



# ANNUAL REPORT 2023



## *Our Vision*

Our Vision is to “build a **diversified tea focused agribusiness** that delivers value **sustainably** and **ethically**.”

## *Our Mission*

Our Mission is building an uniquely Sri Lankan agribusiness with emphasis on adding value to **Ceylon Tea, Rubber, Spices, Specialty fruits & herbs**, in a symbiotic partnership with **communities and nature**.

## *Our Core Values*

The philosophy of founder Chairman of the Company is that **‘Business as a Matter of Human Service’**. This philosophy, which is strengthened by the pillars of **Quality, Tradition, Our Customer, Ethics, Integrity** and **Sustainability**, form the core values of the Kahawatte Plantations.

### *Cover Page Story*

*“Kahawatte Plantations is committed to producing the finest quality Tea, Cinnamon and Rubber whilst driving agricultural innovation to help conserve the environment and empower our communities.”*

## Financial Highlights

	31st Dec. 2023 Rs.'000	31st Dec. 2022 Rs.'000	% Increase/ (Decrease)
Revenue	5,153,626	6,261,316	(18%)
Profit from Operating Activities	161,601	958,234	(83%)
Net Profit/ (Loss)	(579,544)	312,038	(286%)
Total Comprehensive Income	(676,405)	392,805	(272%)
Non-Current Assets	5,189,239	4,811,271	8%
Shareholder's Funds	862,509	1,538,914	(44%)
Stated Capital	1,698,952	1,698,952	0%
Earning / (Loss) per Share - (Rs.)	(5.83)	3.14	(286%)
Net Asset per Share - (Rs.)	8.68	15.48	(44%)

## Contents

Estate Information	2
Chairman's Review	3-7
Management Discussion	7-9
Corporate Governance	10-13
Board of Directors	14-15
Annual Report of the Board of Directors on the Affairs of the Company	15-17
Risk Management	18
Statement of Directors Responsibilities	18
Report of the Audit Committee	19
Report of the Remuneration Committee	19
Report of Related Party Transactions Review Committee	20
Report of the Nomination and Governance Committee	21
Independent Auditor's Report	22-25
Statement of Profit or Loss & Other Comprehensive Income	26
Statement of Financial Position	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to the Financial Statement	30-68
Information to Shareholders and Investors	69-70
Ten Year Summary	71
Corporate Information	72
Notice of Meeting	73
Form of Proxy	75
Instructions for Completion	76

## Financial Calendar

1st Quarter interim Financial Report	15 <sup>th</sup> May 2023
2nd Quarter interim Financial Report	15 <sup>th</sup> August 2023
3rd Quarter interim Financial Report	15 <sup>th</sup> November 2023
4th Quarter interim Financial Report	29 <sup>th</sup> February 2024
Annual Report - 2023	03 <sup>rd</sup> May 2024
31st Annual General Meeting	28 <sup>th</sup> May 2024

## Estate Information

Kahawatte Region						
Chief Operating Officer - Mr. Chaminda Gunarathna (w.e.f. 01/01/2024) Cluster-Heads - Mr. Indika Prabath & Mr. Buddika Weerakon (w.e.f. 11/01/2024)						
Estate	Manager In Charge	Crop	Total Extent (Ha)	Postal Address	No. of Buildings	
					Factory	* Other Buildings
Ekkerella	Mr. Lahiru Walpola (w.e.f. 15/02/2024)	Tea cum Rubber	751.03	Ekkerella Estate, Opanayake	1	276
Endane	Mr. Prageeth Wanigasekera (w.e.f. 25/02/2024)	Tea	650.56	Endane Estate, Kahawatte	2	944
Houpe	Mr. Indika Prabath	Tea cum Rubber	747.82	Houpe Estate, Kahawatte	1	889
Hunuwella	Mr. Suneth Hewagama (w.e.f. 15/10/2023)	Tea cum Rubber	992.50	Hunuwella Estate, Opanayake	3	733
Opata	Mr. Sugath Galgamuwa (w.e.f. 25/02/2024)	Tea cum Rubber	829.00	Opata Estate, Kahawatte	2	944
Pelmadulla	Mr. Buddhika Weerakoon (w.e.f. 07/09/2023)	Tea cum Rubber	856.45	Pelmadulla Estate, Kahawatte	2	944
Poronuwa	Mr. Anuruddha Thilakarathne (w.e.f.15/02/2024)	Tea cum Rubber	813.03	Poronuwa Estate, Kahawatte	2	567
Rilhena	Mr. Chanaka Gunathilake	Tea cum Rubber	811.84	Rilhena Estate, Pelmadulla	1	737
Wellandura	Mr. Kusal Siriwardhana	Tea cum Rubber	751.86	Wellandura Estate, Kahawatte	2	589

Nawalapitiya Region						
Chief Operating Officer - Mr. Chaminda Gunarathna (w.e.f. 01/01/2024) Cluster-Heads - Mr. Shaminda De Silva , Mr. Muditha Rajasekara & Mr. Abhisheka Samarakoon (w.e.f. 11/01/2024)						
Estate	Manager In Charge	Crop	Total Extent (Ha)	Postal Address	No. of Buildings	
					Factory	* Other Buildings
Barcaple	Mr. Udesh Senevirathne (w.e.f. 01/08/2023)	Tea	624.00	Barcaple Estate, Kataboola	-	444
Craighead	Mr. Muditha Rajasekera (w.e.f. 01/03/2023)	Tea	679.09	Craighead Estate, Udahentenne	1	888
Galamuduna	Mr. Akila Gunaratne (w.e.f. 01/03/2023)	Tea	639.65	Galamuduna Estate, Dolosbage	1	516
Imboolpittia	Mr. M S L Madhushanka (w.e.f. 27/07/2023)	Tea	861.00	Imboolpittia Estate, Nawalapitiya	1	750
Kataboola	Mr. Shaminda De Silva	Tea	988.12	Kataboola Estate, Kataboola	1	1,309
Queensberry	Mr. R M Dilleepan (w.e.f. 25/02/2024)	Tea	415.00	Queensberry Estate, Kataboola	1	592
Westhall	Mr. Abisheka Samarakoon (w.e.f. 01/03/2023)	Tea	945.00	Westhall Estate, Kataboola	1	504
					22	11,626

\* Other buildings includes of offices, bungalows, workers quarters and child development centers



# Chairman's Review

I am honored to present the audited financial statements, auditor's report, and directors' report for the financial year ending 31st December 2023.

This year has been one of profound loss following the passing of my father, our former Chairman, Merrill J. Fernando. He was instrumental in establishing our company's legacy of growth and sustainability and his contribution to the tea industry, combined with his steadfast advocacy for Sri Lanka, Ceylon Tea, and Sri Lanka Tourism, earned him global recognition. His relentless pursuit of ethical business practices and humanitarian entrepreneurship underline the scale of our loss. His vision and values continue to guide us.

As KWPL continues its post-COVID recovery, 2023 presented significant hurdles that negatively impacted our operational performance. The lingering effects of the COVID-related economic and political crisis, combined with high inflation, soaring input costs, and rising energy prices for fuel and electricity, exerted significant pressure on our profitability. Furthermore, the government's tightening of fiscal policy further complicated the business environment, requiring us to adapt to new constraints.

In response to these challenges, we have adjusted our business strategies to align with the evolving operational landscape. This agility has allowed KWPL to record a promising first quarter in 2024. Despite the turbulent conditions, we remained true to our values, focusing on commercial viability while maintaining our commitment to social and environmental sustainability.

## GLOBAL ECONOMY

In the wake of more than two years of economic disruptions induced by COVID-19, the global economy experienced a partial rebound in 2023, providing a boost to many developing countries. Sri Lanka faced unique challenges, with high inflation and excessive sovereign debt leading to a collapse in the value of its currency, underscoring the nation's ongoing economic crisis.

Global inflation decreased from 8.7% in 2022 to 6.8% in 2023, with projections indicating a further decline to 5.8% in 2024. However, the continued conflict between Russia and Ukraine had significant ramifications, particularly in Europe, where supply chain disruptions and capacity constraints persisted. Recent tensions in the Middle East are expected to exacerbate these issues and may lead some developed and developing economies into a technical recession during 2024.

In terms of specific industry data, global tea production rose to 6.60 million metric tons in 2023, up from 6.39 million metric tons in 2022 and 6.47 million metric tons in 2021. This increase reflects a general recovery in the tea industry, though regional variations and specific challenges remain.

The global natural rubber market reached a value of USD 31.68 billion in 2023, with expectations for steady growth at a compound annual growth rate (CAGR) of 3.5% during the 2024-2032 forecast period. Worldwide production of natural rubber increased to 15.1 million metric tons in 2023, compared to 14.3 million metric tons in 2022 and 13.8 million metric tons in 2021. This upward trend indicates a robust demand for natural rubber, with broader implications for the global economy and related industries.

Overall, while the global economy has shown signs of recovery, significant risks and uncertainties persist, particularly in regions impacted by geopolitical tensions and economic instability. These factors highlight the need for vigilance and adaptability in managing economic recovery and growth.

## SRI LANKA ECONOMY

In 2023, Sri Lanka found itself recovering from one of the most chal-

lenging economic crises in its post-independence history. The previous year had brought unprecedented difficulties, with 2022 marking the first time Sri Lanka had defaulted on its sovereign debt. This set the stage for a turbulent 2023, where year-on-year inflation peaked at 52% in January, with unsustainably high prices throughout the year. The sectors most affected by these price escalations were food, energy, and transport, but the impact rippled across the entire economy.

Amid this challenging environment, Sri Lanka's economy started to show signs of recovery towards the latter part of the year, albeit slowly, following the debt default crisis in 2022. The economy grew amid rising taxes, with some stabilization in the exchange rate thanks to a deflationary policy approach & tightening of foreign exchange controls. Interest rates, which had soared in 2022, began to ease as confidence gradually returned to the market. The International Monetary Fund (IMF) completed the first review of its 48-month Extended Fund Facility with Sri Lanka, providing the country access to US\$ 337 million to support its economic policies and reforms. However, the government's strategy of raising revenue through indirect taxes as oppose to direct taxes had broader implications for consumers and businesses alike.

The severe balance of payments pressures in 2022 had led to significant restrictions in foreign exchange transactions. In 2023, the Sri Lankan rupee appreciated from Rs. 363.11 per USD in December 2022 to Rs. 323.92 per USD in December 2023, largely due to measures to protect the dwindling gross official reserves. Despite this appreciation, the shortage of foreign exchange liquidity persisted into 2024, causing continued pressure on the prices of critical imports such as fuel, cooking gas, medicines, fertilizers, and other essential items.

Despite some signs of stability, Sri Lanka faces ongoing challenges from its 2022 crisis. The first sovereign default had implications for the country's financial stability, affecting its ability to attract foreign investment and secure credit on favorable terms. The economy was estimated to contract by 2.3% year-on-year in 2023, highlighting the continued impact of the prior year's turmoil. Industries faced persistent supply-side impediments, including difficulties in importing key raw materials in a timely manner and soaring global commodity prices.

Agricultural exports reflected these challenges, with an overall contraction of 0.1% in 2023. This contraction was primarily due to the lagged effects of the severe shortage of chemical fertilizers and other agrochemicals, as well as constraints on essential supplies. These issues, combined with continued political uncertainty and a complex regulatory environment, posed significant challenges for Sri Lanka's economic recovery in 2023 and is expected to continue through 2024.

## PLANTATION INDUSTRY

### Tea

Despite the global and local economic challenges in 2023, Sri Lanka's tea industry remained one of the country's top-performing sectors, contributing 11% of Sri Lanka's total merchandise export earnings. Although total tea export volumes fell by 3% to 241.19 million Kgs (down from 250.19 million Kgs in 2022), the total export income from tea increased by 4%, totaling USD 1.31 billion compared to USD 1.26 billion in 2022.

The rise in export income, despite a slight decline in volumes, underscores the resilience of the tea industry. The national auction average for 2023 stood at Rs. 1,171.29, down by Rs. 62.95 from 2022.

Total tea production in Sri Lanka for 2023 reached 256.04 million Kgs, representing an increase of 4.20 million Kgs over the 2022 production of 251.84 million Kgs. This modest increase in production amidst

## Chairman's Review (Contd...)

various economic pressures highlights the industry's ability to navigate challenges and continue contributing to Sri Lanka's economy in a material way.

### Rubber

In 2023, Sri Lanka's rubber production reached 64.4 million Kgs, which is a decline from 70.9 million tons in 2022. This decrease is largely attributed to the outbreak of the Pestalotiopsis leaf fall fungal disease, which had a widespread impact across many rubber-producing regions. While authorities have yet to fully assess the total damage caused by this disease, many Regional Plantation Companies (RPCs) have been proactively working to mitigate its effects, in the absence of a coordinated national effort to eradicate it.

The reduction in production was compounded by a 14% drop in rubber prices in 2023, contributing to a significant downturn in agricultural rubber exports. In monetary terms, these exports fell from USD 1,018.4 million in 2022 to USD 930.23 million in 2023. These figures reflect the challenging environment in which Sri Lanka's rubber industry is currently operating, indicating that further measures are required to address both the disease and the broader market pressures impacting the sector.

## COMPANY PERFORMANCE

### Tea

In 2023, your Company produced 4.02 million Kgs of tea, down from 4.39 million Kgs in 2022. The low-country segment, which is heavily reliant on bought leaf to maintain optimal factory capacity, faced considerable challenges during the year.

Company-owned factories are self-held to strict ethical and food safety protocols, which puts them at a disadvantage compared to other factories that enjoy greater latitude in terms of bought leaf procurement and manufacturing practices. This discrepancy is exacerbated by a lack of consistent oversight by national authorities, which has led to weakened regulation and control of tea factories.

The Company's General Sales Average (GSA) for 2023 stood at Rs 1,136.49 per Kg, down from Rs 1,229.26 per Kg in 2022, marking a decrease of 7.55%. The low-grown segment saw its GSA decrease to Rs 1,159.63 per Kg, which was Rs 121.63 per Kg below the national average for this elevation. On the other hand, the mid-grown segment's GSA was Rs 1,108.86 per Kg, Rs 120.10 per Kg above the national mid-grown average. These figures highlight the substantial impact of the difficulties faced by the low-country estates, a core part of the Company's operations.

The low-country estates bore the brunt of the negative impacts, which included reduced quality of green leaf, limited supply of bought leaf, and an operating environment that lacked fair competition. Given the Company's heavy reliance on the performance of its low-country estates, these issues played a significant role in shaping the Company's financial result for the year 2023.

### Rubber

National Average of Latex Crepe 1X decreased from Rs. 845.70 per Kg to Rs. 726.25 per Kg from 2022 to 2023. Further, National Average RSS1 prices decreased by Rs. 33 compared to the average RSS1 price of 2022.

Your our Company was able to maintain the rubber harvest at 0.64 million Kgs, 0.24 million Kgs less than the previous season despite the increased rainfall, which reduced the number of viable tapping days, and the impact of the Pestalotiopsis leaf fall fungal disease, which posed additional challenges to production

### Cinnamon

The market experienced a gradual decline in prices across all grades of Cinnamon during 2023. C Grades, which were trading at Rs. 3,850 in the first quarter, fell to Rs. 3,307 by the end of the year. M Grades remained stable at Rs. 3,000 throughout the year.

The Company's Cinnamon production for 2023 was 32,898 Kgs, a 48% decrease compared to 2022. This reduction was primarily due to corrective measures taken to ensure sustained supply and growth in the future. The significant drop in production underscores the importance of Cinnamon as a cash crop for KWPL. As consumers globally continue to recognize the uniqueness of Ceylon Cinnamon, potential for growth is significant. This underscores the strategic importance of Cinnamon in the Company's long-term plans, as a source of sustainable revenue.

### Capital Development

Since 2012, your Company has invested over Rs 2.3 billion in replanting efforts across its core crops, with the following allocation: Tea (39%), Rubber (36%), Cinnamon (17%), and other crops (8%). This significant commitment underscores the Company's dedication to long-term growth and sustainability.

These investments are not aimed at maintaining production levels but also improving the quality and yield of these crops. The continued focus on replanting and expansion will play a critical role in enhancing the Company's competitive edge and ensuring its sustainability in the years to come. The return on investment (RoI) from these efforts will contribute positively to KWPL's future, positioning the Company for success as it continues to diversify and strengthen its core operations.

### Awards and Achievements

In 2023, ten of the Company's tea processing centers achieved 283 top prices at the Colombo auctions, highlighting their consistent quality and industry recognition.

Similarly, four of the Company's rubber processing centers secured 278 top prices during the same year, demonstrating the high standard of the Company's rubber products.

At the prestigious 8th Asia Pacific Tea Competition in China, several of the Company's estates received notable accolades. The following awards were awarded:

- Weshall-Grade: Rilagala Rosy, Grade: FBOP from Kataboola & Endane Estate marks earned the Gold Award.
- Galamuduna-Grade: PEK1, Imboolpitiya-Grade: BOP1, and Westhall-Grade: FBOP each secured Silver Awards.

Additionally, Endane Estate-Grade: SP -BOP1 received the "Highly Commended" award in the Leafies category at the UK Tea Academy Award 2023, further illustrating the Company's commitment to quality and excellence.

These recognitions reflect the hard work and dedication of the Company's processing centers and serve as a testament to the superior quality of the Company's tea and rubber products.

### Human Resource Development and Social Responsibility

The COVID-19 pandemic and the ensuing economic crisis in 2021-2022 presented unprecedented challenges, emphasizing the importance of responsible business practices. As we moved through 2023, the Company focused on its role in safeguarding the well-being of workers, their families, suppliers, and surrounding communities, while also considering the impact on the environment.

## Chairman's Review (Contd...)

Throughout these challenging times, the MJF Charitable Foundation (MJFCF) and Dilmah Conservation (DC) have been instrumental in supporting the Company's efforts to extend its outreach and mitigate the effects of the ongoing economic and social crisis. Their contributions have allowed us to overcome limitations and align our sustainability goals with our business and technological transitions, supporting organizational growth.

MJFCF plays a pivotal role in community development, a core component of the Company's overall strategy. Here are some of the key initiatives carried out in direct collaboration with MJFCF:

- **Ergonomic Plucking Baskets:** In 2023, the Company provided 2,021 lightweight ergonomic plucking baskets to tea harvesters, enhancing working conditions and reducing fatigue. These baskets were produced by a group of retirees from the Houpe estates as part of a self-entrepreneurship project initiated by MJFCF, creating income opportunities for pensioners.
- **Suwa Seriya 1990 Ambulance Sponsorship:** The Company together with MJFCF sponsors the operational costs of seven Suwa Seriya 1990 ambulances, providing emergency healthcare transportation in the areas where KWPL and the MJF Group operate. This includes two ambulances dedicated to the Nawalapitiya and Kahawatte regions.
- **Child Development Centers and Nutrition:** The Company continues to provide nutritious midday meals to children attending Child Development Centers on its estates. An initiative that has been in place since 2006.
- **Educational Scholarships:** In 2023, 12 children of workers who gained admission to universities received educational scholarships, in addition to ongoing support for 86 university students and 47 advanced-level students as part of an initiative launched in 2006.
- **Early Identification Program for Developmental Disorders:** The Company and MJFCF implemented an early identification program for children on low-country estates, training 36 health and welfare staff and screening 1,425 children under five years old. The program aims to identify risks for developmental disorders and provide therapy and mobility devices to those in need.
- **Savings Incentive for Newborns:** Each of the 44 newborn children of workers in 2023 received a savings passbook with an initial deposit, promoting the importance of saving from an early age.
- **Infrastructure Improvements:** As part of its infrastructure development program, the Company constructed 16 new field restrooms and upgraded various facilities, including nine child development centers, four factory restrooms, seven EWHC outlets, and eight health centers. Additionally, 185 existing worker houses were upgraded with new roofing to address the need for better housing.
- **Low-Energy Cooking Stoves:** The Company distributed 100 low-energy cooking stoves to the best-performing worker families, promoting energy efficiency and environmental sustainability.
- **Company collaborated with government health authorities to offer training programs on household cash management and nutrition. The Plantation Human Development Trust also supported our plantations through health education programs, the Indian housing scheme, and the implementation of a major water supply scheme on the Rilhena Estate.**

In addition, Dilmah Conservation plays a pivotal role in the Company's efforts to integrate sustainability and innovation into its business operations. This collaboration encompasses several key areas:

- **Environmental Education:** Dilmah Conservation partners with the Company to provide environmental education, raising awareness about sustainability among employees and the broader community.
- **Sustainable Agriculture:** The partnership focuses on trialing and promoting sustainable agricultural practices. By introducing best practices and the latest agricultural developments, the Company aims to enhance efficiency and effectiveness in its operations.
- **Research and Innovation:** Cutting-edge research conducted by Dilmah Conservation contributes to the Company's diversification efforts. This research explores new agricultural techniques and innovations that can help the Company transition toward a more diversified agri-business model.

Through these collaborative efforts, the Company aims to improve its environmental impact, embrace sustainable practices, and create a resilient business model that aligns with contemporary agricultural trends. This partnership not only benefits the Company but also contributes to broader sustainability goals, reinforcing the Company's commitment to responsible and innovative business practices.

These initiatives demonstrate your Company's steadfast commitment to social responsibility and environmental sustainability. By focusing on the well-being of workers, their families, and the broader community, as well as preserving the environment and biodiversity, the Company underscores its dedication to creating a positive impact. Through this integrated approach, the Company seeks to balance economic success with its obligations to society and the environment, thereby fostering a more sustainable and equitable business model.

## INDUSTRY OVERVIEW

### Tea

Analysts anticipate global output to grow by 1.5% to 3% during 2024-2025, but these projections come with significant uncertainty due to potential El Niño events and broader climate change impacts. The effect of climate-related disruptions could be profound, adding a layer of unpredictability to production estimates.

In Sri Lanka, the enforcement of the B60 program, which aims to improve green leaf quality, could restrict supply in the short term while potentially enhancing the quality and the supply of 'Ceylon Tea' over the long term.

The first quarter is typically a lean period for most tea-producing countries. However, Sri Lanka's Western quality season, which occurs in Q1 will improved the availability of higher-quality teas.

Inflation-adjusted input costs are expected to remain elevated, affecting farmers' profitability. While global fertilizer prices have decreased significantly as 2024 approaches, they are still high by historical standards. The sustained high cost of production and declining margins will dampen investment prospects in the tea sector.

To combat high input costs, tea-producing countries are exploring production efficiencies through technology and mechanization to address ongoing labor shortages. Although this could boost output, the impact will be gradual due to the slow roll-out of these new technologies and practices.

Sri Lankan tea prices will be influenced by global consumption trends. India, which accounts for 20% of global demand, is expected to see its tea consumption grow by 3%-4% over the next 2-3 years. Russia's struggling economy due to sanctions and Türkiye's weak economic performance, despite having the highest per capita tea consumption, add to the uncertainties. Iran's tea market is also constrained by trading conditions, creating additional hurdles.



## Chairman's Review (Contd...)

Overall, the industry faces a complex and evolving landscape, with potential for long-term growth but also presents significant immediate challenges. Factors such as climate change, fluctuating input costs, and shifting market dynamics contribute to this uncertain environment.

The key to success will be balancing short-term pressures with a forward-thinking approach that includes investment in technology, mechanization, and quality improvement. This mindset will enable companies to manage risks effectively while capitalizing on emerging opportunities in a challenging global context.

### Rubber

World Natural Rubber (NR) production and consumption revealed a growth year on year (2022/2023) as more volumes of rubber came in to the market from emerging rubber growing countries. The top rubber producing countries in Asia experienced factors such as heavy rain fall and the circular leaf spot disease, which will impact the overall production during at least the 1st half of 2024.

Rubber demand remained resilient in 2023, supported by a recovery in the auto sector, which accounts for nearly two-thirds of global rubber consumption. Despite lower tire production in Brazil, Germany, South Korea, and Russia, global rubber demand rose by 1.4 percent in 2023 (y/y), with increases in China, India, and Thailand compensating for the decline. Weather-induced output declines in Thailand, the world's largest natural rubber supplier, and Indonesia, were offset by increases in India and Côte d'Ivoire. In 2023, the global NR market was a 15.135 million tons of production while consumption is around 15.506 million tons.

The surge in crude oil prices driving Synthetic Rubber (SR) prices up, recovering semiconductor chip industry which impacted the vehicle production earlier, geopolitical crisis & higher shipping costs, global supply chain disruption caused by delayed shipping schedule, decreasing demand from the dipped product industry due to post pandemic drop in demand for gloves & impact on the demand from heightened borrowing costs due to rate hikes influenced the NR market during the year and will be challenges for 2024 as well.

Rubber grower's Income remained flat due to a combination of downward pressures on prices during certain months and effects of the outbreak of leaf drop disease on outputs, which amplified the impact of escalating production costs, especially of labour and fertilizer.

### Cinnamon

Mexico, the largest consumer market for cinnamon, focused on acquiring high-quality cinnamon, specifically fine or "C" grades. In contrast, countries like Colombia, Ecuador, Bolivia, and Peru continued to prefer coarser cinnamon, commonly known as "H" grades. However, the nationwide dollar crisis and persistently high freight rates makes it increasingly challenging to meet these demands.

Additionally, growing tensions in Gaza had a direct impact on the demand for cinnamon, contributing to the downward pressure on prices. A noticeable decline in the market prices for all grades of cinnamon was observed throughout the year. The price for C grades dropped from Rs. 5,000 to Rs. 3,500, while M grade prices declined from Rs. 3,500 to Rs. 2,700 during the period under review. These price decreases reflect the combined impact of both supply chain constraints and geopolitical factors affecting the cinnamon market.

### Coffee

The demand for high-quality coffee remained strong throughout the year, with mixed-quality lots trading between Rs. 800 and Rs. 1,000, while premium Arabica and Robusta No. 1 beans fetched higher prices, ranging from Rs. 1,300 to Rs. 1,500. This trend indicates a growing

market for premium coffee in Sri Lanka, although a significant portion of the crop from home gardens continues to be of mixed quality.

## FUTURE STRATEGIES AND CHALLENGES

### Strategies

Based on an in-depth analysis and a medium- to long-term perspective, your Company has formulated strategies to strengthen its core crops and diversify into specific ones over the next five years. The diversification efforts aim to mitigate issues associated with the current core crops while laying the groundwork for sustainable growth.

In pursuit of these goals, the Company has commenced a plan to plant 185 hectares of tea in two regions over the next five years, with work already underway for the initial 35 hectares. The tea replanting efforts will continue, while the replanting of rubber will be reviewed based on evolving market conditions. Additionally, the Company plans to consolidate its cinnamon plantations and explore value-added opportunities.

A strategic move toward branded specialty tea production is also in progress, leveraging the expertise within the Group. The Company aims to maximize capacity utilization while embracing technological advancements and improved work practices to boost productivity and reduce production costs.

Recognizing the importance of diversification for sustainable growth, the Company is exploring additional crops and projects, particularly in the low-country segment, without compromising core revenue sources. Some of the projects under consideration include:

Focused initiatives for continuous improvement in the core crops,

- production management, and working capital efficiency.
- Consolidation and expansion of large-scale timber plantations through both afforestation and reforestation.
- Continued investment in coffee cultivation in the Nawalapitiya region, targeting 42 hectares by 2026 to justify value addition to coffee.
- Diversification into large-scale ground solar power generation in partnership with the holding company Group, with implementation planned for 2024 and power generation starting in 2025.
- Roof-based solar power projects in collaboration with the holding company Group at Craighead, Kataboola, and Rilhene estates, with Houpe estate already completed and connected to the grid in 2023.
- Bamboo planting in conservation areas.
- Consolidation of and new ventures into bio-diversification projects, such as the Endane Forest Corridor, supported by Dilmah Conservation.
- Community-based vegetable and agricultural food cultivation projects.

This comprehensive business approach reflects a commitment to sustainability and long-term value creation for all stakeholders, focusing on environmental stewardship, community well-being, and operational efficiency.

### Challenges

Tea prices that surged in 2022 saw a notable drop in 2023, making it difficult to predict tea prices over an extended period with any level of certainty. Prices in the first quarter and early part of the second quarter of 2024 are likely to remain steady due to supply and better product quality, but beyond that, prices will depend heavily on broader economic trends and trading conditions in other tea-pro-



## Chairman's Review (Contd...)

ducing and importing countries.

Although costs rose significantly in 2023, they are expected to ease somewhat in 2024, but will still remain elevated compared to 2022. This ongoing pressure on margins will continue to challenge profitability.

Natural Rubber market, meanwhile, is anticipated to experience fluctuations, with improvements in the economy and relief from supply chain disruptions potentially driving demand in the latter half of 2024.

While supporting the aspirations of workers, continuing to increase wages without an equivalent improvement in productivity is unsustainable. In combination with the impact of climate change on yield and operating costs, the erosion of profitability of tea and rubber producing companies is likely to impact investment in innovation, environmental and social initiatives that are urgent and necessary. The additional implications including deterioration of the competitiveness of Ceylon Tea which is already at a significant premium relative to tea produced in other origins. A more collaborative process, needs to take wider strategic consideration for the Ceylon Tea industry into consideration, especially the market environment, and the differentiation that Ceylon Tea must offer to maintain our premium.

High cost of borrowing will also make it challenging to pursue aggressive planting and replanting programs, further emphasizing the need for cautious planning and innovative approaches to labour and operational management.

### APPRECIATION

On behalf of the Company, I would like to express our sincere gratitude to the two outgoing board members, Mr. Daya Wickramatunga and Mr. Nimal Amerasekera, who have served the Company with unwavering dedication for 16 and 08 years, respectively. Their advice,

insights, and overall contributions have been invaluable in guiding the Company through both prosperous and challenging times.

It is my pleasure to welcome Mr. Dilantha Seneviratne and Dr. Madawala Wijeratne to the Board. They bring a wealth of industry experience and technical expertise that will be instrumental as we move forward.

I would also like to extend my appreciation to my fellow Directors and senior managers for their dedication and significant contributions to the Company's progress.

I record my appreciation to all stakeholders, including our Employees, Trade Unions, Buyers, Brokers, Suppliers, and Banks, for their continued cooperation and support throughout the year under review.



**Dilhan C. Fernando**  
Chairman

03rd May 2024

## Management Discussion

As we continue to navigate our post-COVID-19 recovery, 2023 brought a series of significant challenges, largely stemming from the lingering effects of disruptions and the far-reaching consequences of the economic and political crisis that struck our country in 2022. Throughout 2023, inflation remained stubbornly high, driving up costs across multiple sectors, particularly in agriculture and manufacturing. This was compounded by a decline in auction selling prices compared to 2022, putting additional strain on the Company's financial performance and profitability.

These challenges were felt most acutely by our low-country estates, which form a critical component of our company's operations. Several factors combined to intensify the negative impact in these regions, including a reduction in the quality of green leaf, constrained supply, and an operating environment that lacked a level playing field. Given our company's significant reliance on the performance of its low-country estates, these constraints played a major role in shaping our overall financial result for the year.

Despite these formidable hurdles, our company's commitment to its core values and unwavering ethical standards provided a guiding light throughout this challenging period. We took decisive steps to address the emerging issues, implementing a range of strategic adjustments designed to strengthen our operations and mitigate risks.

It is encouraging to note that these measures are starting to produce positive outcomes, with our performance in the first quarter of 2024

indicating a shift toward sustainable recovery. The data suggests a notable improvement in several key areas, demonstrating that our resilience and adaptability are beginning to pay off. This is a testament not only to our strategic focus but also to the dedication and hard work of our entire team.

The Company's total revenue for the fiscal year 2023 was Rs. 5,153 million, marking an 18% decline compared to 2022. This reduction reflects the challenging economic conditions reflected in cost of sales and market pressures that affected the Company's performance in terms of selling prices throughout the year.

Gross profit also decreased significantly, dropping by Rs. 940 million compared to the previous year. This drop was primarily driven by a substantial decrease in the tea segment's gross profit, which fell by Rs. 608 million owing to the factors highlighted above.

Additionally, the rubber segment's gross profit decreased by Rs. 250 million, and gross profit from other products declined by Rs. 82 million. This across-the-board downturn highlights the broader challenges the Company was faced with in maintaining profitability during 2023.

### Segmental Results

**Tea** – Despite significant agricultural challenges, the Company's manufactured tea output in 2023 decreased by only 8.33% compared to 2022. This resilience in production is noteworthy given the ongoing

## Management Discussion (Contd...)

difficulties in the agricultural sector.

However, the Gross Sales Average (GSA) for the Company in 2023 stood at Rs. 1,136.49 per kg, which is Rs. 34.8 per kg below the National Auction Average and Rs. 92.77 per kg lower than the GSA for 2022. Within the Company's tea segment, the low-grown tea achieved an average of Rs. 1,159.63 per kg, Rs. 121.63 per kg below the national average for this elevation. Conversely, the mid-grown tea segment averaged Rs. 1,108.86 per kg, which was Rs. 120.10 per kg above the National mid-grown average. Which highlights issues connected to the low country tea production.

The overall revenue from tea decreased by 14% in 2023 compared to the previous year. This decline can be attributed to a combination of factors, including the decrease in tea prices and the drop in crop.

**Rubber** – After a resurgence in 2021, the downward trend in natural rubber prices returned in 2023 and continued through 2023. The Company achieved a Gross Sales Average (GSA) of Rs. 574.87 per kg in 2023, marking a 22% decrease compared to 2022.

Despite supply chain disruptions, unfavorable macroeconomic conditions, reduction in tappable days and leaf fungal diseases, the decrease in production was contained to a reduction of 27% in 2023 over the 0.88 million kgs produced in 2022 inline with national rubber production decline.

The decline in rubber prices significantly impacted revenue, with the rubber segment experiencing a 41% decrease in revenue in 2023 compared to 2022.

**Diversified Crops** - In 2023, the Company's revenue from other crops, predominantly Cinnamon and Timber Tree Sales, constituted approximately 1.6% of total revenue. Despite contributing a smaller portion of overall revenue, this segment experienced a 46% decline in revenue. This drop can be largely attributed to the broader macroeconomic factors & operational challenges affecting the agricultural sector in the low-country region.

Cinnamon, in particular, has been identified as a strategic crop with a major potential to generate sustainable revenue and contribute to the Company's long-term profitability. To capitalize on this opportunity, the Company has initiated strategic measures to support the growth and development of the Cinnamon segment. These initiatives are designed to strengthen the segment's revenue-generating capacity and are expected to yield significant results for the Company in the mid to long term.

### Overall Company Performance

Company's overall revenue decreased to Rs. 5,153 million from Rs. 6,261 million in 2022, primarily due to the reasons outlined above. Interest rates, which had surged in 2022, remained high throughout 2023, leading to an over 10% increase in the Company's net finance cost. This persistent high cost of borrowing added significant financial strain on the Company's operations.

The rise in corporate tax rates also compounded the challenges. Despite an 83% reduction in operating profit and a 150% decrease in profit before tax, the Company's tax expense increased by 22% compared to the previous year. This disproportionate increase in the tax burden, in the context of declining profitability, had a notable impact on the Company's financial health.

Additionally, the Company's provision for Retirement Benefit obligations increased by Rs. 160 million due to high interest rates applica-

ble for actuarial valuation, further exacerbating its financial position. As a result, the Company recorded a Loss Before Tax of Rs. 277 million and a 'Total Comprehensive Expense' of Rs. 676 million for the year 2023. These figures reflect a range of negative factors, including high production costs, low Net and Gross Sales Averages, significant operational challenges, high interest rates, a steep increase in corporate taxes, and adverse actuarial adjustments. Together, these factors significantly impacted the Company's financial performance.

### Company Strategies

The Company's management is dedicated to upholding the highest standards in business operations, consistently striving to improve our processes and enhance productivity. We are primarily focused on our core crops, tea and rubber, which have traditionally formed the backbone of our business. However, we recognize the need for diversification as a key component of our strategy.

By diversifying, we aim to not only mitigate risks associated with market fluctuations and other external factors but also to position the Company for sustainable growth.

This strategic approach will allow us to explore new opportunities and strengthen our business model, paving the way for our transformation into a highly profitable agribusiness.

In line with this strategy, the company will expand its focus on its cinnamon cultivation and other premium cash crops, placing greater emphasis on strict quality standards. Our dedication to quality will be the guiding principle as we explore these new opportunities.

The Company will also explore new opportunities in specialty tea, while reinforcing its manufacturing capacity. To further boost quality and productivity, the Company will prioritize process improvements, agri-product development, and reforestation initiatives.

Investments in capital expenditure (CAPEX) will strain cash flow, but management views them as crucial for long-term success. As such, the Company is committed to technology advancements to sustain and maximize production efficiencies.

Despite the economic headwinds, the Company's strategic approach aim to balance a focus on core crops with a need for diversification and continuous technological investment. This balanced approach is designed to foster long-term resilience and growth. Some positive effects of these strategies can already be observed in the 2024 first-quarter results.

### Environmental Sustainability Initiatives

KWPL is dedicated to ensuring the environmental sustainability of its plantations by promoting ecosystem health and integrating green energy solutions.

- **Green Energy Initiatives:** The Company is actively consolidating green energy sources through both in-house and outsourced hydropower projects. It is expanding roof solar installations, initially commissioned at Houpe Estates, to three additional estates, and exploring ground-based solar energy in Nawalapitiya. These initiatives align with the Company's commitment to environmental sustainability.
- **Dilmah Conservation Collaboration:** The Company has partnered with Dilmah Conservation to pursue Agricultural Innova-

## Management Discussion (Contd...)

tion initiatives, including special studies on cinnamon, planning for potential new crops like bamboo, developing 40 coffee varieties, and providing technical expertise for home gardening programs.

Additionally, the Company continues its collaboration with Dilmah Conservation on several sustainability and conservation projects:

One Earth Center for Climate Research & Adaptation: As Sri Lanka's

- first Climate Change Research Station, located over 1500 meters above sea level at Queensberry Estate in Nawalapitiya, this center aims to advance climate change knowledge and adaptation practices. The Company supports Dilmah Conservation's efforts to disseminate this knowledge to stakeholders, especially plantation workers and local communities.

Climate-Smart Agricultural Projects: The adaptive research program at the Company focuses on introducing crop management packages to increase the resilience of tea crops to climate change. Research efforts continue on seven estates in the Nawalapitiya region.

- Endana Nature Corridor Project: This flagship project aims to create ecological wealth by connecting the isolated Walang Kanda with the Delwala Forest, thereby linking it to the Sinharaja Forest Reserve. The Company is proud to facilitate the consolidation phase of this important ecological initiative.

Community Beekeeping in Endana: The "Helping Bees be Buzzin'" project not only contributes to the conservation of honeybee populations but also empowers economically disadvantaged communities through beekeeping activities.

- Through these initiatives, the Company demonstrates a strong commitment to environmental sustainability, promoting ecosystem health while contributing to the well-being of local communities. These projects also reflect the Company's broader goal of creating a positive environmental impact while supporting its core business operations.

### Community Service and Employee Welfare

Your Company has continued and will continue to work alongside the MJF Charitable Foundation (MJFCF) to offer a range of livelihood development initiatives to the plantation community. These efforts are designed to provide essential support and improve the quality of life for those living and working in these communities.

Details of these initiatives are outlined in the Chairman's Review, reflecting the Company's commitment to social responsibility and community welfare. By partnering with MJFCF, the Company is contributing to the long-term sustainability of the plantation communities, ensuring they have access to resources and opportunities for personal and economic growth.

These programs not only address immediate needs but also aim to create a lasting positive impact, reinforcing the Company's role as a socially responsible enterprise. The Company's efforts in this regard go beyond what is typically expected, highlighting its commitment to the welfare of the community within which it operates.

### Future outlook

As outlined in the Chairman's Review, 2024 is expected to be a challenging yet potentially promising year for the Company.

### Positive Developments:

The revocation of the ban on importing chemical fertilizers has eased supply chain constraints and allowed for more conventional agricultural practices in tea plantations. This change has positively influenced crop production and management.

This has contributed to an improved outlook for tea production, with better yields anticipated as agricultural practices stabilize.

### Negative Factors:

The reduced yields and quality issues, as outlined earlier, may continue to affect tea auction prices in the near term. Additionally, the stabilization of the Sri Lankan Rupee (LKR) could have further implications for these prices. The ongoing effects of the "Leaf Diseases" which have impacted the overall rubber industry since 2019, along with spiraling costs will continue to put additional pressure on the profitability of the rubber segment.

Inclement weather and other unpredictable climatic factors could also negatively affect agricultural production.

### Disinflation and Cost Challenges:

The disinflation process is expected to continue through 2024 following the period of unprecedented inflation in 2022, which will contribute to a moderation in finance costs, production costs, though these costs are expected to remain elevated compared to pre-2022 levels.

Despite these expected cost pressures, the Company saw signs of improvement in the Gross Sales Average (GSA) with the first quarter of 2024 showing positive results, showing early signs of recovery in the core tea sector.

### Outlook for 2024:

Despite these early encouraging signs in Q1 of 2024, the Company anticipates a challenging year ahead due to uncertainties in the micro and macro-economic environment. Further as emphasized in Chairmen's report the need for a productivity-based wage model is imperative as the labor costs will become unsustainable.

The strategies and best practices adopted by the Company, guided by the Environmental, Social, and Governance (ESG) framework, will be instrumental in navigating these challenges. By adhering to a robust ESG framework, the Company is positioning itself to meet the demands of 2024 while maintaining its commitment to sustainability and responsible business practices.

The Company maintains a cautiously optimistic outlook for the coming year, acknowledging the challenges while also seeing potential for recovery and growth in its core business sectors. This optimism is bolstered by the promising trajectory shown in Q1 of 2024. Company's strategy and focus on key growth areas aim to create a foundation for a successful year ahead.

# Corporate Governance

The Company aspires to conform to high standards of governance encompassing best practices in Corporate Governance, and business sustainability by ensuring greater transparency, business integrity, professionalism, and ethical values in the best interests of all stakeholders.

## Board of Directors Role and Focus

The Board assumes the leadership role for upholding high standards of professionalism and ethics aspiring to the vision of its late Chairman, Mr. Merrill J Fernando. The Board's primary responsibilities encompass the oversight of business operations, effective governance of key affairs, articulating the vision and mission, approving business strategies and objectives, evaluating performance, assessing major risks, and ensuring compliance with relevant laws and regulations.

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

## Composition of the Board

The Board consisted of seven (7) Non-Executive Directors including the Non-Executive Chairman. Messrs. Dilantha S. Seneviratne, Dr. Madawala A. Wijeratne and Ms. Minette D. A. Perera act as Independent Directors as at the date of reporting as per the current Listing Rules of the Colombo Stock Exchange. Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company. Mr. Dilhan C Fernando, Mr. Malik J Fernando, Mr. Himendra S Ranaweera, Mr. Darshana Gunasekera are executive Directors of the other group companies.

The existing composition of the Board reflects a judicious mix of knowledge, skills, experience, and diversity. Adequate measures are in place to safeguard the independence of the Board, reinforcing its ability to make objective and impartial decisions. Detailed profiles of the Board of Directors, encompassing their individual experiences and expertise, can be found on pages 14 to 15 of this Report.

## Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate with a clear distinction of responsibilities, which ensures balance of power and authority.

Upon the demise of Late Merrill Fernando, his son Mr. Dilhan Fernando was nominated as the non-executive Chairman of the Board of Directors. Mr. Binesh Pananwala who assumed duties as the Chief Executive Officer of the Company effective from 1st October 2023 oversees the day-to-day management affairs of the Company and is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company. CEO has oversight into the overall strategy formulation of the company, setting and executing the organization's strategy, allocation of resources, and building and overseeing the executive team by driving the KPIs for delivery of sustainable returns.

## Board Meetings and Attendance

Board meetings are held on quarterly basis with the flexibility to arrange additional meetings when required. The Board met four times during the year. The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations review of management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, approvals relating to key appointments, sanctioning major capital expenditure etc.

Directors receive complete information related to agenda items in advance. The Chairman actively fosters an environment of open and

candid debate among all Directors during each Board meeting. Directors are encouraged to freely express their views. Decisions are reached either unanimously or by consensus and any dissenting views raised by Directors are duly recorded in the meeting minutes, ensuring transparency and accountability in the decision-making process.

## Attendance at Meetings

During the period under review;

Director	Status	Board	RPT	RC	NGC	AC
Merrill J. Fernando	NED	-	-	-	-	-
Dilhan C. Fernando	NED	04	-	-	-	-
Himendra S. Ranaweera	NED	04	-	01	-	-
Malik J. Fernando	NED	02	-	-	-	-
Darshana Gunasekera	NED	02	-	-	-	-
Minette D.A. Perera	NEID	04	04	01	-	07
Daya P. Wickramatunga	NEID	04	04	01	-	07
Nimal M. Amerasekera	NEID	04	-	-	-	04
Total number of meetings		04	04	01	00	07

NED : Non-Executive Director NEID: Non-Executive Independent Director

## Appointment, Re-election and Resignation of Directors

Directors are appointed by the shareholders at the Annual General Meeting (AGM), following a formal process and based on recommendations made by the Board. The Nominations and Governance Committee makes recommendations to the Board on all board nominations based on consideration of the combined skills, knowledge, fitness, propriety, character, experience and diversity of the Board.

In compliance with the Articles of Association, a single Director will retire from office at each Annual General Meeting and on recommendation made by the Board, be eligible to stand for re-election by the shareholders at the AGM. Accordingly, Mr. Malik J Fernando will retire by rotation in terms of the Articles of Association of the Company and being eligible, offers himself for re-election at the AGM.

A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for election at the next AGM. Accordingly Mr. Darshana Gunasekera, Mr. Dilantha S. Seneviratne and Dr. M.A. Wijeratne who were appointed as Directors during the year will retire in terms of Article 24 (6) of the Articles of Association and being eligible, offers themselves for re-election at the AGM.

Appointments are communicated to the shareholders through due notice to Colombo Stock Exchange. These communications include a brief résumé of the Director disclosing relevant expertise, key appointments, shareholding and whether he is Executive, Independent or Non-Independent.

Resignations or removal, if any, of Directors and the reasons thereof are informed promptly to the Colombo Stock Exchange together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.

## Board Sub Committees

To facilitate focused attention on specific areas of review and in pursuance of the Listing Rules of the Colombo Stock Exchange on Corporate Governance, the Board of Kahawatte Plantations PLC has appointed four Sub Committees, the Audit Committee, Remuneration Committee, Nominations and Governance Committee and the Related Party Transactions Review Committee.

## Audit Committee

The Audit Committee consists of four (4) Non-Executive Directors three of whom are Independent Non-Executive Directors.

Ms. Minette D. A. Perera, a Non-Executive Independent Director who



## Corporate Governance (Contd...)

is a member of three recognized professional accounting bodies was the Chairperson of the Committee till 26.02.2024. With the re-constitution of the Board Sub Committees in compliance with the amended Listing Rules of the Colombo Stock Exchange Mr. Dilantha S. Seneviratne, who is a Non-Executive Independent Director and a member of two recognized professional accounting bodies was appointed as the Chairman of the Committee w.e.f. 27.02.2024. Dr. M. A. Wijeratne a Non-Executive Independent Director and Mr. Darshana Gunasekera a Non-Executive Director were appointed as members w.e.f 27.02.2024. Ms. Minette D. A. Perera continues to serve the Committee as a member. Mr. Daya P. Wickramatunga and Mr. Nimal M Am-erasekera were members of the Committee till 15.02.2024.

The Report of the Audit Committee appears on page 19.

### Nominations and Governance Committee

The Nominations and Governance Committee was constituted on 27.02.2024 in compliance with the amended Listing Rules consisting of three (3) Non- Executive Independent Directors. Dr. M. A. Wijeratne is the Chairman of the Committee and Ms. Minette D. A. Perera and Mr. Dilantha S. Seneviratne are the remaining members.

The Report of the Nominations and Governance Committee is given on page 21 of this Annual Report.

### Remuneration Committee

The Remuneration Committee consists of four (4) Non- Executive Directors, three (3) of whom are Independent Non- Executive Directors. Mr. Himendra S. Ranaweera Non- Executive Director was the Chairman of the Committee until 27.02.2024. With the reconstitution of the Board Sub Committees in compliance with the amended Listing Rules of the Colombo Stock Exchange Mr. Dilantha S. Seneviratne, who is a Non-Executive Independent Director was appointed as the Chairman of the Committee w.e.f. 27.02.2024. Ms. Minette D. A. Perera and Dr. M.A. Wijeratne are the remaining members.

The Report of the Remuneration Committee is given on page 19 of this Annual Report.

### Related Party Transactions Review Committee

The Related Party Transaction Review Committee consists of three (3) Non- Executive Independent Directors. Ms. Minette D A Perera was the Chairperson of the Committee until 27.02.2024. With the reconstitution of the Board Sub Committees in compliance with the

amended Listing Rules of the Colombo Stock Exchange Mr. Dilantha S. Seneviratne was appointed as the Chairman of the Committee w.e.f. 27.02.2024. Ms. Minette D. A. Perera and Dr. M.A. Wijeratne are the remaining members.

### Financial Reporting

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the Sri Lanka Accounting Standards (LKAS / SLFRS) and the relevant Statutes and has established formal and transparent processes for financial reporting and internal controls.

The Statement of Directors' Responsibilities for Financial Reporting is given on page 18 of this Report.

### Internal Controls

The Board is responsible for the Company's internal controls. In this respect controls are established for safeguarding the Company's assets, making available accurate and timely information and imposing greater discipline on decision making. The process is strengthened by regular internal audits. The internal audit specifically focuses on internal controls and procedures in the areas of finance, operations, human resources, payroll management and relevant legal and regulatory compliance.

### Corporate Disclosure and Shareholder Relationship

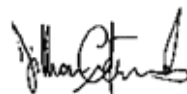
The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public.

Shareholders are provided with Annual Report and, the Company disseminates to the market, Interim Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange.

The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company.

### By Order of the Board

#### Kahawatte Plantations PLC



**Dilhan C Fernando**  
Chairman

03<sup>rd</sup> May 2024  
Colombo

## Corporate Governance (Contd...)

Rule No.	Requirement	Disclosure	Compliant
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Annual Report of the Board of Directors	Yes
7.10.1(a)	Non-Executive Directors (NED) composition At least two or one third of total Directors, whichever is higher,	Composition of the Board	Yes
7.10.2(a)	Independent Directors composition Two or one-third of Non-Executive Directors, whichever is higher,	Composition of the Board	Yes
7.10.2(b)	Independence of Directors Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Composition of the Board	Yes
7.10.3(a)	Disclosure relating to Directors The names of Independent Directors should be disclosed in the Annual Report	Members of the Board	Yes
7.10.3 (a)/(b)	Independence of Directors The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Composition of the Board	Yes
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director including the Director's areas of expertise.	Board profiles	Yes
7.10.3(d)	Appointment of new Directors Provide a brief resume of any new Director appointed to the Board	Appointment of Directors	Yes
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee	Remuneration Committee Report	Yes
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	Yes
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors to the Board, for approval	Remuneration Committee Report	Yes
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out; - Names of the Directors comprising the Remuneration Committee - Statement of Remuneration policy - Aggregate remuneration paid to Executive and Non-Executive Directors	Remuneration Committee Report	Yes
7.10.6	Audit Committee A listed company shall have an Audit Committee	Audit Committee Report	Yes
7.10.6(a)	Composition of Audit Committee Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Audit Committee Report	Yes
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10 6 (b)	Audit Committee Report	Yes
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee • Names of the Directors comprising the Audit Committee • Basis for determining the independence of the Auditors • Report of the Audit Committee in the prescribed manner	Audit Committee Report	Yes
9.3.2	Related Party Transactions Review Committee a) Details pertaining to Non-Recurrent Related Party Transactions b) Details pertaining to Recurrent Related Party Transactions c) Report of the Related Party Transactions Review Committee d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Related Party Transactions Review Committee Report	Yes
7.6	Contents of the Annual Report		Yes
i)	Names of directors of the entity	Members of the Board	Yes
ii)	Principal activities of the entity during the year under review	Principal activities of the Company and review of performance during the year	Yes

## Corporate Governance (Contd...)

Rule No.	Requirement	Disclosure	Compliant
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Information to shareholders and investors	Yes
iv)	The Public Holding percentage etc	Information to shareholders and investors	Yes
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Directors Shareholding	Yes
vi)	Information pertaining to material foreseeable risk factors	Risk Management	Yes
vii)	Details of material issues pertaining to employees and industrial relations	Number of Employees	Yes
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings	Page 02 & Note 14 to the Financial Statements	Yes
ix)	Number of shares representing the stated capital	Information to shareholders and investors	Yes
x)	Distribution schedule of the number of shareholders and the percentage of their total holding	Information to shareholders and investors	Yes
xi)	Ratios and market price information	Information to shareholders and investors	Yes
xii)	Significant changes in the entity's fixed assets	Note 14 to the Financial Statements - Property, plant and Equipment	Yes
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	N/A	N/A
xiv)	Employee share option/purchase schemes	N/A	N/A
xv)	Corporate Governance Disclosure	Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5c and 7.10.6c of the Listing Rules	Yes
xvi)	Related Party Transactions	Note 29 to the Financial Statements - Related Party Transactions	Yes

# Board of Directors

## Mr. Merrill J. Fernando

**Chairman (expired on 20.07.2023)**

Appointed to the Board in 2015 as a Non-Executive Director, Merrill J. Fernando served the Company as its Chairman until his demise on 20.07.2023. He was the Founder of Dilmah a much-respected global name, renowned for its quality and the philosophy of caring and sharing behind the brand. Dilmah is a brand which re-launched, re-defined and re-established the quality of Ceylon Tea. In keeping with Mr. Fernando's unique philosophy of making business a matter of human service the MJF Charitable Foundation and Dilmah Conservation continue to pledge a minimum of 15% of pre-tax profits from the sale of Dilmah Tea towards direct humanitarian and environmental interventions.

Mr. Fernando was honored for his service towards humanity with the Oslo Business for Peace Award in 2015 by a committee of Nobel Peace laureates. He received the First Award for Responsible Capitalism in 2016 and an Honorary Doctorate from New Zealand's Massey University in 2019. He also held the title of Deshamanya awarded to him at the 2019 Sri Lanka National Honours ceremony.

Mr. Fernando also held several other directorships in Public Listed and Private Companies.

## Mr. Dilhan C. Fernando

**Director/ Chairman (w.e.f 31.07.2023)**

Mr. Dilhan C Fernando was appointed, to the Board of Kahawatte Plantations PLC in September 2008 as a Non- Executive Director. Mr. Dilhan C. Fernando was elected as the new Chairman to the Board of Kahawatte Plantations Plc on 31.07.2023 according to the wishes of his father Late Merrill J. Fernando to carry forward his legacy in the tea sector.

Mr. Dilhan Fernando's efforts have focused on bringing tea to a new generation with innovations like tea gastronomy, t- Lounges and by enhancing knowledge in tea through the Dilmah School of Tea. He also nurtures his father's pledge to make business a matter of human service through the work of the MJF Charitable Foundation and Dilmah Conservation. Mr. Fernando currently chairs the Biodiversity Sri Lanka Platform which was pioneered by Dilmah Conservation together with the Ceylon Chamber of Commerce and IUCN (International Union for Conservation of Nature). He is the Chairman of the United Nations Global Compact in Sri Lanka, a corporate sustainability initiative by the UN.

Mr. Fernando also holds several other directorships in Public Listed and Private Companies

## Mr. Malik J. Fernando

**Director**

Mr. Malik J. Fernando was appointed to the Board of Kahawatte Plantations PLC in January 2001 as a Non-Executive Director.

He is the founder of Resplendent Ceylon, home to a collection of luxury Sri Lankan boutique resorts, also known as the hospitality arm of Dilmah Tea. He is additionally the second-generation owner, together with his brother Dilhan, of MJF Holdings & Dilmah Tea, founded by his father, Merrill J Fernando in 1988. Having grown up and studied overseas, Mr. Malik decided to return home to pursue a career with Dilmah upon his graduation from Babson College, Boston, in 1989.

Armed with his passion for the evergreen, lush nature in Sri Lanka, he strongly believed in the potential for Sri Lanka to become a luxury tourist holiday destination. Coupled with his desire to tell stories through tea, his first venture was the boutique resort, Ceylon Tea Trails, the world's first tea bungalow resort built on working tea estates, which also echoed his devotion to tea. Reflecting his goal to make Sri Lanka a luxury destination, Ceylon Tea Trails is also the first Relais & Chateaux resort in Sri Lanka, and the first on the coveted Conde Nast Gold List. In a bid to complete what he dubbed the "best of Sri Lanka circuit", comprising the three most distinctive offerings in the country – tea, sea, and safari, he went on to spearhead Cape Weligama which features breathtaking ocean views and Wild Coast Tented Lodge which gives a taste of the jungle.

Guided by the Dilmah philosophy that business must also be a matter of human service, he has led various positive impact initiatives within Resplendent Ceylon. Mr. Malik spearheaded the Peak Ridge Forest Corridor in 2021 to conserve an 18 km mountain ridge to protect leopards in the Sri Lankan tea highlands. Mr. Malik founded the Sri Lanka Tourism Alliance which works to promote sustainable tourism practices and support the tourism industry. It was established in response to the challenges faced by the tourism sector in Sri Lanka, particularly after the Easter Sunday attacks in 2019. Signature achievements of the Alliance include the first global consumer communications campaign for Sri Lanka after the economic crisis in 2022, the only dedicated tourism jobs portal to address staff shortages and an initiative to increase female participation in the tourism workforce.

Mr. Malik also holds several other directorships in Public Listed and Private Companies.

## Ms. Minette D. A. Perera

**Director**

Ms. Minette D. A. Perera was the former Group Finance Director of the MJF Group and was appointed to the Board of Kahawatte Plantations PLC in January 2001.

Ms. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a Finance Professional having worked in leading local and international companies as the CFO and Finance Director.

Ms. Perera currently serves as a Non Executive Director of several Public Listed Companies and Private Companies, including Dilmah Ceylon Tea Company PLC, First Capital Treasuries PLC and Janashakthi Ltd

## Mr. Himendra S. Ranaweera

**Director**

Mr. Himendra S. Ranaweera was appointed to the Board of Kahawatte Plantations PLC in September 2008 as a Non- Executive Director.

Mr. Ranaweera is the Deputy Chairman of Dilmah Ceylon Tea Company PLC and has been with the group for over 30 years. He also serves as a Director in a number of Companies of the MJF Group.

He counts over 50 years of experience and expertise in Operations Management both in Sri Lanka and overseas.

## Mr. Daya P. Wickramatunga

**Director (resigned on 15.02.2024)**

Mr. Daya P Wickramatunga was appointed to the Board of Kahawatte Plantations PLC in September 2008 as an Independent Non -Executive Director.

He is a graduate of the University of Ceylon, Science Faculty. He won an FAO scholarship awarded to Science Graduates in the Food Industry, and successfully completed his postgraduate degree from the FAO run 'Central Technological Research Institute, Mysore, India'.

He counts over 50 years working experience both in Sri Lanka and overseas with wide exposure to Research and Development in the Food Industry.

## Mr. Nimal Maxwell Amerasekera

**Director (resigned on 15.02.2024)**

Mr. Nimal M. Amerasekera is a Fellow of the Institute of Plantation Management and counts over 55 years of experience in both the private and public sectors in the plantation industry.

Mr. Amerasekera commenced his career as a trainee Plantation Executive at James Finlay & Co Ltd in 1963.

He served as a Director of the Janatha Estates Development Board from 1985 to 1990 and held the position of Director/ General Manager of DPL Plantations Ltd under the Hayleys Group of Companies from 1992 to 2004.



## Board of Directors (Contd...)

### Mr. Darshana Gunasekera

**Director (w.e.f. 31.07.2023)**

Mr. Darshana Gunasekera was appointed to the Board of Kahawatte Plantations Plc on 31.07.2023 as a Non-Executive Independent Director.

Mr. Darshana Gunasekera is the Group Finance Director of the MJF Group. He joined the MJF Group as the Chief Financial Officer in 2015 and was appointed to the Board of Dilmah Ceylon Tea Company PLC in October 2020 as an Executive Director. He is a double qualified accountant, Fellow member of the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. He holds a B.Sc. degree from University of Sri Jayawardenepura and is also qualified in Marketing.

Mr. Gunasekera has over 25 years of working experience including extensive overseas exposure, having worked in leading local and multinational companies.

Mr. Gunasekera also holds directorship in Dilmah Ceylon Tea Company Plc and several other Private Limited Companies.

### Mr. Dilantha Stephen Seneviratne

**Director (w.e.f. 01.01.2024)**

Mr. Dilantha S Seneviratne was appointed to the Board of Kahawatte Plantations PLC on 01.01.2024 as a Non-Executive Independent Director.

Mr. Seneviratne is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of the Institute of Certified Management Accountants (FCMA) with over 36 years of post-qualifying experience in Finance, corporate Management & Commercial operations in the plantation /corporate sector.

He served as a Director at Hayleys Plantation Services (Pvt) Ltd, and Director/ Chief Executive Officer, of Talawakelle Tea Estates PLC and

has over 21 years experience in the plantation sector.

He was also the Chairman of the CSR Steering Committee of Ceylon Chamber of Commerce. And has served as a Trustee of the Plantation Trust Fund, member of Employers federation of Ceylon and Planters Association sub committees, and Steering Committee on IAS 41 – Agriculture of the Institute of Chartered Accountants of Sri Lanka.

### Dr. Madawala Arachchillage Wijeratne

**Director (w.e.f. 24.01.2024)**

Dr. M. A. Wijeratne was appointed to the Board of Kahawatte Plantations PLC on 24.01.2024 as a Non-Executive Independent Director.

Dr. Wijeratne holds a Ph. D from Wye College, London and has served in the Tea Research Institute (TRI) as Principal Research Officer, Head of the TRI Low Country Center and Agronomy Division and the Additional Director, TRI.

He has over 36 years of experience in research in the tea industry and is also the Convenor/ Secretary of the Consultative Committee on Research of TRI, a Member of the Working groups on Climate change of the FAO/IGG on tea and Research and Development of the CTTA/ Ceylon Tea Road Map 2030 and holds memberships in several Boards, Taskforces, Committees related to Agriculture, Tea, Climate Change and Sustainable Energy, Universities & R&D institutes.

He has received several international gold medals and national awards for research and inventions. He also holds patents for invention of the Commercialized Selective Tea Harvester and Collapsible Tea Plucking Basket, Hand Pruner and Deep Fertilizer Applicator. He has received an award for "Excellence in Tea Research" in 2012 for his contributions to Tea Research in Sri Lanka. There are over 125 publications in international and national journals and books to his credit.

He has also worked as a foreign advisor for the Chinese Academy of Agricultural Sciences relating to a Climate Change Project.

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

The Directors of Kahawatte Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2023. This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act, No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

### General

Kahawatte Plantations PLC is a Public Limited Liability Company which was incorporated under the Companies Act No.17 of 1982 on 15 June 1992, listed on the Colombo Stock Exchange in the year 1998 and re-registered as per the Companies Act, No. 07 of 2007 on 26th December 2007 under Company Registration No. PQ 109.

### Principal activities of the Company

The Company's principal activities, which remained unchanged during the year were: cultivation, manufacture and marketing of tea, rubber, cinnamon, forestry products and other crops.

### Review of performance during the period under review

A review of the affairs of the Company and its performance during the year, financial results, future strategies and prospects are contained in the Chairman's review (pages 3 to 7) and the Management Discussion (pages 7 to 9).

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

### Financial Statements

The Financial Statements of the Company are given on pages 26 to 68.

### Summarized Financial Results

	31 <sup>st</sup> Dec. 2023 Rs.000	31 <sup>st</sup> Dec. 2022 Rs.000
Revenue	5,153,626	6,261,316
Net Profit/(Loss) Year	(579,544)	312,038
Total Comprehensive Income / (Expense)	(676,405)	392,805
Carried forward Loss	(1,177,039)	(500,634)

### Auditors Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 22 to 25.

### Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 30 to 40 are consistent with those of the previous period.

### Directors

The names of the Directors who held office as at the reporting date are given herewith and their brief profiles appear on pages 14 to 15.

### Members of the Board

Directors

Mr. Merrill J. Fernando (expired on 20.07.2023)

- Former Chairman

Mr. Dilhan C. Fernando

- Chairman

Mr. Malik J. Fernando

- Director

Mr. Himendra S. Ranaweera

- Director

Mr. Darshana Gunasekera (w.e.f. 31.07.2023)

- Director

## Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

Ms. Minette D.A. Perera	- Director *
Mr. Daya P. Wickramatunga (resigned on 15.02.2024)	- Director *
Mr. Nimal M. Amerasekera (resigned on 15.02.2024)	- Director *
Mr. Dilantha S. Seneviratne (w.e.f. 01.01.2024)	- Director*
Dr. Madawala A. Wijeratne (w.e.f. 24.01.2024)	- Director*

\* Independent Non-Executive Directors

With the demise of our beloved Founder and Chairman Mr. Merrill J Fernando on 20.07.2023, his two sons, Malik J Fernando and Dilhan C Fernando will continue to carry forward his legacy in tea, leisure and other business enterprises, accordingly Mr. Dilhan C. Fernando was appointed as the Chairman of Kahawatte Plantations PLC with effect from 31.07.2023. On 01.10.2023 the Board appointed Mr. Binesh Neomal Pananwala as the Chief Executive Officer of the Company.

Mr. Nimal M Amerasekera and Mr. Daya P Wickramatunga long standing members of the Board resigned from the Board with effect from 15.02.2024 allowing the Company to reconstitute the Board and the Board Sub Committee's in line with the amended Listing Rules of the Colombo Stock Exchange.

Mr. Darshana Gunasekera, Mr. Dilantha S. Seneviratne and Dr. M.A. Wijeratne were appointed as Directors to the Board. They will retire in terms of Article 24 (6) of the Articles of Association and being eligible, offers themselves for re-election at the AGM.

The Board recommends that Mr. Himendra S. Ranaweera who is over 70 years of age be re-appointed Directors at the forthcoming Annual General Meeting, in terms of section 211 of the Companies Act.

Mr. Malik J Fernando retires by rotation at the Annual General Meeting in terms of Article 25(1) of the Articles of Association and being eligible, offers himself for re-election.

The Nominations and Governance Committee reviews and recommends the nominations and re-elections of the Members to the Board and other key management personnel. The report of the Nominations and Governance Committee is given on page 21.

### Interests Register

The Company maintains an Interest Register in terms of the Companies Act, No. 7 of 2007. The names of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review are given in Note 29 to the Financial Statements on pages 61 to 62.

### Directors' Remuneration

The aggregate remuneration paid to to all the Non Executive Directors during the year was Rs.2,000,000/- same was paid as short-term employee benefits.

### Board Sub-Committees

Previously the Board delegated functions warranting greater attention to a special Board Sub Committee comprising of Mr. Dilhan C. Fernando and Mr. Himendra Ranaweera. However, with the restructuring of management of the company under the purview a CEO reporting directly to the Board as described under Corporate Governance, the function of this Board Sub Committee has been suspended.

The Audit Committee, Remuneration Committee, Nominations and Governance Committee and the Related Party Transactions Review Committee are the mandatory Sub- Committees constituted by the Board in compliance with the Listing Rules of the Colombo Stock Exchange.

### Related Party Transactions

Relevant disclosures made by the Directors on contracts and proposed contracts with the Company or any of the subsidiaries within the Group appear under note No. 29 in Related Party Disclosure to the Financial Statements on pages 61 to 62 of the Report. These interests have been declared at Directors' meetings in compliance with the requirements on Related Party Transactions of the Listing Rules of the Colombo Stock Exchange and Section 192(1) of the Companies Act No 7 of 2007.

The Related Party Transaction Review Committee is responsible for reviewing the Related Party Transactions of the Company. Committee Report is given on page 20.

### Auditors

Messrs. KPMG, Chartered Accountants served as the Auditors during the year under review. The Auditors do not have any interest in the Company other than as Auditors and consultants on tax compliance and other non-audit services.

The audit fee payable to the Auditors for the year under review is Rs. 4,051,000/- (2022- Rs. 3,585,000 /-).

The fee payable to the Auditors for non-audit services provided during the year under review is Rs.762,605/- (2022 - Rs. 361,764/-).

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal controls. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period. The Board, having reviewed the system of internal controls, is satisfied with its effectiveness of these controls for the period up to the date of signing the Financial Statements.

### Donations

The Company did not make any donations during the year under review. (2022 -Nil).

### Stated Capital

The Stated Capital of the Company is Rs. 1,698,952,641/- represented by 99,406,691 Ordinary Shares and One (01) Golden Share.

### Golden Share

The Secretary to the Treasury has been issued with one Golden Share on behalf of the Government of Sri Lanka, carrying special rights as per the Articles of Association of the Company.

### Public Holdings

The percentage of shares held by the public as at 31st December 2023 was 16.46% and the number of shareholders representing the public holding was 19,778 as per option 2 of the Section 7.13.1 (i) (b) of the Listing Rules of the Colombo Stock Exchange (CSE), a Listed Entity on the Diri Savi Board is required to maintain a minimum public holding as specified in the said Rule. The Company being an entity listed in the Diri Savi Board satisfy the minimum public holding requirement as set out therein.

### Directors' Shareholding

The shareholdings of the Directors of the Company are as follows.

	As at 31/12/2023	As at 31/12/2022
Mr. Dilhan C Fernando	-	-
Mr. Malik J Fernando	-	-
Ms. M D A Perera	4,000	4,000
Mr. Himendra S Ranaweera	-	-
Mr. Darshana Gunasekera	-	-
Mr. Nimal M Amerasekera	-	-
Mr. Daya P Wickramatunga	-	-
Mr. Dilantha S Seneviratne	-	-
Dr. M.A. Wijeratne	-	-

## Annual Report of the Board of Directors on the Affairs of the Company (Contd...)

Mr. Malik J Fernando, Mr. Dilhan C Fernando and Mr. Himendra S Ranaweera are Directors of Forbes Plantations (Pvt) Ltd, which held 50,955,581 shares equivalent to 51.260% of the shares constituting the Stated Capital of the Company.

Mr. Malik J Fernando, Mr. Dilhan C Fernando and Mr. Himendra S Ranaweera are Directors of MJF Teas (Pvt) Ltd, which held 19,516,886 shares equivalent to 19.63% of the shares constituting the Stated Capital of the Company.

Mr. Malik J Fernando, Ms. Minette D A Perera, Mr. Dilhan C Fernando Mr. Darshana Gunasekera and Mr. Himendra S Ranaweera are Directors of Dilmah Ceylon Tea Company PLC, which held 12,571,800 shares equivalent to 12.65% of the shares constituting the Stated Capital of the Company.

Mr. Merrill J Fernando, was a Director of Forbes Plantations (Pvt) Ltd, MJF Teas (Pvt) Ltd and Dilmah Ceylon Tea Company PLC until his demise.

### Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders of the Company, the distribution schedule of the number of shareholders and percentage of their total holdings, percentage of shares held by the public, the number of shareholders who held the Public holding and market values per share as per the Listing Rules of the Colombo Stock Exchange are given on pages 69 to 70 under Investor Information.

### Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5c and 7.10.6c of the Listing Rules

The Board confirms that the Company is in compliance with Corporate Governance Practices as per the Listing Rules in force as at the date of reporting, details are set out in this Report of the Directors on Pages 15 - 17, the Report on Corporate Governance on page 10 - 13 and the Report of the Audit Committee on page 19.

### Related Party Transaction

Related Party Transactions of the Company are disclosed in note 29 to the Financial Statements. These are recurrent and non-recurrent Related Party Transactions, which required disclosures in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. Accordingly, the Related Party Transactions which in aggregate value exceeded 10% of the consolidated revenue of the Company as per the audited Financial Statements is disclosed under the note 29 in accordance with the additional disclosures required by section 9.14.8 (2) of the Listing Rules. There were no non-recurrent Related Party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Company as per the Audited Financial Statements, which required additional disclosures in the Annual Report under section 9.14.8 (1) of the Listing Rules. All transactions with Key Management Personnel of the Company are disclosed and tabled at the Related Party Transactions Review Committee meetings quarterly. The Related Party Transactions Review Committee report declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st December 2023.

### Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 28.

### Property, Plant and Equipment

The details of property plant and equipment and changes during the year are given in Note 14 to the Financial Statements.

### Land Holdings

The Company does not own any freehold land.

### Events occurring after the Reporting date

No material circumstances have arisen since the reporting date, which would require adjustment to, or disclosure in the Financial Statements.

### Statutory Payments

The Directors confirm that, to the best of their knowledge all statutory payments in relation to taxes and duties and in relation to employees have been made promptly on the due dates aside from disclosures under Note 27 as of the balance sheet date.

### Compliance with Laws & Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activities contravening the laws & regulations of the country.

### Going Concern

On the basis of current financial projections and facilities available, the Directors are confident that the Company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

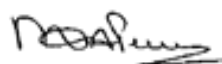
### Annual General Meeting

The Annual General Meeting will be held at 02.00 p.m. on 28th day of May 2024 at the Board Room of MJF Group, No. 111, Negombo Rd, Peliyagoda via Microsoft Virtual Platform. The Notice of the Annual General Meeting appears on page 73.

### By Order of the Board Kahawatte Plantations PLC



Mr. Dilhan C Fernando  
Chairman



Ms. Minette D A Perera  
Director



Ms. Jayanga Wegodapola  
Secretary

03<sup>rd</sup> May 2024  
Colombo



# Risk Management

By the nature of its business, the plantation sector is exposed to varying degrees of risks associated with the cultivation and processing of tea, rubber and cinnamon and the economic environment continued to be challenging in the year under review.

Creating an awareness of risks associated with the tea & rubber industry, a uniform interpretation of risks and identifying the types of risks are imperative to success of an overall risk management system.

The Board of Directors places special emphasis on the management of business risks and together with the Management of the company, ensures that a sound system of controls including financial, operational and compliances are in place, to safeguard the shareholders investment and the assets and reviews regularly the effectiveness of such controls.

## Operational Risk

The Company practices adequate internal control systems to mitigate operational risk. Periodic reviews are carried out at Estates level to ensure the quality and cost effectiveness of the system of internal controls in place. Adequate insurance covers are in place to safeguard the Company's assets and minimise any financial losses. The Company regularly monitor all receivables, checking invoices & adopting a periodic follow up through our ERP system.

Market variations due to the tensions in the Middle East exports & global supply chain disruptions elaborated under Chairman's Report have a direct impact on the commodities. Our plan is to get closer to the consumers rather than carrying on with BB via our consumer centric strategy.

## Interest Rate Risk

The company maintains regular communication with financial institutions to review and adjust floor rates and risk premiums, aligning with the objectives of reducing interest rates in accordance with the Central Bank's Monetary Policy. Moreover, the company consistently evaluates the composition of its loan portfolio, considering market dynamics and the tenure of loans, to determine whether a variable or

fixed interest rate structure is most advantageous.

## Legal Risk

Being a listed Company, a taxpayer and an employer who has to fulfil various legal as well as statutory requirements, the Board of Directors of the Company has set in place an effective compliance system so that no statutory, banking, company, stock market and other regulations are violated. Deterrent controls are in place to mitigate risks such as Land encroachments and other threats relating to land and forcible occupation, unlawful gemming rights by way of deployment of personnel with special skills with group and company support.

## Trade Union

The company manages a work force who are under a trade union framework. In order to mitigate Industrial disputes and work stoppages your company abide by the Staff Collective Agreement and in respect of the Workers and associated trade unions abide the Labour laws of the country and have endeavored to address the grievances of the workers by close dialogue and an inclusive approach.

Your company being a member of the EFC have consented to revive discussions with the trade unions in reaching consensus to productivity based collective agreement, essential for the future sustainability.

## Climatic Changes

The Company adopts best agricultural practices in order to mitigate loss of crop due to unfavorable climatic changes. The management is also very selective on planting improved clones of tea, rubber and other crops, which withstands adverse climatic conditions.

The Risk Management Process of the company is governed by the underlying framework where risk identification, assessment, control and review are a routine process.



# Statement of Directors' Responsibilities

The following statement sets out responsibilities of the Directors in relation to the financial statements of the Company prepared in accordance with the provisions of the Companies Act No. 7 of 2007.

The responsibility of the Independent Auditor in relation to the financial statements is set out in the Report of the Auditors given on page 24 of the Annual Report.

As per the provisions of sections 150 (1) and 151 of the Companies Act No. 7 of 2007, the Directors are required to prepare financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company as at the reporting date and its profit or loss for the financial year then ended, and such financial statements of the Company shall comply with any regulations made under the Companies Act, which specifies the form and content of financial statements and any requirements which apply to the Company's financial statements under any other written law.

In preparing the financial statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with accuracy, the financial position of the Company.

Financial Statements prepared and presented in this Report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of account and

are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Directors have also implemented effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year.

The financial statements of the Company have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by the Section 150 (1) (b) and they have also been signed by two Directors of the Company as required by Section 150(1)(c) of the Companies Act.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the reporting date have been paid or where relevant, provided for. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

**By Order of the Board of  
Kahawatte Plantations PLC**

**Mr. Dilhan C Fernando  
Chairman**

03<sup>rd</sup> May 2024  
Colombo



## Report of the Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, through its oversight into Company's financial reporting process and systems of internal accounting and financial controls, monitoring the independence and performance of the Company's External Auditors, compliance with statutory and Corporate Governance requirements and providing an avenue of communication among the External Auditors, Management and the Board.

The Audit Committee is also empowered to review and monitor the financial reporting process of the Company, so as to provide an additional assurance on the reliability of the financial statements through a process of independent and objective reviews. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging its responsibilities of ensuring the quality of financial reporting and related communications to the shareholders and the public.

In 2023, the Committee comprised of 3 Non- Executive Directors all three of whom were considered 'independent'. Ms. Minette Perera was the Chairman of the Committee and the other members were Mr. Daya Wickramatunga and Mr. Nimal Amerasekera. On 15th Feb 2024, Mr. Daya Wickramatunga and Mr. Nimal Amerasekera resigned from the Board and as such ceased to be members of the Audit Committee.

The Audit Committee was reconstituted on 27th February 2024 by the Board by appointment of Non-Executive Independent Director Dr. M.A. Wijeratne, and Non- Executive Director Mr. Darshana Gunasekera as members w.e.f. 27.02.2024 in compliance with the new listing rules of the Colombo Stock Exchange. Ms. Minette Perera continues to serve as a member of the Committee. Mr. Dilantha S. Seneviratne was appointed as the Chairman w.e.f. 27.02.2024.

The Committee convened seven times during the year to review operational matters and the Quarterly Financial Statements to ensure compliance with the mandatory statutory requirements. The Audited Financial Statements for the year ended 31st December 2023 has been reviewed by the Committee.

The Audit Committee is of the view that the internal controls prevalent within the Company are satisfactory and provide a reasonable assurance that the financial position of the Company is well monitored and the assets safeguarded. The Committee regularly reviews the scope of the internal audit function and the audit programmes proposed, together with any intermediate or long term audit plans.

The Committee reviewed the non-audit services provided by the External Auditors to ensure that their independence of Auditors has not been compromised. The Committee has recommended to the Board of Directors that KPMG, Chartered Accountants be re- appointed the Auditors for the year ending 31st December 2024 subject to the approval of the shareholders at the Annual General Meeting. The Audit Committee will be making its recommendations to the Board of Directors on the fees payable to the Auditors for approval by the Board.



**Mr. Dilantha S Seneviratne**  
Chairman  
Audit Committee

03<sup>rd</sup> May 2024  
Colombo

## Report of the Remuneration Committee

### Purpose of the Committee

The Committee is responsible for setting the Company's policy on compensation and benefits, and overseeing its implementation. It is also mandated to review significant Human Resource policies that influence the Company's performance. The Committee specifically reviews remuneration of the Chief Executive Officer, Executive Directors and Senior Members of the management as it is designated to consider.

### Committee Composition

In 2023, the Remuneration Committee of Kahawatte Plantations Plc comprised of three Non-Executive Directors, two of whom were deemed 'independent'. Mr. Ranaweera was the Chairman of the Committee and the other members were Ms. Minette Perera and Mr. Daya Wickramatunga. On 15th February 2024, Mr. Daya Wickramatunga resigned from the Board and ceased to be a member of the Remuneration Committee.

The Remuneration Committee was reconstituted on 27th February 2024 by the Board in compliance with the new listing rules of the Colombo Stock Exchange. Mr. Himendra Ranaweera Non Executive Director, Ms. Minette Perera and Dr. M. A. Wijeratne who are deemed 'Independent' as per the current listing rules of the Colombo Stock Exchange were appointed as members thereof. Mr. Dilantha S. Seneviratne was appointed as the Chairman w.e.f.27.02.2024.

### Committee Meetings

The Committee held one meeting during the year under review and

all committee members attended the meeting. Chief Financial Officer attended the meeting of the Committee by invitation.

### Policy

The remuneration policy of the company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimise long term shareholder value creation.

The Committee is responsible for determining the compensation of the senior management and to lay down guidelines and parameters for the compensation structure of all management staff of the Company.

The remuneration packages of the Company are aligned to individual performance and to strategic priorities.



**Mr. Dilantha S Seneviratne**  
Chairman  
Remuneration Committee

03<sup>rd</sup> May 2024  
Colombo

# Report of the Related Party Transactions Review Committee

## Purpose of the Committee

Objectives of the RPTRC is to review all Related Party Transactions (RPTs) of the Company, prior to transactions being entered into or if the transaction is expressed conditional on such review prior to the completion of the transaction.

## Committee Composition

In 2023, the RPTRC of Kahawatte Plantations Plc comprised of two Non-Executive Directors both of whom were deemed 'independent'. Ms. Minette Perera was the Chairman of the Committee, and Mr. Daya Wickramatunga served as a member. On 15th February 2024, Mr. Daya Wickramatunga resigned from the Board and ceased to be a member of the RPTRC.

The RPTRC of Kahawatte Plantations PLC was reconstituted on 27th February 2024 by the Board in compliance with the new listing rules of the Colombo Stock Exchange comprising of three (3) Non-Executive Independent Directors. Mr. Dilantha S. Seneviratne was appointed as the Chairman w.e.f.27.02.2024. The other members of the RPTRC as at the date of reporting are Ms. Minette Perera and Dr. M.A. Wijeratne w.e.f.27.02.2024.

## Policies and Procedures

- The RPTRC reviews the RPTs of the Company in terms of the Listing Rules and during the year under review, all RPTs the Company entered into being Recurrent RPTs, which were carried out on an arm's length basis in accordance with regulations issued by Regulators and/or determined by market forces such review did not necessitate committee's approval for such transactions and/or seeking approval of the Directors.
- in its review the RPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year. In order to determine whether they are carried out on an arm's length basis the Committee considers the requirements for disclosure as per the Listing Rules and the level of approval required for the respective RPTs.
- The RPTRC ensures that all transactions with Related Parties are in the best interests of all shareholders, adequate transparency is

maintained and is in compliance with the Listing Rules.

- The Committee has established guidelines in respect of Recurrent RPTs to be followed by the Management of the Company, in its dealings with Related Parties.

## Related Party Transactions during the year under review

Details of the Recurrent RPTs entered into by the Company during the year is disclosed in Note 29 to the Financial Statements.

RPTRC has reviewed the RPT's of the Company on quarterly basis and communicated its comments and observations to the Board Directors.

During the year 2023, there were no non-recurrent related party transactions and there were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 29 of the Financial Statements.

## Meetings

The Committee met four times during the year once every quarter.

## Declarations

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 17 of the Annual Report.



**Mr. Dilantha S Seneviratne**  
Chairman  
Related Party Transaction Review Committee

03<sup>rd</sup> May 2024  
Colombo

## Report of the Nomination and Governance Committee

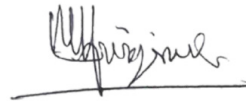
The Nominations and Governance Committee of the Kahawatte Plantations Plc was constituted by the Board of Directors on 27th February 2024 in compliance with the new listing rules of the Colombo Stock Exchange consisting of three Non-Executive Directors. Dr. M A Wijeratne a Non-Executive Independent Director was appointed as the Chairman along with Non-Executive Independent Directors Mr. D Seneviratne and Ms. M D A Perera as its members. The Secretary to the Board functions as the Secretary of the Committee.

The function of the Committee is mandated by Terms of Reference approved by the Board of Directors which have been developed in line with Rule 9.11.5 of the Listing Rules. Accordingly, the Committee is delegated with the authority by the Board to review the Board's composition and diversity, formulate and implement the policy for nominating Board candidates for election by Shareholders, make recommendations to the Board on the appointment of Directors and members to the Board committees, and assess Independent Non-Executive Directors' independence and commitment. The Committee is also responsible for succession planning for Directors, CEO and senior executives, leadership training and development, and oversight of matters relating to corporate governance.

The Committee will perform its duties with responsibility, ethics

and independence. The Nominations and Governance Committee shall ensure that the nomination and remuneration procedures are transparent and fair in accordance with the corporate governance rules. The Nominations and Governance Committee will help enhance efficiency of the Board of Directors in steering the operation of the Company forward in line with new strategies and help build confidence among the shareholders, investors and all stakeholders.

As the Committee was constituted in February 2024 there were no activities during the year under review.



**Dr. M.A. Wijeratne**  
**Chairman**  
**Nomination and Governance Committee**

03<sup>rd</sup> May 2024  
Colombo

# Independent Auditor's Report



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

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

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAHAWATTE PLANTATIONS PLC Report on the Financial Statements

### Opinion

We have audited the financial statements of Kahawatte Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2023, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies as set out on pages 26 to 68 of this Annual Report.

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 2023, 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 for professional Accountants 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's financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Management assessment of the Company's ability to continue as a going concern

(Refer to explanatory Note 35 to the financial statements.)

Risk Description	Our Response
<p>The Company has recorded a loss of Rs. 580 million during the year ended 31 December 2023 and as of that date, accumulated losses amounted to Rs. 1,177 million. Further, the Company's current liabilities exceeded its current assets by Rs. 2,046 million as at the reporting date. The Company has loans and borrowings of Rs. 1,120 million due within 12 months from 31 December 2023.</p> <p>However, the directors of the Company are of the opinion that the going concern assumption is valid in preparation of financial statements, due to future growth potential of the Company and the letter of support provided by the Ultimate Parent Company.</p> <p>We identified the assessment of the Company's ability to continue as a going concern as a key audit matter because the assessment of going concern is dependent upon certain management assumptions and judgements, in particular in relation to future cash flow forecast and the ability of the Company to obtain external financing, which may be inherently uncertain and could be subject to management bias.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>● Obtaining and evaluate the appropriateness of management assessment of going concern.</li> <li>● Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and evaluating these key assumptions used in preparing the projections.</li> <li>● Obtaining a letter of support from the ultimate parent company and evaluating their ability and intention to provide the financial support to meet the liabilities of the Company as and when they fall due and to continue the Company as a going concern.</li> <li>● Assessing the adequacy of disclosures in the financial statements in relation to the Company's ability to continue as going concern with reference to the requirements of the prevailing accounting standards.</li> </ul>

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. Jayatilaka FCA  
Ms. S. Joseph FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

T. J. S. Rajakarier FCA  
W. K. D. C. Abeyrathne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R.W.M.O.W.D.B. Rathnadiwakara FCA

W. W. J. C. Perera FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S.Goonewardene ACA, Ms. F.R.Ziyad FCMA (UK), FCIT  
K. Somasunderam ACMA(UK)



## Independent Auditor's Report



### Measurement of Consumable Biological Assets

(Refer to Note 3.1.3 - material accounting policies and explanatory Note 15.1 to the financial statements.)

Risk Description	Our Response
<p>The Company has reported consumable biological assets carried at fair value less estimated cost to sell at harvest amounting to Rs. 1,484 million as at 31st December 2023.</p> <p>The commercially cultivated timber trees on estates managed by the Company classify as consumable biological assets and are measured at each reporting date at fair value less estimated cost to sell at harvest. The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, value per cubic feet 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 period and the carrying value of consumable biological assets as of the reporting date. Management engaged an independent external valuation expert to assist in determining the fair value of the consumable biological assets.</p> <p>We considered measurement of consumable biological assets as a key audit matter due to the magnitude of the value and significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>Assessing the objectivity of the external valuation expert and the competence and qualifications of the valuation expert engaged by the management.</li> <li>Verifying the mathematical accuracy of the consumable biological asset's valuation.</li> <li>Evaluating the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and expected timber content at harvest.</li> <li>Physically verification of the actual girth and height pertaining to a selected sample of trees during our estate visits, in order to ascertain the accuracy of the average girth and height used in the valuation report.</li> <li>Assessing the adequacy of the disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.</li> </ul>

### Valuation of Retirement Benefit Obligation

(Refer to Note 3.5.1 - material accounting policies and explanatory Note 25 to the financial statements.)

Risk Description	Our Response
<p>The Company has recognized retirement benefit obligation of Rs. 667 million as at 31st December 2023.</p> <p>The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the computation of the Retirement benefit obligation.</p> <p>We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company.</li> <li>Testing the samples of the employees' details used in the computation to the human resource records.</li> <li>Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation.</li> <li>Assessing the key assumptions used in the valuation, in particular the discount rate, mortality rate and future salary increment rate.</li> <li>Assessing the adequacy of the disclosures made in the financial statements including sensitivity analysis.</li> </ul>

### Recoverability of Deferred Tax Assets

(Refer to Note 3.6.3.2 - material accounting policies and explanatory Note 23 to the financial statements.)

Risk Description	Our Response
<p>The Company has recognized deferred tax asset of Rs. 373 million on temporary differences of accumulated tax losses of Rs. 1,244 million as at 31st December 2023.</p> <p>The recognition of deferred tax assets rely on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences. The Company has considered the ability to utilize accumulated tax losses in the future based on forecasted taxable profits for a period of next five years from the reporting date.</p> <p>We identified the recognition of deferred tax assets as a key audit matter, because determining the recoverability of deferred tax asset involve forecasting the quantum of the future taxable profits likely to be generated by the Company to offset with accumulated unutilized tax losses as at 31st December 2023.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>Assessing the accuracy of the forecasted future taxable profit by evaluating historical forecasting accuracy from understanding obtained during our audit, including where applicable their consistency with business plans.</li> <li>Reconciling tax losses and expiry dates to tax statements.</li> <li>Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.</li> </ul>

## Independent Auditor's Report (Contd...)



### 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 there on.

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

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

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

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

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

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

### 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'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.

## Independent Auditor's Report (Contd...)



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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 2618.

A handwritten signature in black ink, appearing to read 'Kamal', written over a light grey rectangular background.

**CHARTERED ACCOUNTANTS**  
**Colombo**

03<sup>rd</sup> May 2024

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December

	Notes	2023 Rs.'000	2022 Rs.'000
Revenue	5	5,153,626	6,261,316
Cost of Sales		(5,233,073)	(5,400,608)
<b>Gross (Loss)/Profit</b>		(79,447)	860,708
Other Income	6	92,569	139,543
Fair Value Gain on Biological Assets	15.4	335,835	136,913
Administrative Expenses		(187,356)	(178,930)
<b>Profit from Operating Activities</b>	7	161,601	958,234
Finance Income	8	2,593	139
Finance Cost	9	(441,483)	(397,762)
<b>Profit/ (Loss) before Taxation</b>		(277,289)	560,611
Income Tax Expense	10	(302,255)	(248,573)
<b>Profit/ (Loss) for the Year</b>		(579,544)	312,038
<b>Other Comprehensive Income</b>			
<b>Items that will not be Reclassified to Profit or Loss;</b>			
Actuarial Gain/(Loss) on Retirement Benefit Obligation	25.4	(138,373)	27,784
Deferred Tax Reversal/ (Charge) on Retirement Benefit Obligation	10.5.1	41,512	(8,336)
Surplus on Revaluation of Plant & Machinery		-	174,525
Deffered Tax Charge on Revaluation of Plant & Machinery	10.5.1	-	(52,358)
Deferred Tax Charge on Revaluation Reserve due to effective tax rate change	23.2	-	(60,848)
<b>Other Comprehensive Income (Expense) for the Year, Net of tax</b>		(96,861)	80,767
<b>Total Comprehensive Income (Expense) for the Year</b>		(676,405)	392,805
Basic Earning/(Loss) per Share	11	(5.83)	3.14

The Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 30 to 68 form an integral part of these Financial Statements.



# STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2023 Rs.'000	2022 Rs.'000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	12	214,234	152,531
Immovable Leased Assets of JEDB/SLSPC Estates (Other than Bare Land & Biological Assets)	13	18,774	27,404
Property, Plant & Equipment	14	1,221,226	1,305,110
Biological Assets	15	3,735,005	3,326,226
		<b>5,189,239</b>	<b>4,811,271</b>
<b>Current Assets</b>			
Produce On Bearer Biological Assets	15.3	16,987	11,787
Inventories	16	603,898	781,728
Trade and Other Receivables	17	135,989	115,175
Amounts due from Related Parties	18	12,257	9,390
Cash and Bank Balances	19	23,578	36,423
		<b>792,709</b>	<b>954,503</b>
<b>Total Assets</b>		<b>5,981,948</b>	<b>5,765,774</b>
<b>EQUITY</b>			
Stated Capital	20	1,698,952	1,698,952
Revaluation Reserve	21	340,596	340,596
Accumulated Losses		(1,177,039)	(500,634)
		<b>862,509</b>	<b>1,538,914</b>
<b>LIABILITIES</b>			
<b>Non Current Liabilities</b>			
Deferred Income	22	259,690	275,172
Deferred Tax Liability	23	767,832	511,052
Interest Bearing Loans and Borrowings	24	374,473	380,374
Retirement Benefit Obligations	25	667,399	506,542
Net Liability to Lessor of JEDB/SLSPC Estates	26	211,110	143,030
		<b>2,280,504</b>	<b>1,816,170</b>
<b>Current Liabilities</b>			
Interest Bearing Loans and Borrowings	24	1,120,378	715,580
Net Liability to Lessor of JEDB/SLSPC Estates	26	1,718	1,007
Trade and Other Payables	27	671,678	729,700
Amounts due to Related Parties	28	246,591	158,747
Bank Overdraft	19	798,570	805,656
		<b>2,838,935</b>	<b>2,410,690</b>
<b>Total Liabilities</b>		<b>5,119,439</b>	<b>4,226,860</b>
<b>Total Equity and Liabilities</b>		<b>5,981,948</b>	<b>5,765,774</b>
<b>Net Asset per Share</b>		<b>8.68</b>	<b>15.48</b>

The Figures in brackets indicate deductions.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007. The Accounting Policies and Notes on pages 30 to 68 form an integral part of these Financial Statements.

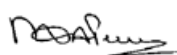


**Vinesh Athukorala**  
Chief Financial Officer

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 Kahawatte Plantations PLC



**Dilhan C Fernando**  
Chairman



**Minette D A Perera**  
Director

03<sup>rd</sup> May 2024  
Colombo

## STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Accumulated Losses Rs.'000	Total Rs.'000
<b>Balance as at 01 January 2022</b>	1,698,952	279,277	(832,120)	1,146,109
<b>Total Comprehensive Income for the Year</b>				
Profit for the Year	-	-	312,038	312,038
<b>Other Comprehensive Income</b>				
Actuarial Gain on Defined Benefit Obligation, Net of Tax	-	-	19,448	19,448
Surplus on Revaluation of Plant & Machinery, Net of tax	-	122,167	-	122,167
Deferred Tax Charge on Revaluation Reserve due to effective tax rate change	-	(60,848)	-	(60,848)
<b>Balance as at 31 December 2022</b>	1,698,952	340,596	(500,634)	1,538,914
<b>Balance as at 01 January 2023</b>	1,698,952	340,596	(500,634)	1,538,914
<b>Total Comprehensive Expense for the Year</b>				
Loss for the Year	-	-	(579,544)	(579,544)
<b>Other Comprehensive Expense</b>				
Actuarial Loss on Defined Benefit Obligation, Net of Tax	-	-	(96,861)	(96,861)
<b>Balance as at 31 December 2023</b>	1,698,952	340,596	(1,177,039)	862,509

The Figures in brackets indicate deductions.

The Accounting policies and notes on pages 30 to 68 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December

	Notes	2023 Rs:'000	2022 Rs:'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit/ (Loss) before Taxation</b>		(277,289)	560,611
<b>Adjustments for:-</b>			
Depreciation/Amortization	7	300,205	232,017
Write-offs/Provisions (Inventory/Other Receivables)	7	1,243	6,692
Write-offs/Provisions (CWIP/Immature Plantations)	7	-	86,031
ESC Write-offs	7	-	3,466
Profit from disposal of property plant and equipment		(2,805)	-
Interest expense	9	441,483	397,762
Interest income	8	(2,593)	(139)
Provision for Retirement Benefit Obligations	25.3	141,406	106,956
Fair value gain on Biological Assets	15.4	(335,835)	(136,913)
Change in consumable biological assets due to harvest	15.1	17,256	13,556
Amortization of Deferred Income	6	(15,982)	(16,217)
<b>Operating Profit before Working Capital Changes</b>		267,089	1,253,822
(Increase)/Decrease in Inventories		176,587	(371,798)
(Decrease) in Trade and Other Receivables		(20,814)	(5,434)
(Increase)/Decrease in Amounts due from Related Companies		(2,867)	(4,799)
Increase / (Decrease) in Trade and Other Payables		(49,273)	100,096
Increase/ (Decrease) in Amounts due to Related Companies		87,844	60,473
		458,566	1,032,360
Net Interest Paid		(421,064)	(350,765)
Payment of Retirement Benefit Obligations	25 & 27	(106,753)	(105,991)
Grants/ Deferred Income Received	22	500	2,941
Income tax paid		(3,527)	-
<b>Net Cash flow generated from (used in) Operating Activities</b>		(72,278)	578,545
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment in Immature Bearer Biological Assets	15.2	(202,743)	(84,706)
Investment in Immature Consumable Biological Assets	15.1	(12,311)	(5,056)
Purchase of Property Plant & Equipment	14.1.f	(75,991)	(164,976)
Proceeds from disposal of property plant and equipment		2,805	-
Interest Income received		30	139
<b>Net Cash used in Investing Activities</b>		(288,210)	(254,599)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net Bank Loans Obtained / (Paid)		(15,153)	(300,255)
Net Intercompany Loans Obtained / (Paid)		416,182	-
Lease Rentals Paid to JEDB/SLSPC	26.3	(25,387)	(19,659)
Lease payments to Central Finance PLC	24.3	(20,913)	(7,478)
<b>Net Cash generated from/(used in) Financing Activities</b>		354,729	(327,392)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		(5,759)	(3,446)
Cash & Cash Equivalents at the beginning of the year		(769,233)	(765,787)
<b>Cash &amp; Cash Equivalents at the end of the year</b>	19	(774,992)	(769,233)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 30 to 68 form an integral part of these Financial Statements.

# Notes to the Financial Statements

Board of Directors on 03rd May 2024

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

Kahawatte Plantations PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No 17 of 1982 (The Company re-registered under the Companies Act No.7 of 2007) in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings in to Public Companies Act No 23 of 1987. The registered office of the Company is located at No 111, Negombo Road, Peliyagoda, and Plantations are situated in the planting regions of Kahawatte and Nawalapitiya.

### 1.2 Principal Activities and Nature of Operation

The Company is involved in the cultivation, manufacture and sale of Tea and Rubber and other agricultural crops.

### 1.3 Parent and Ultimate Parent Company

The Company's parent undertaking is Forbes Plantations (Private) Limited and the ultimate parent company is MJF Holdings (Private) Limited which are incorporated in Sri Lanka.

### 1.4 Management Contract

The Company is presently managed by Forbes Plantations (Private) Limited. The Management Agreement which came into effect from 17 August 1997 is initially for a period of five years and with a provision for extension by a further period by mutual consent of both parties.

Consequent to the agreement reached by the company with the Ministry of Plantation Industries JEDB and SLSPC on 4 August 2003 the basis of Management Fees was restructured to base on Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA).

### 1.5 Number of Employees

The number of employees at the end of the year was 4,127 (2022-4,553) in relation to Note - 25. There were no material issues pertaining to employees and industrial relations for the year ended 31st December 2023.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Company comprise the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow together with the notes to the financial statements and Material Accounting policies.

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

The financial statements were authorized for issue by the

### 2.2 Basis of Measurement

Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

1. Biological assets are measured at fair value less costs to sell
2. Retirement benefit obligation recognized at present value based on actuarial valuation.
3. Plant and Machineries recognized based on Fair value.

### 2.3 Functional and Presentation Currency

The Financial Statements are prepared and presented in Sri Lankan Rupees. (Rs.), which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise. There was no change in the Company's presentation and functional currency during the year under review.

### 2.4 Presentation of Financial Statements

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

### 2.5 Use of Estimates and Judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standard requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Actual results may differ from these estimates & judgmental decisions.

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

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2.5.1 - Fair value of plant & machinery
- Note 2.5.2 - Useful lifetime of the property, plant, and equipment
- Note 3.4- Impairment on non-financial assets.
- Note 2.5.3 - Measurement of defined benefit obligation: key actuarial assumptions
- Note 2.5.4 - Provisions for liabilities, commitments, and contingencies
- Note 35 - Going concern basis
- Note 15.1 - Consumable Biological Assets
- Note 15.3 - Produce on Bearer Biological Assets
- Note 23 - Deferred tax assets

#### 2.5.1 Fair value of plant & machinery

The Company measures plant & machinery at revalued



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI).

Valuations are performed every three years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The Company engages independent professional valuer Mr. Chandrasena Chartered Valuation Surveyor to assess fair value of plant and machinery in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, plant & machinery was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the plant & machinery, and sensitivity analysis are provided in Note 14.

### 2.5.2 Useful lifetime of the property, plant, and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant, and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.1.1.6 for more details.

### 2.5.3 Measurement of defined benefit obligation: key actuarial assumptions

The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 25.5 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 25.6.

### 2.5.4 Provisions for liabilities and contingencies

Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions. Refer Note 34.

## 2.6 Materiality and Aggregate

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1- Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

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

simultaneously.

## 2.7 Changes in material accounting policies

### 2.7.1 Material accounting policy information

The Company adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

## 3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves.

### 3.1 Assets and Bases of Their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and those which are expected to realize in cash, during the normal operation cycle of the Company's business, or within one year from the Reporting date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the date of Statement of financial Position.

#### 3.1.1 Property, Plant and Equipment

##### 3.1.1.1 Recognition and measurement

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

The Property, Plant and Equipment except plant and machinery are recorded at cost less accumulated depreciation and impairment losses.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

The cost of property, plant and equipment is the cost of purchase or construction together with any other expenses directly attributable to bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the businesses or to increase the earning capacity of the business has been treated as capital expenditure.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

A revaluation of plant and machinery is done every 3 years or when there is a substantial difference between the fair value and the carrying amount of the plant and machinery, and is undertaken by professionally qualified valuers. Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are expensed in profit and loss.

### 3.1.1.2 Subsequent Costs

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

The carrying amount of those parts that are replaced is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

### Permanent Land Development Costs

Permanent land development costs are those costs incurred to make major changes to land contours to build new access roads and other major infrastructure development. Such expenditure on leasehold land has been capitalised and amortised over the remaining lease period.

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

### 3.1.1.3 Infilling Cost on Bearer Biological Assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the useful life or unexpired lease period whichever is lower applicable to mature plantations.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are

incurred.

### 3.1.1.4 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the specific asset.

The amount of borrowing costs which are eligible for capitalisation is determined in accordance with LKAS 23- "Borrowing Costs". Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant Immature Plantation. The capitalisation will cease when the crops are ready for commercial harvest. The amounts so capitalised and the capitalisation rates are disclosed in the notes to the Financial Statements.

### 3.1.1.5 Capital work-in-progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

### 3.1.1.6 Depreciation and Amortization

#### 3.1.1.6.1 Depreciation

Depreciation is calculated by using a straight-line method on the cost or revalued amounts of all property, plant and equipment, in order to write off such amounts over the estimated useful economic life of such assets. The leased assets are depreciated over the shorter of the lease term and their useful lives.

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

Improvement to land	Over 10-40 Years
Water Links/ Roads	Over 20 Years
Plant and Machinery	Over 13 1/3 -20 Years
Motor Vehicles	Over 05 Years
Equipment	Over 08 Years
Furniture and Fittings	Over 10 Years
<b>Mature Plantations</b>	
-Tea	Over 33 1/3 Years
-Rubber	Over 20 Years
-Minor Crop	Over 3-25 Years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Leased assets are depreciated over the shorter of the leased term and their useful lives.

The useful life, residual values and depreciation methods of assets are reviewed, and adjusted if required, at the end of each financial year.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 3.1.1.6.2 Amortisation

The leasehold rights of assets taken over from JEDB / SLSPC are being amortized in equal amounts, over the shorter of lease period and economic useful lives as follows.

Bare Land	Over 53 Years
Land Development Cost	Over 30 Years
Buildings	Over 25 Years
Improvement to Land	Over 30 Years
Water Supply Scheme	Over 33 Years
<b>Mature Plantations</b>	
-Tea	Over 30 Years
-Rubber	Over 20 Years
-Minor Crop	Over 3-25 Years

### 3.1.2 Produce 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 measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered for the valuation of the produce, the Company uses bought leaf rate (current month) less cost of harvesting and transport

### 3.1.3 Biological Assets

Biological Assets are classified as mature biological asset 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 and other plantations are treated as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets includes Tea, Rubber trees and minor 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 includes managed timber those that are to be harvested as agricultural produce or sold as biological assets.

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

The cost of new planting, replanting, interplanting and crop diversification incurred between the time of field development and being ready for commercial harvesting are classified as immature plantations. Further the general charges incurred on the plantation are apportioned on labour days spent on respective replanting and new

planting, and capitalized on immature trees. The remaining portion of the general charges is charged to the statement of comprehensive income in the year in which it is incurred. No depreciation is provided for immature plantation. The total expenditure incurred on bearer biological assets (Tea, Rubber and minor crop) which come into bearing during the year have been transferred to mature plantations and depreciated over its useful lifetime. Expenditure incurred on consumable biological asset is initially recorded at cost thereafter at fair value on each reporting period.

Permanent impairments to biological assets are charged to the statement of Comprehensive Income in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss. The bearer biological assets are recorded at cost less accumulated depreciation and accumulated impairment losses, if any in terms of LKAS 16 - Property Plant and Equipment as per ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timber are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as an approximation to fair value of young plants 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 DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity.

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

### 3.1.4 Right of use of Assets

#### 3.1.4.1 Recognition

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 uses the definition of a lease in SLFRS 16.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### 3.1.4.2 ROU Asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

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 Company applies the cost model for the subsequent measurement of the ROU asset and accordingly, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### 3.1.4.3 Depreciation Expenses

Depreciation expenses has been charged to income statement under other operating and administration expenses.

### 3.1.4.4 Lease Liabilities

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.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

stance fixed lease payment

### 3.1.4.5 Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

### 3.1.4.6 Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities within 'Interest bearing borrowings' in the Statement of Financial Position.

### 3.1.4.7 Short term leases and leases of low-value assets

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

## 3.2 Financial Instruments

### (a) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at 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.

### (b) Financial assets - Classification and subsequent measurement

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

Financial assets are not reclassified subsequent to their initial 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 of outstanding.

### Financial assets - Business model assessment:

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



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

- 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 that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition 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.

### **Financial assets - 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 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. Additionally, for a financial asset acquired at a discount or premium to its con-

tractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### **Financial assets - 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, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### **Financial liabilities - Classification, subsequent measurement and gains and losses.**

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the 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.

#### **(c) Derecognition Financial Assets**

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

The Company enters into transactions whereby it transfers assets 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.

#### **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.

#### **(d) 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### Impairment policy:

Financial instruments and contract assets Loss allowances for trade receivables is 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 180 days past due.

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

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

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

### 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.

### Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than

365 days past due;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

### Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due 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 to recovery of amounts due.

## 3.3 Inventories

### 3.3.1 Finished Goods Manufactured From Agricultural Produce

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 price at which stocks can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

### 3.3.2 Input Materials, Spares and Consumables

These are valued at actual cost on weighted average basis.

### 3.3.3 Agricultural Produce Harvested from Biological Assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest.

### 3.3.4 Growing Crop Nurseries

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

## 3.4 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 estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. 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, the 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 Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### 3.5 Liabilities and Provisions

#### 3.5.1 Employee Retirement Benefits

##### a) Short-term employee benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related service. The accruals for employee entitlements to benefits such as salaries, bonuses and annual leave represent the amounts which the Company has a present obligation to pay as a result of the employee's services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date

##### b) Defined contribution plans

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

##### c) Defined Benefit Plans - 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 Retirement Benefit Obligations in the Statement of Financial Position.

Provision for Gratuity on the employees of the Company is on an actuarial basis, using the Projected Unit Credit (PUC) method and in conformity of LKAS - 19 "Employee Benefits".

The Company expects to carry out actuarial valuation once in every year. The Actuarial Valuation was carried out by a professionally qualified firm of actuaries M/s Piyal S. Goonetilleke & Associates.

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. The liability is not externally funded. The key assumptions used in determining the retirement benefit obligations are given in Note 25.5.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

#### 3.5.2 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

#### 3.5.3 Deferred Income

##### 3.5.3.1 Grants and Subsidies

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Company receives non-monetary grants, the asset and that grant are

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

recorded at nominal amounts and are released to the profit or loss over the expected useful life of the relevant asset by equal annual installments.

### 3.6 a) Statement of Profit or Loss & Other Comprehensive Revenue and Other Income Recognition

3.6.1

The information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are described below.

Revenue principally consists of tea and rubber auction sales. The Company considers sales as one performance obligation and recognizes revenue when it transfers control of goods to the customer via the auction. Revenue is recognized at invoice value net of brokerage, sales expenses and other levies related to revenue.

Gains and losses on disposal of Property Plant and Equipment are determined by comparing the net sales proceed with the carrying amount of Property Plant and Equipment and are recognized within other income in the income statement Other income is recognized on an accrual basis.

### 3.6.2 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in state of efficiency has been charged to income statement in arriving at the profit/(loss) for the year.

For the purpose of presentation of statement of profit or loss, the Directors are of the opinion that function of expenses method presents fairly the elements of the enterprise's performance and, hence such presentation method is adopted. Interest expenditure on borrowings is recognised on an accrual basis.

### 3.6.3 Income Tax Expense

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### 3.6.3.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act No 10 of 2021 and Inland Revenue Act no 45 of 2022.

#### 3.6.3.2 Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Temporary differences in relation to a right-of-use assets and lease liability are regarded as a net package (Right of Use of the assets) for the purpose of recognising deferred tax.

Deferred tax assets and liabilities are recognised for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred taxes to the same taxable entity and the same taxation authority.

### 3.6.3.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

### 3.7 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

### 3.8 Stated Capital

The Stated Capital of the Company is Rs. 1,698,952,641/- divided into No. 99,406,691 Ordinary Shares and One (01) Golden Share

### 3.9 Revaluation Reserve

Revaluation Reserve of the Company consist the revaluation gain recognized from fair valuation of Plant and Ma-



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

chinery owned by the Company.

### 3.10 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as operating cashflows, interest and dividends received and government grants received are classified as investing cash flows while dividends paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

### 3.11 Related Party Transactions

Disclosure has been made in respect of the transaction in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged. A detailed Related Party Transaction analysis is presented in Note 29.

### 3.12 Segmental Reporting

A Segment is a distinguishable component of the Company that is engaged in providing services, which is subject to different risks and rewards.

The Company's core business is manufacturing and sale of Tea and this line of business accounts for the entire operation of the company. The Company's business is located in different geographical locations where the risks and rewards related to each segment could be identified.

Revenue and expenses directly attributable to each segment are allocated intact 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 intact to the respective segments. Assets and Liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis whenever possible.

### 3.13 Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 34 to the Financial Statements. Commitments are disclosed in Note 33 to the Financial Statements.

### 3.14 Events occurring after the reporting period

Events after the reporting period are those events favorable and unfavorable occurring between the end of the reporting period and the date when the Financial Statements are authorised for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments or disclosures are made in the Financial Statements, where necessary.

### 3.15 Earnings Per Share

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

### 3.16 Comparative Information

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

### 3.17 Foreign Currency Translations

Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates prevailing at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in Sri Lankan Rupees at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate at the dates of the transactions. Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate that the fair value was determined.

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

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

## 4. NEW STANDARDS AND CHANGES TO ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards are effective for annual periods beginning on or after 1st January 2024 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

### 4.1 Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 4.2 Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

### 4.3 Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to SLFRS 16)
- Lack of Exchangeability (Amendments to LKAS 21)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

For the year ended 31 December

5. REVENUE	2023 Rs.'000	2022 Rs.'000
5.1 Revenue Streams		
Revenue from Contracts with customers	5,153,626	6,261,316
Total Revenue	5,153,626	6,261,316

### 5.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and timing of revenue recognition.

5.2.1 Major Products	Note	2023 Rs.'000	2022 Rs.'000
Tea		4,689,199	5,462,198
Rubber		381,688	647,300
Other Revenue	5.2.1.a	82,739	151,818
Total Revenue		5,153,626	6,261,316

5.2.1.a Revenue classified as 'other revenue' above, mainly comprise revenue generated from Cinnamon sales and Timber Tree sales.

### 5.2.2 Timing of Revenue Recognition

Product transferred at a point in time	5,153,626	6,261,316
	5,153,626	6,261,316

### 5.3 Performance Obligations

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

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

### 5.4 Segmental Information

	Tea		Rubber		Others		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Principal Crops								
(a) Segment Revenue								
Revenue	4,689,199	5,462,198	381,688	647,300	82,739	151,818	5,153,626	6,261,316
Cost of Sales	(4,514,164)	(4,678,693)	(599,535)	(615,096)	(119,374)	(106,819)	(5,233,073)	(5,400,608)
Segment Results	175,035	783,505	(217,847)	32,204	(36,635)	44,999	(79,447)	860,708

#### Unallocated

Other Income	92,569	139,543
Administrative Expenses	(187,356)	(178,930)
Gain on fair valuation of biological assets	335,835	136,913
Profit from Operating Activities	161,601	958,234
Net Finance Cost	(438,890)	(397,623)
Profit/ (Loss) from Ordinary Activities before Income Tax Expenses	(277,289)	560,611
Income Tax Expense	(302,255)	(248,573)
Profit/ (Loss) for the Year	(579,544)	312,038

Actuarial Gain/(Loss) on Retirement Benefit Obligation	(138,373)	27,784
Deferred Tax Reversal/ (Charge) on Retirement Benefit Obligation	41,512	(8,336)
Surplus on Revaluation of Plant & Machinery	-	174,525
Deferred Tax Charge on Revaluation of Plant & Machinery	-	(52,358)
Deferred Tax Charge on Revaluation Reserve due to effective tax rate change	-	(60,848)
Other Comprehensive Income/(Expense) for the Year, Net of tax	(96,861)	80,767
<b>Total Comprehensive Income/(Expense) for the Year</b>	<b>(676,405)</b>	<b>392,805</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

For the year ended 31 December

### 5.4 Segmental Information (Contd...)

	Tea		Rubber		Others		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>(b) Segmental Assets</b>								
Non Current Assets	2,304,138	2,322,000	951,128	953,906	1,922,027	1,518,370	5,177,293	4,794,276
Current Assets	575,966	754,295	47,165	54,911	16,644	7,174	639,775	816,380
	<u>2,880,104</u>	<u>3,076,295</u>	<u>998,293</u>	<u>1,008,817</u>	<u>1,938,671</u>	<u>1,525,544</u>	<u>5,817,068</u>	<u>5,610,656</u>
<b>Unallocated</b>								
Non Current Assets							11,946	16,995
Current Assets							152,934	138,123
Total Assets							<u>5,981,948</u>	<u>5,765,774</u>
<b>Capital Expenditure</b>								
- Allocated	165,307	213,591	22,300	21,355	104,667	74,981	292,274	309,927
- Unallocated	-	-	-	-	-	-	2,448	1,531
							<u>294,722</u>	<u>311,458</u>
<b>Depreciation / Amortization</b>								
- Allocated	210,307	135,539	69,960	65,042	15,283	12,089	295,550	212,670
- Unallocated	-	-	-	-	-	-	4,655	19,347
							<u>300,205</u>	<u>232,017</u>
<b>(c) Segmental Liabilities</b>								
<b>Non Current Liabilities</b>								
- Allocated	796,740	647,321	341,460	277,424	-	-	1,138,200	924,745
- Unallocated	-	-	-	-	-	-	1,142,304	891,425
							<u>2,280,504</u>	<u>1,816,170</u>
<b>Current Liabilities</b>								
- Allocated	476,189	513,578	181,671	182,810	-	-	657,860	696,388
- Unallocated	-	-	-	-	-	-	2,181,075	1,714,302
							<u>2,838,935</u>	<u>2,410,690</u>
<b>Total Liabilities</b>	<u>1,272,929</u>	<u>1,160,899</u>	<u>523,131</u>	<u>460,234</u>	<u>-</u>	<u>-</u>	<u>5,119,439</u>	<u>4,226,860</u>

#### (d) Basis for segmentation

The Company has the following three strategic divisions, which are its reportable segments. These sectors offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable Segments	Operations
Tea	Cultivation, processing and sale of tea leaves and made tea
Rubber	Cultivation, processing, sale of rubber.
Other	Cultivation and sale of diversified crops such as sale of timber trees and cinnamon

There are varying levels of integration between each segment.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

For the year ended 31 December

<b>6. OTHER INCOME</b>	<b>2023</b>	2022
	<b>Rs.'000</b>	Rs.'000
Amortization of Capital Grants	15,103	15,338
Rent Income	7,877	7,064
Annual Income from Mini Hydro Power Project	11,666	15,356
Deferred Income from Mini Hydro Power Project	879	879
Sundry Income	15,275	7,204
Sale of Rubber Trees	41,769	93,702
	<b>92,569</b>	<b>139,543</b>
<b>7. PROFIT FROM OPERATING ACTIVITIES</b>		
Is stated after charging all expenses including the following,	<b>2023</b>	2022
	<b>Rs.'000</b>	Rs.'000
Directors' Emoluments	2,000	1,260
Auditors' Remuneration - Audit fees	4,051	3,585
- Non - Audit fees & expenses	763	362
Depreciation/Amortization		
- Leasehold Right to Bare Land	8,350	6,549
- Immovable leased assets	8,630	8,794
- Property, Plant & Equipment	163,571	101,211
- Mature Plantations	119,654	115,463
Personnel cost includes,		
- Defined benefit plan cost - Retiring Gratuity		
- Current Service Cost	47,696	47,332
- Interest Cost	93,710	59,624
- Defined contribution plan cost - EPF, ETF, CPPS & ESPS	185,850	189,598
- Workers Profit Share	-	15,602
ESC Write off	-	3,466
Provision for slow-moving and obsolete stocks	1,243	649
Inventory Write off (Nursery)	-	5,740
Other receivable write off	-	303
Immature Plantation write off	-	84,996
Capital work in progress write off	-	1,035
<b>8. FINANCE INCOME</b>	<b>2023</b>	2022
	<b>Rs.'000</b>	Rs.'000
Interest Income	30	139
Net Exchange Gain	2,563	-
	<b>2,593</b>	<b>139</b>
<b>9. FINANCE COST</b>	<b>2023</b>	2022
	<b>Rs.'000</b>	Rs.'000
Interest Expense on Government Lease	24,125	18,813
Interest Expense on other Lease	15,085	5,141
Interest Expense on Bank Overdrafts	136,717	112,911
Interest Expense on Term Loans	283,296	260,897
	<b>459,223</b>	<b>397,762</b>
Less: Borrowing costs capitalized	(17,740)	-
	<b>441,483</b>	<b>397,762</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

For the year ended 31 December

### 10. TAXATION

	Note	2023 Rs.'000	2022 Rs.'000
<b>10.1 Amounts recognised in profit or loss</b>			
Current tax expenses	10.2	-	-
Under/(Over) provision respect of prior years		3,963	(142)
Deferred tax charge/(Reversal)	10.5	298,292	248,715
		302,255	248,573

### 10.2 Current Tax Expenses

	2023 Rs.'000	2022 Rs.'000
Accounting Profit/(Loss) before Taxation	(277,289)	560,611
Other Sources of income	(353,031)	(149,309)
Aggregate Disallowable expenses	362,624	457,604
Aggregate Allowable Expenses	(239,077)	(217,778)
Exempt (profit)/loss from Agro farming	166,029	(168,245)
Taxable profit/(loss) from business	(340,744)	482,883
Other Sources of Taxable Income	30	139
Total Statutory Income / (expense)	(340,714)	483,022
Tax losses (claimed)/incurred during the year	340,714	(483,022)
Total Taxable income	-	-
Income tax @ 30% ( 2022 - 14%, 24% & 30%)	-	-
	-	-

### 10.3 Applicable Income Tax Rate

In accordance with the provisions of the Inland Revenue (Amendment) Act No. 45 of 2022, the Company has calculated its profits from both the "Agro processing" and "Investment income" for the year ended on 31st December 2023, applying the standard tax rate of 30%.

For the year ended 31st December 2022, in accordance with the Inland Revenue Act No 10 of 2021, profits from the business of "Agro Processing" and "Investment income" were taxed at rates of 14% and 24% respectively until 30th September 2022. In accordance with the Inland Revenue (Amendment) Act No. 45 of 2022 effective from 1st October 2022, the standard rate of income tax increased from 24% to 30%.

Profit from the business of "Agro farming" will continued to be exempt from income tax up to 2023/24 under the Inland Revenue (Amendment) Act No. 45 of 2022.

### 10.4 Accumulated Tax Losses

	2023 Rs.'000	2022 Rs.'000
Tax losses brought forward	2,285,538	2,755,442
Adjustment in respect of previous years	40,047	13,118
Tax losses (claimed)/incurred during the year	340,714	(483,022)
Tax losses carried forward	2,666,299	2,285,538

### 10.5 Deferred Tax Expense

	Note	2023 Rs.'000	2022 Rs.'000
Deferred tax charge to profit or loss	23.1	298,292	248,715
Deferred tax charge/(reversal) to Other Comprehensive Income	10.5.1 & 23.2	(41,512)	121,542
		256,780	370,257



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 10.5.1 Deferred tax charge/(reversal) to Other Comprehensive Income

	2023			2022		
	For the year ended (Rs.'000)					
	Before Tax	Tax (expense)/ benefit	Net of Tax	Before Tax	Tax (expense)/ benefit	Net of Tax
Deferred Tax (Charge)/Reversal on Retirement Benefit Obligation	(138,373)	41,512	(96,861)	27,784	(8,336)	19,448
Deferred Tax Charge on Revaluation of Plant & Machinery	-	-	-	174,525	(52,358)	122,167
Deferred Tax Charge on Revaluation Reserve due to effective tax rate change	-	-	-	-	(60,848)	(60,848)
Total Deferred tax charge/(reversal) to Other Comprehensive Income	(138,373)	41,512	(96,861)	202,309	(121,542)	80,767

## 11. EARNING/ (LOSS) PER SHARE

### 11.1 Basic earning/ (loss) Per Share

The computation of the Basic earning/ (Loss) per share is based on profit/ (Loss) attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year and calculated as follows;

	2023	2022
<b>For the year ended 31 December</b>		
Profit/(loss) for the year, attributable to the owners of the Company (Rs.000)	(579,544)	312,038
Weighted-average number of ordinary shares outstanding during the year (Nos) ('000)	99,407	99,407
Basic Earning/(Loss) per share (Rs)	(5.83)	3.14

### 11.2 Diluted Earning/(Loss) Per Share

The calculation of diluted Profit/(loss) per share is based on Profit/(loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjusting for the effect of all dilutive potential ordinary shares.

There were no potential dilutive ordinary shares outstanding at any time during the period/previous year. Hence, diluted earnings per share is same as basic earnings per share.

## 12. LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

- a) The leasehold right to the land on all seventeen estates have been taken in to the books of the Company as at 15 June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board decided at its meeting held on 8 March 1995 that these bare lands would be revalued, at the value established for these lands, by the valuation specialist Mr. D. R. Wickramasinghe, just prior to the formation of the Company. The value taken into 15 June 1992, Balance Sheet and the written down values are given in note 12.(c) below;
- b) Lease agreement have been executed for seventeen estates out of the seventeen estates handed over to company by JEDB/SLSPC as at 31 December 2023.

### c) At Carried Value

	Life of the Asset	15/06/1992 Rs'000	2023 Rs'000	2022 Rs'000
<b>Cost</b>				
Leasehold Right to Land of JEDB / SLSPC Estates	52 years	322,427	331,969	321,390
Remeasurement of Leasehold Right as at 1st July			70,053	10,579
			402,022	331,969
<b>Accumulated Amortization</b>				
As at 1 January			179,438	172,889
Amortization for the Year			8,350	6,549
As at 31 December			187,788	179,438
<b>Carrying amount</b>			214,234	152,531

The Company remeasured its right-of-use asset relating to the estate lands in line with the requirements of SLFRS 16 - "Leases" and the application guidance issued by the Institute of Chartered Accountants of Sri Lanka w.e.f. 1st January 2019. The value of the Right of Use Asset has been considered as the deemed cost as at the transition date of SLFRS 16.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 13 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

	Notes	2023 Rs'000	2022 Rs'000
Immovable leased bearer biological assets	13.1	18,535	27,003
Immovable leased assets (Other than Lease hold right to bare)	13.2	239	401
		18,774	27,404

#### 13.1 IMMOVABLE LEASED BEARER BIOLOGICAL ASSETS

As more fully explained in Note 12 although all JEDB/SLSPC estate leases have not been executed to date in terms of the ruling of the UITF all immovable assets in these estates under leases have been taken into the books of the Company retroactive to 15 June 1992. For this purpose the Board decided at its meeting on 08th March 1995 that these assets would be taken into the books at their book values as they appear in the books of the JEDB / SLSPC, as the case may be, on the day immediately preceding the date of formation of the Company. These assets have been taken into the 15 June 1992, Balance Sheet and the written down values are as follows;

	Mature Plantations			2023 Rs'000	2022 Rs'000
	Tea Rs'000	Rubber Rs'000	Minor Crop Rs'000		
Capitalized Value 22 June 1992	254,049	79,305	4,094	337,448	337,448
<b>Accumulated Amortization</b>					
As at 1 January	227,046	79,305	4,094	310,445	301,977
Amortization for the year	8,468	-	-	8,468	8,468
As at 31 December	235,514	79,305	4,094	318,913	310,445
<b>Carrying amount</b>	18,535	-	-	18,535	27,003

Investments in Immature Plantations at the time of handing over to the Company as at 15 June 1992 by way of estate leases were shown under Immature Plantations. However, since then all such investments in Immature Plantations have been transferred to Mature Plantations. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortization.

#### 13.2 IMMOVABLE LEASED ASSETS (OTHER THAN LEASEHOLD RIGHT TO BARE LAND & BIOLOGICAL ASSETS)

	Improvements to land Rs'000	Buildings Rs'000	Water Supply Rs'000	2023 Rs'000	2022 Rs'000
<b>Accumulated Amortization</b>					
As at 1 January	6,448	24,459	4,963	35,870	35,544
Amortization for the year	-	-	162	162	326
As at 31 December	6,448	24,459	5,125	36,032	35,870
<b>Carrying amount</b>	-	-	239	239	401

Since, there is no future lease liabilities for these assets, the carrying value as at 1st January 2019 has been considered as the remeasured value in accordance with SLFRS 16

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 14 PROPERTY, PLANT & EQUIPMENT

	Notes	2023 Rs'000	2022 Rs'000
Free Hold Assets	14.1	1,162,790	1,235,885
Lease Hold Assets	14.2	58,436	69,225
		<u>1,221,226</u>	<u>1,305,110</u>

#### 14.1 Free Hold Assets

Cost / Valuation	Useful Life of the Asset	As at					As at	
		01/01/2023 Rs'000	Additions Rs'000	Disposal Rs'000	Transfers Rs'000	Write offs Rs'000	31/12/2023 Rs'000	31/12/2022 Rs'000
Improvements to Land & Buildings	10-40 years	560,139	3,023	-	1,648	-	564,810	560,139
Plant & Machinery	13 1/3 - 20 years	694,176	4,788	-	39,159	-	738,123	694,176
Motor Vehicles	5 years	134,357	5,278	(1,550)	-	-	138,085	134,357
Equipment	8 years	202,865	10,708	(12)	-	-	213,561	202,865
Furniture & Fittings	10 years	15,839	200	-	-	-	16,039	15,839
Water / Link Roads	20 years	113,237	-	-	-	-	113,237	113,237
Capital Work-in-Progress		72,080	51,061	-	(40,807)	-	82,334	72,080
		<u>1,792,693</u>	<u>75,058</u>	<u>(1,562)</u>	<u>-</u>	<u>-</u>	<u>1,886,189</u>	<u>1,792,693</u>

#### Accumulated Depreciation

	As at			Written Down Value		
	01/01/2023 Rs'000	Charge for the year Rs'000	Disposal Rs'000	31/12/2023 Rs'000	31/12/2023 Rs'000	31/12/2022 Rs'000
Improvements to Land & Buildings	207,843	19,745	-	227,588	337,222	352,296
Plant & Machinery	-	107,333	-	107,333	630,790	694,176
Motor Vehicles	115,884	5,618	(1,550)	119,952	18,133	18,473
Equipment	157,391	10,831	(12)	168,210	45,351	45,474
Furniture & Fittings	11,843	877	-	12,720	3,319	3,996
Water / Link Roads	63,847	3,749	-	67,596	45,641	49,390
Capital Work-in-Progress	-	-	-	-	82,334	72,080
	<u>556,808</u>	<u>148,153</u>	<u>(1,562)</u>	<u>703,399</u>	<u>1,162,790</u>	<u>1,235,885</u>

#### 14.2 Lease Hold Assets

Cost	Useful Life of the Asset	As at					As at	
		01/01/2023 Rs'000	Additions Rs'000	Disposal Rs'000	Transfers Rs'000	Write offs Rs'000	31/12/2023 Rs'000	31/12/2022 Rs'000
Motor Vehicles	5 years	73,427	4,629	-	-	-	78,056	73,427
		<u>73,427</u>	<u>4,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,056</u>	<u>73,427</u>

Accumulated Depreciation	As at			Written Down Value		
	01/01/2023 Rs'000	Charge for the year Rs'000	Disposal Rs'000	31/12/2023 Rs'000	31/12/2023 Rs'000	31/12/2022 Rs'000
Motor Vehicles	4,202	15,418	-	-	19,620	58,436
	<u>4,202</u>	<u>15,418</u>	<u>-</u>	<u>-</u>	<u>19,620</u>	<u>58,436</u>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### As at 31 December

- a) The assets shown above are those movable and immovable assets vested in the Company by Gazette notification at the date of formation of the Company (15 June 1992) and all investments in tangible assets are investments made by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12 and 13 to the Financial Statements.
- b) No borrowing Cost has been capitalized in respect of Property, Plant & Equipment for the year ended 31 December 2023.
- c) The Initial cost of the fully depreciated items of Property, Plant and Equipment which are still in use as at 31st December 2023 are as follows,

Assets	2023 (Rs'000)	2022 (Rs'000)
Improvements to Land & Buildings	590	590
Plant & Machinery	-	14,230
Furniture & Fittings	8,888	8,140
Tools & Equipment	135,863	130,468
Motor Vehicles	107,475	109,025
Sanitation/Water Supply	13,414	12,059
	266,230	274,512

- d) Capital Work-in-Progress include the Work-in-Progress pertaining to Improvements to Land & Building and Plant and Machinery.
- e) There are no restrictions that existed on the title of the PPE of the Company as at the reporting date except assets disclosed under note 19.1 and 24.4
- f) During the financial year, the Company acquired PPE to the aggregate value of Rs. 75.99 Mn (2022- Rs. 164.97 Mn) by means of cash.
- g) Improvements to Land & Buildings under tangible assests as follows,

Estate Name	Location	No. of buildings	Cost Rs'000
Ekkerella	Opanayake	277	12,028
Endane	Kahawatte	946	60,321
Houpe	Kahawatte	890	45,749
Hunuwella	Opanayake	736	43,778
Opata	Kahawatte	946	31,812
Pelmadulla	Kahawatte	946	29,839
Poronuwa	Kahawatte	569	27,413
Rilhena	Pelmadulla	738	30,484
Wellandura	Kahawatte	591	23,445
Barcaple	Kataboola	444	16,026
Craighead	Udahentenne	889	33,985
Galamuduna	Dolosbage	517	32,403
Imboolpittia	Nawalapitiya	751	38,878
Kataboola	Kataboola	1,310	48,765
Queensberry	Kataboola	593	21,867
Westhall	Kataboola	505	21,185
Land Improvement & Others		-	46,832
Total		11,648	564,810

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 14 PROPERTY, PLANT & EQUIPMENT (Continued)

#### h) Revaluation of Plant & Machinery

The Company uses the revaluation model of measurement for Plant & Machinery. The Company engaged chartered valuation surveyor Mr. Chandrasena (FIV SL, MRICS UK) independent valuer, to determine the fair value of Plant & Machinery. The date of the most recent valuation was 31st December 2022. There is no major change in value especially as confirmed by the independent valuer on 31st December 2023.

#### i. Fair value hierarchy

The fair value measurement for all of the plant and machinery have been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

#### ii. Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the revalued amounts of plant & machinery, as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter Relationship Between Significant Unobservable Inputs and Fair Value Measurement
<b>Comparable method:</b>	The cost of replacing an existing asset with a substantially identical equivalent, after taking into consideration, the depreciation due to usage and obsolescence through market changes (Rs. 5,000 - Rs. 30,000,000)	The Estimated fair value would increase (decrease) if: Open market values were higher (lower);

- i) If property, plant and equipment were stated in the historical cost basis (without revaluing), their net book amounts would be as follows ;

As at 31st December	2023 Rs.'000	2022 Rs.'000
Cost	866,485	822,538
(-) Accumulated depreciation	(590,461)	(522,155)
Carrying Value	276,024	300,383

### 15 BIOLOGICAL ASSETS

Notes

		2023 Rs.'000	2022 Rs.'000
Consumable Biological Assets - Managed Trees	15.1	1,483,782	1,158,092
Bearer Biological Assets	15.2	2,251,223	2,168,134
		3,735,005	3,326,226

#### 15.1 Consumable Biological Assets - Managed Trees

	2023 Rs.'000	2022 Rs.'000
<b>Immature Consumable Biological Assets</b>		
<b>Cost of Young Plants</b>		
As at 1 January	5,074	22,172
Additions during the period	12,311	5,056
Transfers to Standing Timber during the year	-	(22,154)
As at 31 December	17,385	5,074
<b>Mature Consumable Biological Assets</b>		
<b>Standing Timber</b>		
As at 1 January	1,153,018	1,010,819
Transfers from Cost of Young Plants during the year	-	22,154
Change in fair value less cost to sell	330,635	133,601
Decrease due to Harvest & Fallen trees	(17,256)	(13,556)
As at 31 December	1,466,397	1,153,018
<b>Total Consumable Biological Assets</b>	1,483,782	1,158,092



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 15 BIOLOGICAL ASSETS (Continued)

#### a) Measurement of fair values

##### i) Fair Value hierarchy

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

##### ii) Level 3 fair values

The following table shows the valuation techniques used in measuring fair values, as well as significant unobservable inputs used.

Type	Valuation Technique used	Significant unobservable inputs	Inter relationship between key unobservable inputs and fair value measurement
Standing Timber (Age Over 4 years)	<b>Discounted Cash flows;</b> The valuation model considers the present value of net cashflows expected to be generated by the plantation from the timber content of managed timber plantation on a tree per tree basis. The expected net cash-flows are discounted using a risk adjusted discount rate.	The prices adopted are net of expenditure/timber price per cubic feet range from Rs. 100 to Rs. 1,200.  Risk Adjusted Discount Rate - 16.4% (2022 -20.5%). (Risk premium 3.5%).	Fair value would increase if timber prices were high and fair value would decrease if timber prices were low.  Fair value would increase if discount rate was low and fair value would decrease if discount rate was high.

Managed trees which are less than four years old considered to be immature consumable biological assets amounting Rs.17.4 million as at 31st December 2023 (2022: Rs.5.1 million). The cost of immature trees is treated as approximate to fair value particularly on the ground that little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantation becomes mature, additional investments to bring them to maturity are transferred from immature to mature.

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Trees have been valued as per the current timber prices per cubic feet net of expenditure based on the market prices timber trees. Selling price of managed timber has been taken based on market price and industry professional expert opinion.

The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The Management retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

Managed Trees owned by Company were valued at fair value by chartered valuation surveyor Mr. Chandrasena (FIV SL, MRICS UK) as at 31st December 2023.

#### b) Risk management strategy related to agricultural activities

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

##### i. Regulatory and environmental risks

The Company is subject to laws and regulations in the country. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws.

##### ii. Supply and demand risk

The Company is exposed to risk arising from fluctuations in price and sales volumes of timber. The Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis for projected harvest volumes and pricing.

##### iii. Climate and other risks

The Company's timber plantations are exposed to the risk of damage from climate 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 15 BIOLOGICAL ASSETS (Continued)

#### c) Sensitivity Analysis

##### i. Sensitivity variation on sales price

Values as appearing in the statement of financial position are sensitive to the price changes with regard to 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 consumable biological assets.

	-10% Rs'000	0% Rs'000	+10% Rs'000
As at 31 December 2023	1,337,142	1,483,782	1,630,421
As at 31 December 2022	1,037,716	1,158,092	1,268,320

##### ii. Sensitivity variation on Discount Rate

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

	-1% Rs'000	0% Rs'000	+1% Rs'000
As at 31 December 2023	1,551,272	1,483,782	1,422,936
As at 31 December 2022	1,198,444	1,158,092	1,111,874

### 15.2 Bearer Biological Assets

Cost	Life of the Asset	As at			As at	
		01/01/2023 Rs'000	Additions Rs'000	Transfers Rs'000	31/12/2023 Rs'000	31/12/2022 Rs'000
Mature Plantations						
- Tea	33 1/3 years	1,341,510	-	27,831	1,369,341	1,341,510
- Rubber	20 years	1,284,409	-	49,248	1,333,657	1,284,409
- Minor Crop	3-25 years	296,484	-	10,475	306,959	296,484
Immature Plantations						
- Tea		91,987	88,341	(27,831)	152,497	91,987
- Rubber		87,558	22,300	(49,248)	60,610	87,558
- Minor Crop		112,403	92,102	(10,475)	194,030	112,403
		3,214,351	202,743	-	3,417,094	3,214,351

Accumulated Depreciation	Written Down Value				
	As at 01/01/2023 Rs'000	Charge for the year Rs'000	As at 31/12/2023 Rs'000	As at 31/12/2023 Rs'000	As at 31/12/2022 Rs'000
Mature Plantations					
- Tea	471,906	45,132	517,038	852,303	869,604
- Rubber	509,254	61,911	571,165	762,492	775,155
- Minor Crop	65,057	12,611	77,668	229,291	231,427
Immature Plantations					
- Tea	-	-	-	152,497	91,987
- Rubber	-	-	-	60,610	87,558
- Minor Crop	-	-	-	194,030	112,403
	1,046,217	119,654	1,165,871	2,251,223	2,168,134

These are investments in plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12 and 13. Further, investment to immature plantation taken over by way of these leases are shown in the above note. When such plantations came in to bearing, the additional investments since taking over to bring them to bearing was transferred from immature to mature plantations under this note. A corresponding transfer was made from immature to mature plantations being the investment undertaken by JEDB/SLSPC on the particular plantation prior to the formation of the Company under Note 13.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 15.2 Bearer Biological Assets (Continued)

The Company has performed an impairment assessment on immature biological assets and identified that some of immature plantations are non-existing and / or uneconomical. Accordingly, the management has performed a calculation of write offs on such immature fields based on the costs incurred after considering the recoverable amount of economical fields based on fair value less cost to sell. As a result, the Company has decided there is no such requirement (2022- 84.9 Mn) as at 31st December 2023.

According to option granted by the institute of chartered accountants of Sri Lanka on valuation of bearer biological assets, the Company has measured these assets in accordance with LKAS 16 "Property Plant & Equipment".

Minor crops include Cinnamon, Coffee etc., carried at cost less accumulated depreciation & impairment.

There was 17.4 Mn Borrowing costs (2022 - Nil) incurred on term loan utilized to finance replanting expenditure of tea and rubber have been capitalized. (The average rate of interest for capitalization is 20.48% for the year ended 31 December 2023).

15.3 Produce on bearer biological Asset		2023 Rs:'000	2022 Rs:'000
Balance as at 1 January		11,787	8,475
Change in fair value less cost to sell		5,200	3,312
Balance as at 31 December		16,987	11,787
<b>15.4 Change in fair value of Biological Assets</b>			
	Note	2023 Rs:'000	2022 Rs:'000
Change in fair value of consumable biological assets less cost to sell	15.1	330,635	133,601
Change in fair value of produce on bearer biological assets less cost to sell	15.3	5,200	3,312
		335,835	136,913
<b>16 INVENTORIES</b>			
	Note	2023 Rs:'000	2022 Rs:'000
Growing Crop Nurseries		1,564	1,331
Produce Crops (Tea, Rubber and Other)	16.2	535,982	646,446
Input Materials and Consumables		72,421	138,777
		609,967	786,554
Provision for impairment of Input Materials and Consumables	16.1	(6,069)	(4,826)
		603,898	781,728
<b>16.1 Provision for impairment of Input Materials and Consumables</b>			
As at 1st January		4,826	4,177
Provision for slow-moving and obsolete stocks		1,243	649
As at 31 December		6,069	4,826
<b>16.2 Produce Crops (Tea, Rubber and Others)</b>			
Agriculture produce (Green Leaf etc.)		7,005	9,015
Finished goods (Tea, Rubber & Other)		528,977	637,431
		535,982	646,446
<b>17 TRADE &amp; OTHER RECEIVABLES</b>			
	Note	2023 Rs:'000	2022 Rs:'000
Produce debtors	17.1	19,019	22,866
Staff & Labor Receivables		61,532	44,448
Deposits and Prepayments		16,814	10,737
Other Debtors		38,624	37,124
		135,989	115,175
<b>17.1 Produce debtors</b>			

Trade Receivables Includes Related Party Balances due from, Forbes and Walker Commodity Brokers (Private) Limited amounting Rs.19.02 Mn (2022 - Rs.22.85 Mn) and Forbes and Walker Tea Brokers (Pvt) Limited amounting Rs. Nil (2022 -Rs. 0.2 Million).

**17.2** There was no trade and other receivables written off during the financial year. (2022 - 0.303 Mn)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

<b>18</b>	<b>AMOUNT DUE FROM RELATED PARTIES</b>		<b>2023</b>	2022
			<b>Rs.'000</b>	Rs.'000
	MJF Beverages (Private ) Limited		540	-
	Ceylon Tea Farmers (Private) Limited		-	605
	MJF Tea Gardens (Private) Limited		8,278	6,114
	Patiagama Estate (Private) Limited		-	20
	Dilmah Ceylon Tea Company PLC		3,080	2,651
	MJF Charitable Foundation		359	-
			<b>12,257</b>	<b>9,390</b>
<b>19</b>	<b>CASH &amp; CASH EQUIVALENTS</b>		<b>2023</b>	2022
	<b>Favorable cash and cash equivalents Balances</b>	<b>Note</b>	<b>Rs.'000</b>	Rs.'000
	Cash at Bank		23,331	36,004
	Cash in Hand		247	419
			<b>23,578</b>	<b>36,423</b>
	Unfavorable cash and cash equivalent Balances			
	Bank Overdraft	19.1	(798,570)	(805,656)
	Cash & Cash equivalents for the purpose of Statement of Cash Flows		<b>(774,992)</b>	<b>(769,233)</b>
<b>19.1</b>	<b>Bank Overdraft</b>			
	Seylan Bank PLC - A/C No 1	19.1 (a)	79,513	82,347
	Seylan Bank PLC - A/C No 2	19.1 (a)	29,999	29,999
	Commercial bank of Ceylon PLC	19.1 (b)	91,142	95,705
	Union Bank PLC		2	2
	Hongkong and Shanghai Banking Corporation Ltd.	19.1 (c)	597,914	597,603
			<b>798,570</b>	<b>805,656</b>
<b>19.1 (a)</b>	Bank	- Seylan Bank PLC Colombo		
	Facility	- 110 Mn.		
	Purpose	- Finance the Working Capital requirements		
	Rate of Interest	- AWPLR+2.25 with a Floor rate of 13.00% p.a. subject to further revisions in line with future reductions in market.		
	Security	- Primary Mortgage Bond over leased hold rights of Estate Land, Buildings & Fixed Assets at Imboolpitiya Estate for Rs 100 Mn. - Kataboola Estate for Rs 70 Mn. - Kataboola Estate - Kadeinlena Division for Rs 15 Mn.		
<b>19.1 (b)</b>	Bank	- Commercial Bank of Ceylon PLC		
	Facility	- 100 Mn.		
	Purpose	- Finance the Working Capital requirements		
	Rate of Interest	- AWPLR+.1.5%		
	Security	- Primary Mortgage Bond over leased hold rights of Property at Craighead Estate		
<b>19.1 (c)</b>	Bank	- Hongkong and Shanghai Banking Corporation Ltd		
	Facility	- 600 Mn.		
	Purpose	- Finance the Working Capital requirements		
	Rate of Interest	- HSBC COF+4.5%		
	Security	- Corporate guarantee by MJF Holdings (Pvt) Ltd. For Rs. 600 Mn		

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

20. STATED CAPITAL	Notes	As at 31 December 2023		As at 31 December 2022	
		Number of Shares	Value of Shares Rs.	Number of Shares	Value of Shares Rs.
<b>Fully Paid Ordinary Shares</b>					
Ordinary Shares		99,406,691	1,698,952,631	99,406,691	1,698,952,631
Golden Share held by Secretary to the Treasury	20.1	1	10	1	10
		<b>99,406,692</b>	<b>1,698,952,641</b>	<b>99,406,692</b>	<b>1,698,952,641</b>

The holders of ordinary 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

### 20.1 Golden Shareholder

The Golden Share has been allotted to the Secretary to the Treasury by capitalization of revaluation reserve on 1 August 1995. The 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. Following special right are vested with the Golden Shareholder;

- The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands leased / to be leased to the Company by the JEDB/SLSPC.
- The Golden Shareholder shall be entitled to call upon the Board of Directors meeting once in Three months to meet him or his nominee to discuss matters of the Company of interest to the state of the Government.
- The Golden Shareholder and or his nominee shall 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 agree to by the Golden Shareholder and the Company.
- 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 Golden Shareholder and the Company.

### 20.2 Shares Issued by way of Private Placement

The Company Issued 19,516,886 No. of Ordinary Voting Shares of the Company by way of a Private Placement on 31st December 2020 to MJF Teas (Private) Limited at a consideration of Rs. 41/- per Private Placement Share, by Capitalizing a total sum of Rs. 800,192,326 due and payable by the company to MJF Teas (Private) Limited including the payable amounts assigned by MJF Exports (Private) Limited and Forbes Plantations (Private) Limited.

## 21 REVALUATION RESERVE

	2023 Rs:'000	2022 Rs:'000
As at 1 January	340,596	279,277
Revaluation gain during the year, net of taxes	-	122,167
Deferred Tax Charge on Revaluation Reserve due to effective tax rate change	-	(60,848)
<b>As at 31 December</b>	<b>340,596</b>	<b>340,596</b>

### 21.1 Nature and purpose of Revaluation Reserve

The revaluation reserve relates to freehold Plant and Machinery which has been revalued by the Company. On revaluation an asset, any increase in the carrying amount is recognized in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.



**NOTES TO THE FINANCIAL STATEMENTS (Contd...)**

As at 31 December

22 DEFERRED INCOME	2023 Rs.'000	2022 Rs.'000
<b>Grants and Subsidies</b>		
As at 1 January	256,491	268,888
Grants received during the year	500	2,941
	256,991	271,829
Amortization for the year	(15,103)	(15,338)
<b>As at 31 December</b>	241,888	256,491
<b>Deferred Income</b>		
As at 1 January	18,681	19,560
Amortization for the year	(879)	(879)
Carrying amount As at 31 December	17,802	18,681
<b>Total Carrying amount As at 31 December</b>	259,690	275,172

The above represents the following :

The funds received from the Plantation Human Development Trust (Plantation Housing and Social Welfare Trust) and Asian Development Bank (ADB) are for the development of workers welfare facilities.

The amounts spent are capitalized under the relevant classification of Property, Plant & Equipment and the corresponding grant component is reflected under deferred grants and subsidies and amortised over useful life span of the related asset.

23 DEFERRED TAXATION	Note	2023 Rs.'000	2022 Rs.'000
As at 01 January		511,052	140,795
Originated during the year- recognized in profit or loss	23.1	298,292	248,715
Originated/(Reversed) during the year- recognized in other comprehensive income	23.2	(41,512)	121,542
As at 31st December		767,832	511,052
<b>23.1 Provision / (Reversal) during the year recognized in Profit or Loss</b>			
Due to change in the effective tax rate		-	231,885
Due to change in the temporary differences		298,292	16,830
		298,292	248,715
<b>23.2 Provision/(Reversal) during the year recognized in Other Comprehensive Income</b>			
Due to change in the effective tax rate		-	60,848
Due to change in the temporary differences		(41,512)	60,694
		(41,512)	121,542

**23.3 Reconciliation of Deffered tax effect on temporary differences**

	2023		2022	
	Temporary Differences Rs.'000	Tax Effect Rs.'000	Temporary Differences Rs.'000	Tax Effect Rs.'000
On Property Plant and Equipment and Bearer Biological Assets	3,141,198	942,359	3,022,603	906,781
On Retirement gratuity	(822,883)	(246,865)	(631,925)	(189,578)
On Tax loss carried forward	(1,244,064)	(373,219)	(1,634,005)	(490,202)
On Biological Assets at fair value	1,483,782	445,135	938,337	281,502
On Leasehold Right To Bare land	1,406	422	8,495	2,549
	2,559,439	767,832	1,703,505	511,052

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue (Amendment) Act, No. 45 of 2022. The deferred tax liability is calculated at the effective tax rate of 30% (2022- 30%) for the Company as at 31st December 2023.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 23 DEFERRED TAXATION (Continued)

#### 23.4 Deferred Tax Asset / Assessment of Recoverability

The Company recognised a deferred tax asset consequent to the changes in the Inland Revenue No. 24 of 2017. As per the Inland Revenue act No. 24 of 2017, 100% of taxable income is allowed to be deducted against the tax losses incurred. According to the transitional provisions of the new Act, the brought forward tax loss can be claimed against taxable income for a period of 6 years commencing from the year of assessment 2018/19.

The Management carefully analyzed the availability of the future taxable profits against which the unused tax losses can be utilised. In this assessment the Company estimated the profitability using the internal budgets and plans in a conservative manner.

The unutilized tax losses of Rs. 1,244 Mn (2022 -Rs. 1,634 Mn) Mn out of total tax losses of Rs. 2,666 Mn (2022-Rs. 2,286) Mn have been considered for the deferred tax based on the probable future taxable profits available. Hence a deferred tax asset of Rs. 427 Mn (2022-Rs. 195 Mn) has not been recognized in respect of unutilized tax losses of Rs. 1,422 Mn (2022- Rs. 652 Mn) as at 31st December 2023.

Deferred tax is an estimate computed based on the assumptions and available information as at the reporting date. Hence these estimates are subject to change based on further developments, for which assumptions have been considered at the time of estimation (i.e. further clarifications to the new IRD act). Such changes to the estimates will be adjusted during the period the change occurs.

### 24 INTEREST BEARING LOANS AND BORROWINGS

	Notes	2023 Rs:'000	2022 Rs:'000
Amount payable after one year	24.1 & 24.3	374,473	380,374
Amount payable within one year	24.2 & 24.3	1,120,378	715,580
		<b>1,494,851</b>	<b>1,095,954</b>

#### 24.1 Term Loan Payables- payable after one year

##### 24.1.1 Term Loan Payable - Bank Loan

Lender	Purpose	Balance as at 31 December	
		2023 Rs:'000	2022 Rs:'000
Hatton National Bank PLC	Plantation Development Work	51,825	114,525
Commercial Bank PLC	Plantation Development Work	170,190	100,211
Standard Chartered Bank Limited	Plantation Development Work	60,000	120,000
HSBC	Plantation Development Work	-	1,344
		<b>282,015</b>	<b>336,080</b>

#### 24.1.2 Term Loan Payable - Related Party Loan

MJF Exports (Pvt) Ltd

MJF Charitable Foundation

	26,897	-
	19,651	-
	<b>46,548</b>	<b>-</b>

#### 24.2 Term Loan Payables- payable within one year

##### 24.2.1 Term Loan Payables- Bank loans

	2023 Rs:'000	2022 Rs:'000
Commercial Bank PLC	621,703	531,317
Hatton National Bank PLC	62,700	66,312
Nations Trust Bank PLC	-	25,000
Standard Chartered Bank Limited	60,000	75,000
HSBC	-	7,862
	<b>744,403</b>	<b>705,491</b>

#### 24.2.2 Term Loan Payable - Related Party Loan

MJF Exports (Pvt) Ltd

	369,634	-
	<b>369,634</b>	<b>-</b>

Interest rates and the terms of the repayments of the Related party loans are given below,

Related Party Company	Loan (Rs. Mn)	Interest Rate p.a.	Terms of the Repayment
MJF Exports (Pvt) Ltd	300.00	AWPLR+0.5%	Short Term Loan
	65.00	AWPLR+1%	Short Term Loan
	31.53	10.5%	Term Loan payable within 25 Quarterly Installments commencing after the Grace Period of 6 Months from the commissioning date of the project.
MJF Charitable Foundation	19.65	AWPLR+1%	Term Loan payable within 120 Monthly Installments commencing after the Grace Period of 6 Months from the commissioning date of the project.

**NOTES TO THE FINANCIAL STATEMENTS (Contd...)**

As at 31 December

**24 INTEREST BEARING LOANS AND BORROWINGS (Continued)****24.3 Lease Liability**

	2023 Rs.'000	2022 Rs.'000
As at 1 January	54,383	-
Addition during the year	3,696	56,720
Interest expense for the year	15,085	5,141
Installment paid during the year	(20,913)	(7,478)
As at 31 December	52,251	54,383
Payable within one year	6,341	10,089
Payable after one year	45,910	44,294
	52,251	54,383
a) Amount recognised in the statement of profit or loss and other comprehensive income		
Interest expense for the year	15,085	5,141
	15,085	5,141
b) Amount recognised in the statement of cash flows		
Installment paid during the year	20,913	7,478
	20,913	7,478
c) Maturity Analysis of Undiscounted cash flows		
Less than one year	19,889	14,170
One to five years	72,014	92,896
Total	91,903	107,066

Payment terms of lease facilities - 61 monthly installments.

Effective interest rate 26.42% - 26.98% p.a

**24.4 Interest rates and the terms of the repayments of the loans are given below,**

Bank/Institution	Loan Granted (Rs. Mn)	Interest Rate p.a.	Terms of the Repayment
Commercial Bank PLC	475	Based on Market Rates	Short Term Loan 01 month, extendable upto maximum 03 months
	200	AWPLR + 1.5% (Floor Rate - 8%)	In 60 equal monthly installments of Rs. 3,378,000 commenced from 02.09.2019 & Recommended In January 2022 after Covid- Relief moratoriums.
	150	AWPLR + 1.5%	In 60 equal monthly installments of Rs. 2,500,000 commenced from 25.10.2023
	75	Based on market rates	Short term loan 1 month, extendable up to 03 months.
Hatton National Bank PLC	300	AWPLR+1%	In 96 equal monthly installments of Rs. 3,125,000/- each commenced from 10.11.2015
	200	AWPLR+1%	In 95 equal monthly installments of Rs. 2,100,000/- each & final installment of Rs.500,000/- commenced from 08.12.2016
Standard Chartered Bank Limited	300	Weekly AWPLR - 0.25%	In 20 equal quarterly installments of Rs. 15,000,000 each commenced from 01.10.2019 & Recommended on 15.10.2022 after Covid- Relief moratoriums.

**Security****Commercial Bank PLC**

Mortgage over Leasehold right of Craighead Estate for Rs. 85.3 Mn

Corporate Guarantee from MJF Holdings Limited Rs. 300 Mn

**Standard Chartered Bank Limited**

Corporate Guarantee from MJF Holdings Limited Rs. 300 Mn

**Hatton National Bank PLC**

Corporate Guarantee from MJF Holdings Limited Rs. 500 Mn

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

25 RETIREMENT BENEFIT OBLIGATIONS	Note	2023 Rs:'000	2022 Rs:'000	
Estate Employees	25.1	630,932	477,404	
Head Office Staff	25.2	36,467	29,138	
		<b>667,399</b>	<b>506,542</b>	
<b>25.1</b> Estate Employees - Movement in the present value of retirement benefit obligations				
As at 1 January		477,404	490,858	
Current Service Cost		44,150	43,520	
Interest Cost		88,320	56,449	
Actuarial Loss/(Gain) on remeasurement of retirement benefit obligations		135,954	(24,991)	
		<b>745,828</b>	<b>565,836</b>	
Payments made during the year		(54,128)	(58,846)	
Transferred to arrears gratuity payable	27	(60,768)	(29,586)	
As at 31 December		<b>630,932</b>	<b>477,404</b>	
<b>25.2</b> Head Office Staff - Movement in the present value of retirement benefit obligations				
As at 1 January		29,138	27,609	
Current Service Cost		3,546	3,812	
Interest Cost		5,390	3,175	
Actuarial Loss/(Gain) on remeasurement of retirement benefit obligations		2,419	(2,793)	
		<b>40,493</b>	<b>31,803</b>	
Payments made during the year		(4,026)	(2,665)	
As at 31 December		<b>36,467</b>	<b>29,138</b>	
<b>25.3</b> Amount recognised in the statement of profit or loss				
Current Service Cost		47,696	47,332	
Interest Cost		93,710	59,624	
		<b>141,406</b>	<b>106,956</b>	
<b>25.4</b> Amount recognised in the statement of OCI				
Actuarial Loss/(Gain) on remeasurement of retirement benefit obligations		138,373	(27,784)	
		<b>138,373</b>	<b>(27,784)</b>	
The provision for retirement benefits obligations as at 31 December 2023 is based on the actuarial valuation carried out by Mr. Piyal S. Goonathileke & Associates, using the "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".				
<b>25.5</b> Key Assumptions used by actuary include following:		<b>2023</b>	2022	
a) Rate of Interest		12.9%	18.5%	
A Long-term treasury bond rate 12.9% p.a. (2022 - 18.5% p.a.) was used to discount future liabilities taking into consideration remaining working life of employees.				
b) Retirement Age		60 Years	60 Years	
c) Mortality Rates (Age 20-59) - up to 1984 Mortality table		0.11% - 1.3%	0.11% - 1.3%	
d) Turnover Rate (Age 20-59) - Staff		1%-6%	1%-6%	
- Workers		5%-12%	5%-12%	
e) The Company will continue as a going concern				
<b>25.6 Sensitivity Analysis - Discount Rate &amp; Salary Increment Rate</b>				
A quantitative sensitivity analysis for significant assumptions used by the Company as at 31 December 2023 is as shown below:				
		<b>2023</b>		2022
		Rs:'000	Rs:'000	Rs:'000
<b>1% Change in Discount rate</b>		-1%	+1%	-1%
Present Value of Retirement Benefit Obligation		705,080	633,544	528,624
<b>1% Change in Salary Increment Rate</b>		-1%	+1%	-1%
Present Value of Retirement Benefit Obligation		633,526	704,464	485,512
				529,249

The sensitivity analysis above has been determined on a method that extrapolates the impact on Retirement Benefit Obligations as a result of reasonable changes in key assumptions occurring at the end of reporting period.  
No. of Employees as at the year end is disclosed under Note 1.5

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 25 RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

	2023 Rs.'000	2022 Rs.'000
Within one year	77,750	87,754
Between 1 to 5 years	465,416	428,216
Beyond 5 years	889,303	913,149
	1,432,469	1,429,119

### Weighted average duration of defined benefit obligation

	2023 No. of years	2022 No. of years
Staff - Head Office	7.9	8.3
Staff - Estate	6.3	6.6
Workers	5.7	4.7

### 26 NET LIABILITY TO LESSOR OF JEDB / SLSPC ESTATES

	2023 Rs.'000	2022 Rs.'000
Payable within one year	1,718	1,007
Payable after one year	211,110	143,030
	212,828	144,037

#### 26.1 Movement in Net Liability to Lessor of JEDB/SLSPC Estates

As at 1 January	144,037	134,304
Remeasurement of lease liability	70,053	10,579
Interest expense for the year	24,125	18,813
Paid during the year	(25,387)	(19,659)
As at 31 December	212,828	144,037

#### 26.2 Amount recognised in the statement of profit or loss and other comprehensive income

Interest expense for the year	24,125	18,813
Amortization of ROU assets for the year	8,350	6,549
	32,475	25,362

#### 26.3 Amount recognised in the statement of cash flows

Paid during the year	25,387	19,659
	25,387	19,659

#### 26.4 Maturity Analysis of Undiscounted cash flows

Less than one year	30,364	20,406
One to five years	121,457	81,624
More than 5 years	501,009	357,106
Total	652,830	459,136

26.5 The rental payable under the JEDB/SLSPC lease is Rs. 20.4 Million per annum until 14 June 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

	Gross Liability Rs.'000	Future Liability Rs.'000	Net Liability Rs.'000
Balance as at 1st January	459,136	(315,099)	144,037
Interim remeasurement of ROU as at 1/7/2023	219,080	(149,027)	70,053
Repayments/Set off From Prepayment/T.f.to Interest Payable during year	(25,387)	-	(25,387)
Interest expense for year	-	24,125	24,125
<b>Balance as at 31st December</b>	652,829	(440,001)	212,828



**NOTES TO THE FINANCIAL STATEMENTS (Contd...)**

As at 31 December

**27 TRADE AND OTHER PAYABLES**

	Note	2023 Rs.'000	2022 Rs.'000
Trade Payables		52,290	87,021
Staff Salaries & Wage Payables		203,702	215,853
EPF & ETF Surcharge Payable		-	58,789
Arrears Gratuity Payable	27.1	155,484	125,382
Loan Interest Payable		15,480	34,271
PHDT Payable		-	8,442
Income tax Payable		48	48
Plant and Machinery Creditor Payable		23,682	26,245
Advances and Refundable Deposits		34,525	47,921
Other Creditors		186,467	125,728
		<b>671,678</b>	<b>729,700</b>

**27.1** During the year Rs. 48.59 Mn (2022- 44.48 Mn) has been paid under Arrears Gratuity Payable

**28 AMOUNTS DUE TO RELATED PARTIES**

	2023			2022		
	Trading Rs.'000	Non Trading Rs.'000	Balance Rs.'000	Trading Rs.'000	Non Trading Rs.'000	Balance Rs.'000
Forbes & Walker Tea Brokers (Private) Limited	-	218,671	218,671	-	125,200	125,200
MJF Exports (Private) Limited	24,097	-	24,097	755	30,869	31,624
MJF Beverages (Private) Limited	-	-	-	1,196	-	1,196
MJF Holdings (Private) Limited	3,823	-	3,823	727	-	727
	<b>27,920</b>	<b>218,671</b>	<b>246,591</b>	<b>2,678</b>	<b>156,069</b>	<b>158,747</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 29 RELATED PARTY TRANSACTIONS

#### 29.1 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 – Related Party Disclosure, the details of which are reported in this note. Mr. Malik J Fernando, Ms. Minette D A Perera, Mr. Daya P Wickramatunga, Mr. Dilhan C Fernando, Mr. Darshana Gunasekara and Mr. Himendra S Ranaweera who are Directors of the Company as at 31 December 2023, have direct or indirect interest in all or some of the transactions as stated below. They either individually or indirectly have share ownership and/or, hold Directorates in such related companies.

	Name of the Related Party	Relationship	Nature of the Transactions	2023		2022	
				Aggregate value of the RPT entered during the period (Rs '000)	Aggregate Value of the RPT as a % of Net Revenue	Aggregate value of the RPT entered during the period (Rs '000)	Aggregate Value of the RPT as a % of Net Revenue
	MJF Holdings (Pvt) Limited	Ultimate Parent	- Other Expenses	(147,827)	(2.87%)	(166,432)	(2.66%)
	MJF Exports (Pvt) Ltd	Affiliate	- Other Expenses - Funds for the Purchase of Agarwood Plants - Short term loan received - Short term loan received - Interest on Short Term Loan - Interest on Short Term Loan - Houpe Estate solar Power loan received - Interest on Houpe Solar Power Loan	(4,781) - 300,000 65,000 (21,640) (1,304) 663 (3,288)	(0.09%) 0.00% 5.82% 1.26% (0.42%) (0.03%) 0.01% (0.06%)	(4,838) 1,260 - - - - 11,069 (2,694)	(0.09%) 0.02% 0.00% 0.00% 0.00% 0.00% 0.21% (0.05%)
	MJF Beverages (Pvt) Ltd	Affiliate	- Rent Income	2,361	0.05%	2,196	0.04%
	MJF Teas (Pvt) Ltd	Affiliate	- Other Expenses - Short term loan received - Short term loan repayment - Interest on short term loan	(4,520) 70,000 (70,000) (788)	(0.09%) 1.36% (1.36%) (0.02%)	(3,138) - - -	(0.06%) 0.00% 0.00% 0.00%
	Dilmah Properties (Pvt) Ltd	Affiliate	- Office Rent	(1,049)	(0.02%)	(1,016)	(0.02%)
	PCL Solutions (Pvt) Ltd	Affiliate	- Supply of Plastic Boxes	-	0.00%	(873)	(0.01%)
	Dilmah Ceylon Tea Company PLC (Ceylon Tea Services PLC)	Affiliate	- Other Expenses- Secretarial Charges - Other Expenses - Purchase of Assets	(204) (456) (3,600)	(0.00%) (0.01%) (0.07%)	(190) (605) -	(0.00%) (0.01%) -
	MJF Tea Gardens (Pvt) Ltd	Affiliate	- Dunkeld Estate Accounting /Management fee	1,602	0.03%	1,440	0.06%
	MJF Charitable Foundations	Affiliate	-Term Loan received for Creighead, Kataboola, Rilhena Solar power project	19,651	0.38%	-	0.00%

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 29 RELATED PARTY TRANSACTIONS (Contd...)

	Name of the Related Party	Relationship	Nature of the Transactions	2023		2022	
				Aggregate value of the RPT entered during the period (Rs '000)	Aggregate Value of the RPT as a % of Net Revenue	Aggregate value of the RPT entered during the period (Rs '000)	Aggregate Value of the RPT as a % of Net Revenue
	Ceylon Tea Farmers (Pvt)Ltd	Affiliate	- Park Estate Factory Accounting/ Management fee	1,602	0.03%	1,440	0.03%
			- Other Expenses	(72)	(0.00%)	(9,868)	(0.19%)
	Patiagama Estate (Pvt) Ltd	Affiliate	- Other Expenses	-	0.00%	(9)	0.00%
	Forbes & Walker Commodity Brokers (Pvt) Ltd	Affiliate	- Entering of sales contracts	374,668	7.27%	656,599	12.74%
			- Brokerage charges	(3,747)	(0.07%)	(6,566)	(0.13%)
			- Warehouse charges	(1,617)	(0.03%)	(2,069)	(0.04%)
			- Other charges	-	0.00%	(39)	(0.00%)
			- Interest on prompt advances	(2,771)	(0.05%)	(492)	(0.01%)
	Forbes & Walker Tea Brokers (Pvt) Ltd	Affiliate	- Entering of sales contracts	4,701,528	91.23%	5,433,477	105.42%
			- Brokerage Paid	(47,015)	(0.91%)	(54,335)	(1.05%)
			- Other Charges	(21,838)	(0.42%)	(15,876)	(0.31%)
			- Interest on prompt advances	(62,622)	(1.22%)	(19,445)	(0.38%)
			- Short term Loan received	4,942,600	95.91%	3,331,000	64.63%
			- Short term Loan repayment	(4,849,129)	(94.09%)	(3,274,883)	(63.54%)

Transactions with related parties are carried out in the ordinary course of business on arm's length basis with normal Commercial terms.

**29.2** Amounts due to and due from the above Companies are disclosed in note 17.1, 18, 24 and 28 and of the face of the Balance Sheet.

**29.3** Corporate Guarantees given by Related Party companies as at 31st December 2023 are disclosed under Notes 19.1 and 24.4

**29.4** There were no transaction with Close Family Members during the year ended 31st December 2023.

**29.5** Compensation of Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 – Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, key management personnel include members of the Board of Directors of the Company, the Ultimate Parent Company MJF Holdings Limited and Parent Company, Forbes Plantations (Pvt) Ltd.

	2023	2022
	Rs:000	Rs:000
Short-Term Employee Benefits	2,000	1,260
Long-Term Employee Benefits	-	-
Total	2,000	1,260

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

For the year ended 31 December

### 30 Financial Risk Management

#### (i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

#### (ii) Risk management framework

"The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analysis 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. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### (iii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and this principally arises from the Company's receivables from customers. The Company is exposed to credit risk from its operating activities (primarily trade receivables), other receivable including advances to staff/workers, and from its financing activities, including deposits with banks.

#### Exposure to Credit Risk

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

	Carrying Amount	
	2023 Rs.'000	2022 Rs.'000
Trade and Other Receivables	119,175	104,438
Amount due from Related Company	12,257	9,390
Balances with Banks	23,331	36,004
	<b>154,763</b>	<b>149,832</b>

#### Management of Credit Risk Trade and other receivables

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

The Company limits the exposure to credit risk from the trade receivables due to the establishment of maximum payment period of 7 days from the tea brokers. More than 90% of the Company customers have been transacting with the related party company for over the years, and none of these customers' balances have been written off or are credit impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the company and existence of previous financial difficulties. The Company trades only with recognized, credit-worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the results that the Company's exposure to bad debts is not significant. The Company does not require collateral in respect of most of trade and other receivables.

#### Credit quality of Financial Assets

A analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31st December 2023 is as follows

As at 31st December	Carrying Amount	
	2023 Rs.'000	2022 Rs.'000
Neither past due not impaired	19,019	22,866
Past due but not impaired		
1-30 days	-	-
Over 30 days	-	-
Total trade receivables	<b>19,019</b>	<b>22,866</b>

#### Amounts due from related companies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each related party. The Company does not require a provision for impairment in respect of amounts due from related parties.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 30 Financial Risk Management (Continued) Balances with Banks

The Company held balances with banks of Rs. 23 Mn As at 31st December 2023 (2022 : 36 Mn) which represents its maximum credit exposure on these assets.

	2023 Rs.'000	2022 Rs.'000
Cash at Bank having credit ratings	23,295	35,965
AA+ to AA-	36	39
CC+ to CC-	23,331	36,004

The above has been derived as per the Company's risk management policy of using the carrying values in the Statement of Financial Position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

#### Risk response to credit risk on financial investments

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Appropriate actions are implemented when the investments are expected to be high credit risk.

#### (iv) 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 maintains the following lines of credit,

- Rs 110 Mn , 600 Mn & 100 Mn Overdraft facilities that is secured by a letter of negative pledge over the Company's unencumbered assets.
- Term loan facilities as depicted in Note 24.

The table below summaries the maturity profile of the financial liabilities based on contractual undiscounted payments.

	Carrying Amount Rs.'000	Less than 1 year Rs.'000	More than 1 year Rs.'000	Total Rs.'000
<b>As at 31 December 2023</b>				
Financial Liabilities (Non- Derivative)				
Interest Bearing Borrowings	1,494,851	1,135,858	374,473	1,510,331
Liability to JEDB/SLSPC Estates	212,828	30,364	622,466	652,830
Other Amounts Due to Related Company	246,591	246,591	-	246,591
Trade and Other Payables	637,105	637,105	-	637,105
Bank overdraft	798,570	798,570	-	798,570
<b>Total</b>	<b>3,389,945</b>	<b>2,848,488</b>	<b>996,939</b>	<b>3,845,427</b>

	Carrying Amount Rs.'000	Less than 1 year Rs.'000	More than 1 year Rs.'000	Total Rs.'000
<b>As at 31 December 2022</b>				
Financial Liabilities (Non- Derivative)				
Interest Bearing Borrowings	1,095,954	749,851	380,374	1,130,225
Gross Liability to JEDB/SLSPC Estates	144,037	20,406	438,730	459,136
Other Amounts Due to Related Company	158,747	158,747	-	158,747
Trade and Other Payables	681,731	681,731	-	681,731
Bank overdraft	805,656	805,656	-	805,656
<b>Total</b>	<b>2,886,125</b>	<b>2,416,391</b>	<b>819,104</b>	<b>3,235,495</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 30 Financial Risk Management (Continued)

#### (v) 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.

#### (a) Currency risk

The Company is exposed to currency risk only 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.

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

	2023	2022
Under Trade and Other Payable as at 31st December - USD	69,000	69,000
Closing Rate as at 31st December (USD to LKR) - LKR	328.7840	371.6100

#### Sensitivity Analysis

If the exchange rates would have been increased/(decreased) by 5% and all other variables were held constant, the profit before tax for the period ended 31 December 2023 would have Increased/(decreased) as follows,

	Increase/(decrease) in exchange rate	+/(-) Rs.'000
Increase	5%	(1,134)
Decrease	-5%	1,134

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in the market interest rate relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

At the reporting date, the company's interest-bearing financial instruments and respective interest cost were as follows

	2023 (Rs.'000)				2022 (Rs.'000)			
	Variable Interest Cost	Fixed Interest Cost	Total Interest Cost	Carrying Amount as at 31st Dec	Variable Interest Cost	Fixed Interest Cost	Total Interest Cost	Carrying Amount as at 31st Dec
<b>Financial liabilities</b>								
Net Liability to Lessor of JEDB/SLSPC Estates	-	24,125	24,125	212,828	-	18,813	18,813	144,037
Bank Overdrafts	136,717	-	136,717	798,570	112,911	-	112,911	805,656
Term Loans	283,296	15,085	298,381	1,494,851	260,847	50	260,897	1,095,954
	420,013	39,210	459,223	2,506,249	373,758	18,863	392,621	2,045,647

#### Sensitivity Analysis

If the interest rates would have been higher/(lower) by 100 basis points and all other variables were held constant, the profit before tax for the period ended 31 December 2023 would have Increased/(decreased) as follow

	Increase/(decrease) in basis points	+/(-) Rs.'000
Increase	+100	(22,412)
Decrease	-100	22,412

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 30 Financial Risk Management (Continued)

#### (vi) 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 authorization 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 program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management, summaries submitted to the senior Management of the Company.

#### (vii) Capital management

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

The Management seeks to maintain a lower level of gearing to go in line with the risk limits they have set for the Company based on the Company's risk capacity. Accordingly, the borrowings are kept at a minimum level and considerable part of the borrowings comprise Bank Overdrafts with variable interest rates & Short-Term loans with variable interest rates being used only to manage the working capital requirements of day to day operations and finance the acquisition or construct of capital assets of the Company.

The Company's Net Debt to Equity ratio at the end of the reporting period was as follows:

	2023 Rs.'000	2022 Rs.'000
Total Liabilities	5,119,439	4,226,860
(-) Cash and Cash Equivalents	(23,578)	(36,423)
	5,095,860	4,190,437
Total Equity	862,509	1,538,914
Net Debt to Equity Ratio	591%	272%

### 31 FAIR VALUE MEASUREMENT

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

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

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

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

Fair values of Financial Assets and Financial Liabilities that are traded in active markets are based quoted market prices or dealer price quotations for all other financial instruments the company determines fair value 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 arm's length.

Further information about the assumptions made in measuring fair value is included in the following Notes

- Note 14 Property Plant and Equipment
- Note 15 Biological Assets
- Note 31.1 Financial Instrument

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

As at 31 December

### 31 FAIR VALUE MEASUREMENT (Continued)

#### 31.1 Fair value versus carrying value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized. The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows

It does not include fair value information of financial assets & liabilities not measured at fair value, if the carrying amount is reasonable approximation of fair value.

As at 31st December 2023	Carrying Amount Rs.'000	Level I Rs.'000	Level II Rs.'000	Level III Rs.'000	Total Rs.'000
<b>Assets carried at amortised cost</b>					
Trade and other receivables	119,175	-	-	-	119,175
Amounts Due from Related Party	12,257	-	-	-	12,257
Cash and Cash Equivalents	23,578	-	-	-	23,578
	155,010	-	-	-	155,010
<b>Other Financial liabilities</b>					
Interest bearing Loans and Borrowings	1,494,851	-	-	-	1,494,851
Net Liability to JEDB/SLSPC Estates	212,828	-	-	-	212,828
Amounts Due to related Companies	246,591	-	-	-	246,591
Trade and Other Payables	637,105	-	-	-	637,105
Bank Overdraft	798,570	-	-	-	798,570
	3,389,945	-	-	-	3,389,945
<b>As at 31st December 2022</b>					
		Level I Rs.'000	Level II Rs.'000	Level III Rs.'000	Total Rs.'000
<b>Assets carried at amortised cost</b>					
Trade and other receivables	104,438	-	-	-	104,438
Amounts Due from Related Party	9,390	-	-	-	9,390
Cash and Cash Equivalents	36,423	-	-	-	36,423
	150,251	-	-	-	150,251
<b>Other Financial liabilities</b>					
Interest bearing Loans and Borrowings	1,095,954	-	-	-	1,095,954
Net Liability to JEDB/SLSPC Estates	144,037	-	-	-	144,037
Amounts Due to related Companies	158,747	-	-	-	158,747
Trade and Other Payables	681,731	-	-	-	681,731
Bank Overdraft	805,656	-	-	-	805,656
	2,886,125	-	-	-	2,886,125

#### 31.2 Fair value hierarchy of the Financial Instruments carried at Fair Value

The company does not account for any financial instruments carried at fair value as at the reporting date.

#### 32 Reconciliation of Liabilities Arising From Financing Activities

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31st December 2023 are disclosed below.

The funds borrowed by the Company are given in Note 24 and 26.

	2023 Rs.	2022 Rs.
Balance as at 01st January	1,239,991	1,476,130
Net Cash Flows from Financing Activities	354,729	(327,392)
Non Cash Changes	112,959	91,253
Balance as at 31st December	1,707,679	1,239,991

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### For the year ended 31 December

#### 33 CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date. However, the budgeted capital development program for the next year is approximately Rs. 185 Mn.

#### 34 CONTINGENT LIABILITIES AND COMMITMENTS

##### 34.1 Hunuwella Estate

An extent of 59.57 Ha. on Hunuwella Estate in the district of Ratnapura (Full extent 988.02 Ha.) owned by Sabaragamuwa Maha Saman Devale, Ratnapura was leased to the Hunuwella Tea & Rubber Company Limited for a period of 30 years from 1 December 1968 to 1 December 1998.

Mistakenly, the above area taken over by Land Reform Commission in terms of the Land Reform Commission Act was subsequently vested in the Sri Lanka State Plantations Corporation (SLSPC) on 21 April 1994. This area is a part of Hunuwella Estate assigned to the Company on the date of incorporation. It is expected that the temple authorities to take over the Land on the expiry of the lease period. As at the Balance Sheet date no adjustment has been made to the Accounts in this regard.

#### 35 GOING CONCERN

The Company has incurred loss of LKR 580 Mn during the year ended 31 December 2023 (Profit for the year 31 December 2022: LKR 312 Mn/-) and as of that date, accumulated losses amounted to LKR 1,177 Mn (31 December 2022: LKR 501 Mn). Further, the Company's current liabilities exceeded its current assets by LKR 2,046 Mn (31 December 2022: LKR 1,456 Mn) as at the reporting date. The Company has loans and borrowings of Rs. 1,120 Mn (2022: 716 Mn) due within 12 months from 31 December 2023.

Notwithstanding, this the financial statements have been prepared on a going concern basis due to reliance on a letter of support, dated 29th April 2024 provided by the Directors of the ultimate parent entity MJF Holdings (Private) Limited. Through this letter of support the directors of the ultimate parent entity undertakes to provide financial assistant to the Company to ensure that it can pay its debts as and when they fall due and payable for the period of at least 12 months from the date of signing these financial statements.

Apart from reliance on parent support Management in assessing the appropriateness of the use of going concern basis of accounting in the preparation of financial statements has conducted a comprehensive review of the Company's affairs including, but not limited to:

- The cash flow forecast of the Company for the period up to next 12 months.
- The Company's ability of settling the statutory payables and other liabilities when they fall due and payable.
- Revenue and profitability forecasts for the Company for not only the next financial year, but beyond 31st December 2024.

Further, based on the Company's assessment of the sources of funding available to the Company and strategies to improve performance and the financial position management believe it will be able to generate profits in future. Rigorous strategies aimed at increase in capacity and quality intend to decrease the losses and therefore the accumulated losses. Moreover, the Board of Directors have no plans to liquidate the Company or cease operations in the near future. Further, to improve the financial position of the Company the Management have taken several steps.

As a consequence, in view of the above, the Management continue to have a reasonable expectation that the Company has adequate resources to continue in operations for at least the next 12 months that the going concern basis of accounting remains appropriate. firmly believe that the Company will be able to continue as a going concern into the foreseeable future and, accordingly, the Financial Statements of the Company have been prepared on a going concern.

#### 36 EVENTS OCCURING AFTER THE REPORTING DATE

Subsequent to the reporting date, no material circumstances have arisen which requires adjustments to or disclosure in these financial statements.

# Information to Shareholders and Investors

## 1 STOCK EXCHANGE LISTING

The issued Ordinary Shares of Kahawatte Plantations PLC are listed with the Colombo Stock Exchange

## 2 DISTRIBUTION OF SHAREHOLDINGS

Range		31 December 2023				31 December 2022			
From	To	No. of Shares Holders	%	No. of Shares Held	%	No. of Shares Holders	%	No. of Shares Held	%
1	1,000	19,086	96.48%	2,878,814	2.90%	19,124	96.72%	2,904,122	2.92%
1,001	10,000	534	2.70%	1,944,088	1.96%	497	2.51%	1,962,548	1.97%
10,001	100,000	143	0.72%	3,635,644	3.66%	131	0.66%	3,501,744	3.52%
100,001	1,000,000	14	0.07%	3,598,282	3.62%	14	0.07%	2,664,613	2.68%
1,000,001	and over	5	0.03%	87,349,864	87.87%	6	0.03%	88,373,665	88.90%
Total		19,782	100.00%	99,406,692	100.00%	19,772	100.00%	99,406,692	100%

## 3 CATEGORIES OF SHAREHOLDERS

No. of Shares Held	31 December 2023				31 December 2022			
	No. of Shares Holders	%	No. of Shares Held	%	No. of Shares Holders	%	No. of Shares Held	%
Local Individuals	19,672	99.44%	10,840,231	10.90%	19,640	99.33%	9,789,771	9.85%
Local Institutions	101	0.51%	88,479,360	89.01%	123	0.62%	89,526,450	90.06%
Foreign Individuals	9	0.05%	87,101	0.09%	9	0.05%	90,251	0.09%
Foreign Institutions	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	19,782	100.00%	99,406,692	100.00%	19,772	100.00%	99,406,692	100%

## 4 MAJOR SHAREHOLDERS

	Name of the Shareholder	As at 31 December 2023		As at 31 December 2022	
		No. of Shares Held	%	No. of Shares Held	%
01	FORBES PLANTATIONS (PRIVATE) LTD	50,955,581	51.26%	50,955,581	51.26%
02	MJF TEAS PRIVATE LIMITED	19,516,886	19.63%	19,516,886	19.63%
03	DILMAH CEYLON TEA COMPANY PLC	12,571,800	12.65%	12,571,800	12.65%
04	BANK OF CEYLON A/C CEYBANK UNIT TRUST	3,108,636	3.13%	3,108,636	3.13%
05	MR T.L.M. NAWASH	1,196,961	1.20%	1,196,961	1.20%
06	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	818,972	0.82%	494,258	0.50%
07	MR S. YUSOOF	400,000	0.40%	122,000	0.12%
08	BANK OF CEYLON NO. 1 ACCOUNT	371,164	0.37%	371,164	0.37%
09	MRS H.M.A.R.K. KALUHENDIWELA	364,229	0.37%	330,479	0.33%
10	DR A.A.M. DHARMADASA	340,295	0.34%	57,812	0.06%
11	MR S.N.C.W.M.B.C. KANDEGEDARA	226,900	0.23%	-	-
12	PEOPLE'S LEASING & FINANCE PLC/MR. T.M.D.P. TENNAKON	175,000	0.18%	175,000	0.18%
13	HATTON NATIONAL BANK PLC/ALMAS CAPITAL (PRIVATE) LIMITED	160,524	0.16%	160,524	0.16%
14	MRT.G.A. DE SILVA	157,575	0.16%	111,111	0.11%
15	MERCHANT BANK OF SRI LANKA & FINANCE PLC/R.M.N.C. BANDRA	132,350	0.13%	-	-
16	MR N.R.S.M.R.A. GIRAGAMA	115,517	0.12%	38,389	0.04%
17	MR B.P.C.J. DE SILVA	114,400	0.12%	125,000	0.13%
18	MR D.K.T. PATHIRAGE	114,356	0.12%	-	-
19	ASSETLINE FINANCE LIMITED/C.C.ALAHAPPERUMA	107,000	0.11%	-	-
20	ASSETLINE LEASING COMPANY LTD/H.M.A.K.B. HERATH	96,800	0.10%	96,800	0.10%
	Total of Major Shareholders	91,038,278	91.59%	89,432,401	89.97%
	Others	8,368,414	8.41%	9,974,291	10.03%
	Grand Total	99,406,692	100.00%	99,406,692	100.00%



## Information to Shareholders and Investors (Contd...)

### 5 STATEMENT OF EACH DIRECTOR'S & CEO'S HOLDING IN SHARES OF THE EQUITY

	No. of Shares Held	31 December 2023		31 December 2022	
		No. of Shares Holders	%	No. of Shares Holders	%
<b>Directors</b>					
01	Mr. Merrill J Fernando (expired on 20.07.2023)	Nil	-	Nil	-
02	Mr. Dilhan C Fernando	Nil	-	Nil	-
03	Mr. Malik J Fernando	Nil	-	Nil	-
04	Mr. Darshana Gunasekera (w.e.f on 31.07.2023)	Nil	-	Nil	-
05	Ms. Minette D A Perera	4,000	0.005	4,000	0.005
06	Mr. Himendra S. Ranaweera	Nil	-	Nil	-
07	Mr. Daya . P . Wicramathunga (resigned on 15.02.2024)	Nil	-	Nil	-
08	Mr. Nimal Maxwell Amerasekara (resigned on 15.02.2024)	Nil	-	Nil	-
<b>Chief Executive Officer</b>					
01	Mr. Binesh N Pananwala (01.10.2023)	Nil	-	Nil	-

Mr. Dilantha S. Seneviratne and Dr. M.A. Wijeratne, who were appointed as Directors with effective from 01.01.2024 and 24.01.2024 respectively, did not hold any shares as of 31st December 2023.

### 6 Public Holding

	As at 31 December 2023	As at 31 December 2022
The percentage shares held by the Public	16.46%	16.46%
Total no.of shareholders who hold the public holding %	19,778	19,768

### 7 Market Value

	2023		2022	
Highest	Rs.26.20	01-Sep-23	Rs.41.50	01-Sep-22
Lowest	Rs.15.10	22-May-23	Rs.19.00	14-Mar-22
Closing	Rs. 16.00		Rs. 24.50	

### 8 Share Trading

	2023	2022
No.of Transactions	8,163	15,743
No.of Shares traded	6,333,150	26,948,996
Value of shares traded ( Rs.)	134,267,571.50	919,132,493.80

### 9 Float adjusted market capitalization

The Float-adjusted market capitalization as at 31st December 2023 - Rs. 261,734,800.00

The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (i) (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

### 10 Golden Shareholder

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

## TEN YEAR SUMMARY

Year Ended 31 December	2023 Rs.'000	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
<b>TRADING RESULTS</b>										
Revenue	5,153,626	6,261,316	4,267,216	2,979,643	2,730,645	3,105,691	3,784,762	2,775,758	2,729,838	3,078,878
Other Income	92,569	139,543	75,399	52,581	64,558	91,887	56,690	32,010	33,166	35,573
Operating Profit / (Loss)	161,601	958,234	89,340	(274)	(175,626)	(39,956)	223,925	(20,427)	(141,574)	221,764
Net Finance cost	(438,890)	(397,623)	(183,806)	(237,544)	(275,835)	(241,583)	(201,261)	(136,873)	(72,317)	(77,375)
Taxation	(302,255)	(248,573)	(11,732)	(7,949)	(58,093)	32,648	(4,628)	18,846	21,604	(9,651)
Net profit / (Loss)	(579,544)	312,038	(106,198)	(245,767)	(509,554)	(248,891)	18,037	(138,454)	(192,287)	116,960
Total Comprehensive Income	(676,405)	392,805	11,348	(294,593)	(189,329)	(163,699)	104,321	(14,200)	(163,500)	12,355
<b>BALANCE SHEET</b>										
<b>Funds Employed</b>										
Stated Capital	1,698,952	1,698,952	1,698,952	1,698,952	898,760	898,760	898,760	898,760	898,760	898,760
Revaluation Reserve	340,596	340,596	279,277	268,356	268,356	-	-	-	-	-
Revenue Reserves	(1,177,039)	(500,634)	(832,120)	(832,547)	(537,954)	(31,430)	132,269	27,948	42,148	205,648
Total Equity	862,509	1,538,914	1,146,109	1,134,761	629,162	867,330	1,031,029	926,708	940,908	1,104,408
Deffered Income	259,690	275,172	288,448	284,211	300,960	311,373	317,912	318,397	320,170	301,058
Deffered Tax Liability	767,832	511,052	140,795	140,795	140,795	30,572	49,351	30,630	28,982	45,746
Retirement Benefit Obligations	667,399	506,542	518,467	604,139	496,254	540,057	603,298	659,359	749,454	717,580
Net Liability to Lessor	211,110	143,030	133,491	129,887	127,762	73,063	74,703	76,280	77,797	79,256
Long Term Loans	374,473	380,374	576,049	585,373	678,694	283,344	367,344	501,588	472,480	528,961
Non Current Liabilities	2,280,504	1,816,170	1,657,250	1,744,405	1,744,464	1,238,409	1,412,609	1,586,254	1,648,883	1,672,601
	3,143,013	3,355,084	2,803,359	2,879,166	2,373,626	2,105,738	2,443,637	2,512,962	2,589,791	2,777,009
<b>Assets Employed</b>										
Non-Current Assets	5,189,239	4,811,271	4,512,714	4,432,874	4,496,383	4,038,111	3,960,188	3,740,488	3,571,969	3,262,110
Current Assets	792,709	954,503	571,961	603,847	534,844	548,281	617,132	580,042	470,822	602,536
Current Liabilities	(2,838,935)	(2,410,690)	(2,281,316)	(2,157,555)	(2,657,600)	(2,480,653)	(2,133,684)	(1,807,568)	(1,453,000)	(1,087,637)
	3,143,013	3,355,084	2,803,359	2,879,166	2,373,626	2,105,739	2,443,636	2,512,962	2,589,791	2,777,009
<b>Key Indicators</b>										
Operating Profit %	3.14%	15.30%	2.09%	-0.01%	-6.43%	-1.29%	5.92%	(0.74%)	(5.19%)	7.20%
Current Ratio	0.28	0.40	0.25	0.28	0.20	0.22	0.29	0.32	0.32	0.55
Return on Shareholder's Fund	-67.2%	20.3%	-9.3%	-21.7%	-81.0%	-28.8%	1.7%	(15%)	(20.4%)	10.6%
Basic Earnings / (Loss) per Share	(5.83)	3.14	(1.07)	(3.07)	(6.38)	(3.12)	0.23	(1.73)	(2.41)	1.46
Net Assets per Share	8.68	15.48	11.53	11.42	7.88	10.86	12.91	11.60	11.78	13.82
Production (kg '000)										
Tea	4,020	4,385	5,568	4,202	4,222	4,450	5,083	4,785	5,524	5,387
Rubber	637	878	1,111	1,147	971	1,061	976	1,096	859	875

# Corporate Information

## Name of Company

Kahawatte Plantations PLC  
(Formerly known as Kahawatte Plantations Ltd)

## Legal Form

A Public Quoted Public Company with limited liability. Incorporated in Sri Lanka on 15th June 1992

## Company Registration Number

PQ 109

## Accounting Year End

31st December

## Stock Exchange Listing

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

## Principle Line of Business

Cultivation, manufacture and sale of Tea, Rubber, Cinnamon and other agricultural products.

## Directors

Mr. Merrill J Fernando (expired on 20.07.2024)	- Non-Executive Chairman
Mr. Dilhan C Fernando (w.e.f. 31.07.2023)	- Non-Executive Director/Chairman
Mr. Malik J Fernando	- Non-Executive Director
Ms. Minette D A Perera	- Non-Executive Independent Director
Mr. Himendra S Ranaweera	- Non-Executive Director
Mr. Daya P Wickramatunga (resigned on 15.02.2024)	- Non-Executive Independent Director
Mr. Nimal M Amarasekera (resigned on 15.02.2024)	- Non-Executive Independent Director
Mr. Darshana Gunasekera (w.e.f. 31.07.2023)	- Non-Executive Director
Mr. Dilantha S Seneviratne (w.e.f. 01.01.2024)	- Non-Executive Independent Director
Dr. M.A. Wijeratne (w.e.f. 24.01.2024)	- Non-Executive Independent Director

## Chief Executive Officer

Mr. Binesh N Pananwala

## Managing Agent

Forbes Plantations (Pvt) Limited,  
No. 111,  
Negombo Road,  
Peliyagoda

## Registrar

Central Depository Systems (Pvt)Ltd No. M&M Center, Ground Floor,  
341/5 Kotte Road, Rajagiriya  
Tel: 0112 356 456  
w.e.f. 01.01.2024

P W Corporate Secretarial (Pvt) Ltd  
No. 3/17, Kynsey Road,  
Colombo 08, Sri Lanka.  
Tel: 011 4640360-3  
until 31.12.2023

## Secretaries

Ms. Jayanga Wegodapola  
Attorney at Law and Notary Public,  
Company Secretary  
MJF Group  
No. 111, Negombo Road, Peliyagoda.  
Tel : +94 11 482 2466

## Registered Office

No.111, Negombo Road, Peliyagoda,  
Sri Lanka.  
Tel: +94 011 482 2000  
E-Mail : info@kwpl.lk

## Bankers

Bank of Ceylon PLC  
Commercial Bank of Ceylon PLC / Nation Trust Bank / Hongkong and  
Shanghai Banking Corporation Ltd / Sampath Bank PLC  
Seylan Bank PLC / Standard Chartered Bank  
Hatton National Bank PLC

## Auditors

Messrs KPMG Chartered Accountants,  
No. 32 A,  
Sir Mohamed Macan Markar Mawatha,  
Colombo 3,  
Sri Lanka.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN of the Thirty First (31st) Annual General Meeting of Kahawatte Plantations PLC to be convened on 28th May 2024, at 2.00 p.m as a fully virtual meeting from the broadcast venue of the Board Room of the Company at No. 111, Negombo Road, Peliyagoda through the Microsoft Teams application to take the matters under the agenda of the meeting as follows;

1. Read the notice convening the meeting.
2. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2023 and the Report of the Auditors thereon.
3. To re-appoint as a Director, Mr. Himendra Somasiri Ranaweera, who retires in terms of Section 210 of the Companies Act No.7 of 2007, by passing the following resolution:  
 "IT IS HEREBY RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Himendra Somasiri Ranaweera and Mr. Himendra Somasiri Ranaweera be and is hereby re-appointed a Director of the Company as provided for in Section 211(1) of the Companies Act No. 07 of 2007."
4. To re-elect as a Director Mr. Darshana Gunasekera who retires in terms of Article 24 (6) of the Articles of Association.
5. To re-elect as a Director Mr. Dilantha Stephen Seneviratne who retires in terms of Article 24(6) of the Articles of Association.
6. To re-elect as a Director Dr. Madawala Arachchillage Wijeratne who retires in terms of Article 24(6) of the Articles of Association.
7. To re-elect Mr. Malik Joseph Fernando who retires by rotation in terms of Article 25(1) of the Articles of Association as a Director.
8. To re-appoint the retiring Auditors Messrs. KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.
9. To ratify the donations made during the year ended 31.12.2023 and to authorize the Directors to determine donations up to the date of the next Annual General Meeting.
10. To pass the following resolution as a special resolution to amend the Articles 27 of Articles of Association of the Company to comply with the revised Listing Rules of the Colombo Stock Exchange on Corporate Governance;

## SPECIAL RESOLUTION

"That the existing Article 27 be deleted in entirety and the following new Articles number 27 be included therefor:

- 27 (a) a Director may by notice in writing under his/her hand and subject to the approval of the Directors appoint any person to be his/ her Alternate Director to act for him under exceptional circumstances acceptable to the Board of Directors, for a maximum period of one (01) year from the date of appointment. The said notice of appointment may specify a date or event upon the happening of which such person shall cease to be his/ her Alternate Director, and the tenure of office of the Alternate Director so appointed shall not exceed a period of one (1) year from the date of appointment.
- (b) A Director may by notice in writing under his/her hand at any time before the expiration of one year from the date of appointment, remove the Alternate Director so appointed and appoint another person as his/her Alternate Director, subject to paragraph (a) above.
- (c) Notwithstanding anything to the contrary contained in paragraph (b) above, the office of an Alternate Director may be determined by the Board of Directors before the expiration of one year from the date of his/her appointment.
- (d) A person nominated to be appointed as an Alternate Director shall be of the same nature of his appointor if appointed, i.e. an Alternate Director of a Non-Executive Director shall be a Non-Executive Director and Alternate Director to an Independent Non-Executive Director shall be a person who will satisfy the criteria of Independence as set out by the Listing Rules of the Colombo Stock Exchange. the Nominations and Governance Committee shall review and determine that a person nominated to the office of Alternate Director to an Independent Non-Executive Director satisfies the criteria for Independence prior to his appointment
- (e) A person appointed to be an Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company nor be required to hold any share qualification.
- (f) Alternate Director so appointed shall be entitled to receive notice of meeting and to attend such meetings on behalf of his/her appointor and shall have the right to sign circular resolutions of the Directors in the event his/ her appointor is unable to sign such resolution."

**By Order of the Board**  
**KAHAWATTE PLANTATIONS PLC**



**Jayanga Wegodapola**  
**Company Secretary**

03<sup>rd</sup> May 2024  
 Colombo

## Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.
4. The completed Proxy should be delivered to the Registered Office of the company, Kahawatte Plantations PLC, No. 111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to AGM\_EGM\_Registrars@cse.lk by or before 02.00 p.m. on 26th May 2024.





# Form of Proxy

I/We\* ..... NIC No..... of

being a shareholder /shareholders of KAHAWATTE PLANTATIONS PLC hereby appoint.....

..... NIC No..... of

..... or failing him\*

- Mr. Dilhan Crishantha Fernando or failing him\*
- Mr. Malik Joseph Fernando or failing him\*
- Mr. Himendra Somasiri Ranaweera or failing him\*
- Mr. Darshana Gunasekera or failing him\*
- Ms. Minette Delicia Anne Perera or failing her\*
- Mr. Dilantha Stephen Seneviratne or failing him\*
- Dr. Madawala Arachchillage Wijeratne

as my/our\* proxy to represent me/us\*, to speak and to vote virtually as indicated hereunder for me/us\* and on my/our\* behalf at the Thirty first Annual General Meeting of the Company to be held on 28th May 2024 at 2.00 pm as a virtual meeting and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To received and consider the Report of the Board together with the financial statements of the Company and the Auditors Report thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. Himendra Somasiri Ranaweera, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. Darshana Gunasekera as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To pass the ordinary resolution set out under item 5 of the Notice of Meeting for the re-appointment of Mr. Dilantha Stephen Seneviratne as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To pass the ordinary resolution set out under item 6 of the Notice of Meeting for the re-appointment of Dr. Madawala Arachchillage Wijeratne as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. Malik Joseph Fernando as a Director in terms of Articles 25(1) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To ratify the donations made during the year ended 31.12.2023 and authorize the Directors to determine donations up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
9. To pass the special resolution set out under item 10 of the Notice of Meeting on amendment of Articles 27 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... Two Thousand and Twenty-Four.

.....  
Signature of Shareholder/s

\*Please delete what is inapplicable.

**Note:**

- 1. Instructions as to completion appear on the reverse
- 2. A Proxy need not be a shareholder of the Company

## Instructions for completion

Kahawatte Plantations PLC - Annual Report 2023

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be delivered to the Registered Office of the Company, Kahawatte Plantations PLC, No. 111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to AGM\_EGM\_Registrars@cse.lk by or before 02.00 p.m. on 26th May 2024.
3. The Proxy shall -
  - (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
  - (b) In the case of a Company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)
4. Please indicate with a 'cross' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

# Our Policies

## Quality Policy

We, at Kahawatte Plantations are totally dedicated and committed to produce agribusiness products, that will surpass customer expectations.

We believe that our people, empowered in a learning organization, are our most valuable asset in the value creation process, who should be respected and appropriately rewarded for achieving excellence in everything they do to enhance quality.

We hold ourselves to the highest standards of honesty and integrity and require our suppliers to conform to enable us ensure the quality of our products. We enjoy leading the way in creating best practices with "Passion for Excellence"

## Health, Safety & Environment Policy

We, at Kahawatte Plantations firmly believe that respecting our people and planet Earth is a core value in achieving our vision and pledge ourselves to continuously improve our health and safety of our people while setting standards and guidelines to protect and preserve the environment.

We believe that to achieve excellence in everything we do; the health and safety of our people is of paramount importance and it will enhance the productivity, personal growth and our socio economic standing.

We believe that all development should be sustainable while preventing planet Earth, which belongs to our future generations.

We commit ourselves to be proactive in ensuring a healthy and safe workplace by establishing necessary systems and processes to eliminate preventable accidents and set up an environment friendly business practices. We enjoy leading the way in "Respecting Our People and Planet Earth"

## Human Resource Policy

We believe that our people are the most valuable asset in driving the Company towards creating the best value agribusiness enterprise and that our people should be given opportunities to thrive in a Learning Organization.

We hold ourselves to the highest standards of honesty and integrity and expect our leaders to be living examples.

We will be leading the way in setting Global best practices in Human Resource Management and Development for continuous improvement. We shall demonstrate our passion for excellence in empowering people in a Learning Organization in order to be "An Employer of Choice"



**ANNUAL REPORT - 2023**

Kahawatte Plantations Plc  
111 Negombo Road, Peliyagoda, Sri Lanka.  
+94 11 482 2000 | Fax +94 114 722 495