMS

### Crop

The total produce harvested over a given period of time (usually during a financial year).

### GRI

Global Reporting Initiatives

### Immature Plantation

The extent of plantation that is under development and is not being harvested.

### ISO

International Standards Organization.

### Mature Plantation

The extent of plantation from which crop is being harvested.

### NSA

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

## RSS-1

Ribbed Smoked Sheet – Grade 1

## COP

The Cost of Production. This generally refers to the Cost of producing a kilo of produce (Tea/Rubber/Coconut)

## SLSPC

Sri Lanka Plantations Corporation.

## JEDB

Janatha Estate Development Board.

## TASL

Tea Association of Sri Lanka.

## Yield (YPH)

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

## Field

A unit extent of land. Estates are divided into fields in order to facilitate management.

## TRI

Tea Research Institute

## RRI

Rubber Research Institute

## HACCP

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

## Infilling

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



### **Replanting**

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

### **COS**

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Cost of sale. The cost incurred on preparation to salable condition of the good sold.



# CORPORATE INFORMATION

## NAME OF THE COMPANY

Agalawatte Plantations PLC (PQ 214)

## LEGAL FORM

A Public Quoted Company with Limited Liability Incorporated in Sri Lanka on 22nd June 1992

## REGISTERED OFFICE

No. 361 Kandy Road, Nittambuwa.  
Tel. : 033 4 679 200/ 033 2 299 000  
Fax : 033 2 285 681  
Email : apl@sltnet.lk

## DIRECTORS

Mr. A.S. Amarasuriya -Chairman  
Mr. R.K.A. Ranaweera  
Mr. G.P.N.A.G. Gunathilake  
Mr. R.P.L. Ramanayake  
Mr. W.A.A. Asanga  
Mr. L.R.W.S. Rajasekara

## AUDITORS

KPMG  
No: 32A, Sir Mohamed Macan Markar  
Mawatha,  
P. O. Box 186, Colombo 03.  
Tel. : +94 115 426426

## SECRETARIES

Nexia Corporate Consultants (Private) Limited  
No: 181, Nawala Road, Colombo 05.  
Tel. : 0114-510709 / 0112-368154  
Fax : 0112-368621

## REGISTRAR

Business Intelligence Limited  
No: 08, Tickell Road, Colombo 08.  
Tel. : 011 5579950  
Email : ms2@msslk

## BANKERS

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

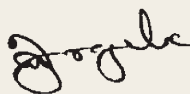
# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of the shareholders of AGALAWATTE PLANTATIONS PLC will be held on 30th June 2023 at 2.30 p.m. at the Main Hall of Hotel Sundale, No,21/1/B, Attanagalla Road,Nittambuwa, for following Purposes,

1. To receive and consider the Annual Report of the Directors and the Statement of Accounts for the year ended 31st December 2022 with the Report of the Auditors thereon.
2. Re-election of Director
  - (i) To re-elect Mr. R.K.A.Ranaweera - Director who retires by rotation in terms of Article 92 of the Articles of Association of the Company and being eligible offers himself for the re-election. (Resolution 01)
3. To re-appoint Messrs. KPMG, Chartered Accountants, who have consented to be re- appointed Auditors of the Company until the conclusion of the next annual general meeting and to authorize the Directors to determine their remuneration (Resolution 2)
4. To authorize the Directors to determine donations for charities for the ensuing year. (Resolution 3)

By order of the Board,

Nexia Corporate Consultants (Private) Limited



Secretaries to Agalawatte Plantations PLC  
Colombo on this 31st May 2023

## Notes -

1. A shareholder who is entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote on behalf of him/her.
2. A proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this notice.

# FORM OF PROXY - VOTING SHAREHOLDER

I/We ..... of ..... being a shareholder/s of AGALAWATTE PLANTATIONS PLC hereby appoint:

- Mr. A.S. Amarasuriya or failing him
- Mr. R.P.L. Ramanayake or failing him
- Mr. G.P.N.A.G. Gunathilake or failing him
- Mr. W.A. A. Asanga or failing him
- Mr. L.R.W. S. Rajasekara or failing him
- Mr. R.K.A. Ranaweera or failing him

Mr /Mrs/ Ms .....of.....(address) as \*my /our Proxy to attend and \*vote for me/us on \*my/our behalf at the 28th Annual General Meeting of the Company to be held on 30th June 2023 and at any adjournment thereof.

	Resolutions	For	Against
	<b>RE ELECTION OF DIRECTOR</b>		
1.	Re-election of Director		
	To re-elect Mr. R.K.A.Ranaweera - Director who retires by rotation in terms of Article 92 of the Articles of Association of the Company and being eligible offers himself for the re-election. (Resolution 1)		
2.	To reappoint M/s KPMG, Chartered Accountants, as the auditors of the Company. (Resolution 2)		
3.	To authorize the Directors to determine donation for charities for the ensuing year. (Resolution 3)		

Signed on this ..... day of ..... 2023.

.....

Signatures

Please furnish following details;

CDS Account No of the Shareholder/s	
Number of shares	
Shareholder/s contact numbers/s	Fixed Line : Mobile :
Proxy Holder's NIC number	

#### Instructions as to completion

1. Kindly complete the Form of proxy with the information requested including the full name and address of the shareholder legibly and signing in the space provided and dating the same.
2. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
3. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the completed form of proxy, if it has not already been registered with the Company.
4. The Shareholder shall indicate with an "X" in the space provided as to how the proxy is to vote on the resolution. If no indication is given, proxy shall exercise his/her discretion and vote as he/she thinks fit.
5. Shareholders who opt to appoint a proxy shall complete the Form of Proxy and the duly completed Form of Proxy should either be posted/deposited at the registered office at No.361, Kandy Road, Nittambuwa or scanned and emailed to the email address [agm@agalawatte.com](mailto:agm@agalawatte.com) with the subject title "APL AGM PROXY" to reach us not later than 48 hours prior to the time scheduled for the AGM.

This Annual Report is  
conceptualised, designed  
and produced by  
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