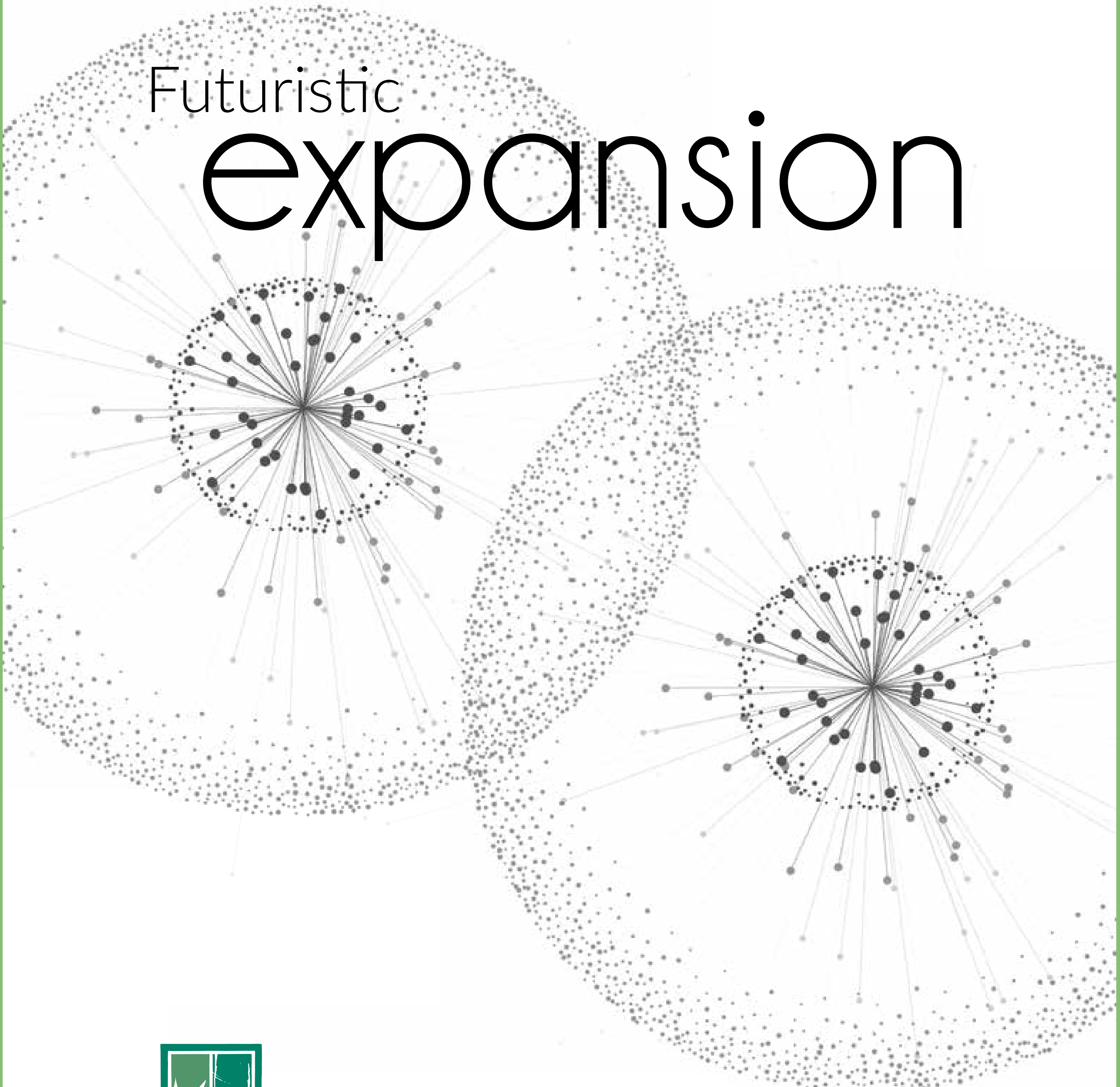
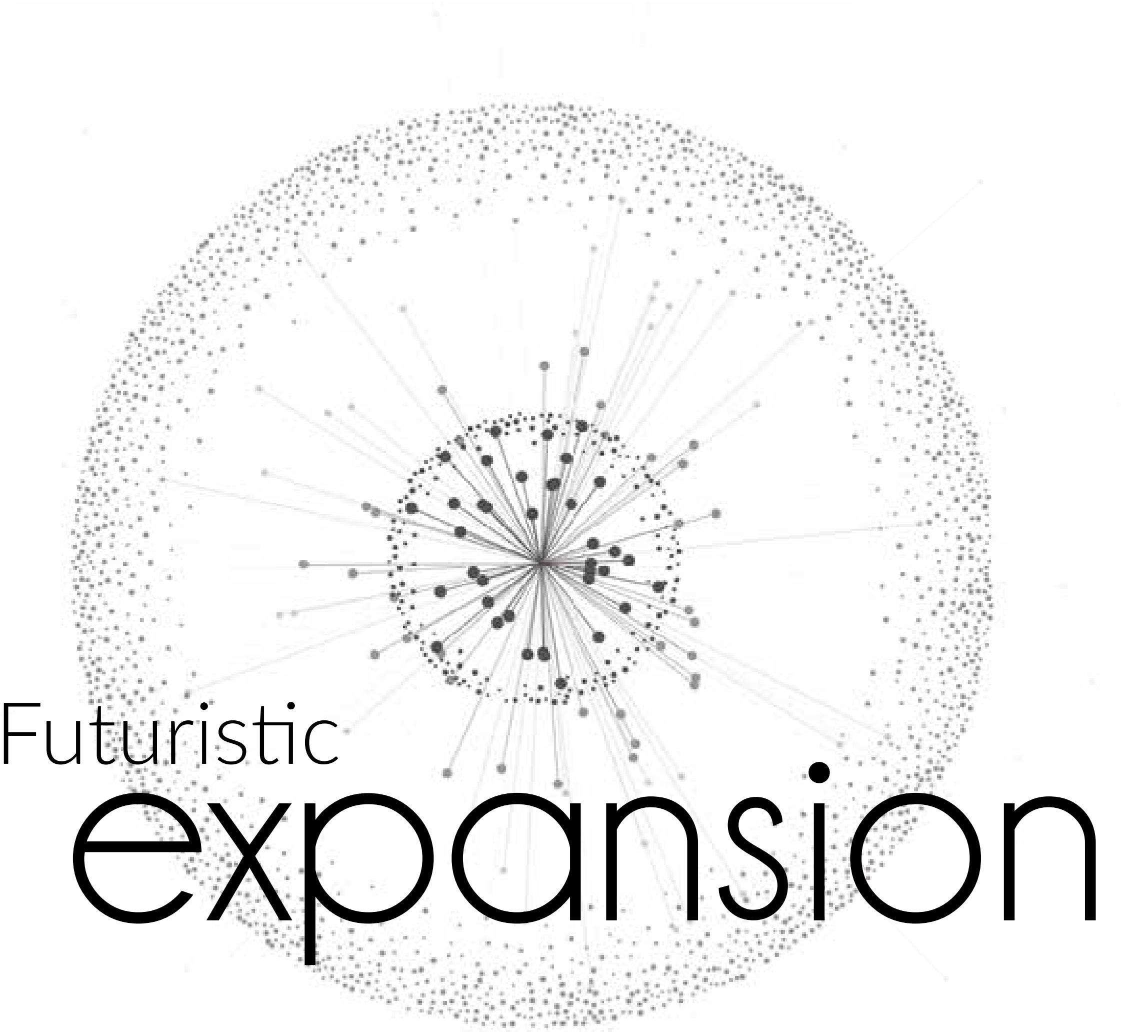
Futuristic expansion



Kotagala Plantations PLC | Annual Report 2022/23



Futuristic expansion

At Kotagala, we are equipped with traits of power and endurance to navigate through the toughest challenges and conquer the battlefields. In the previous years, adverse circumstances unfolded around our business climate but we successfully hurdled past all obstacles.

For 2023 and beyond, we envisage dynamic futuristic expansion based on the ideology of Mitosis; the method of cells dividing for regeneration to ensure growth and renewal, generating the energy that sustains life. We pledge commitment to the technical and innovative development of the tea industry whilst venturing into the development of new products and new ventures and we promise to uphold our dynamic workforce; our precious people and communities for a revolutionary tomorrow.

Because we innovate futuristic expansion.

**Mitosis - the way cells, the building blocks of all living things are responsible for carrying out specialised functions through the method of cell division to ensure growth and renewal, generating the energy that sustains life.*

CONTENTS

Discover the wonders of the natural world at our rubber plantations

Discover the art of sustainable oil palm farming at our eco-conscious plantations

INTRODUCTION

This is Kotagala Plantations PLC's first attempt at integrated reporting by adopting the Integrated Reporting Framework 2021. This report covers the 12 month period of 1st April 2022 to 31st March 2023. This information regarding the past year, is supported with additional information pertaining to our plans for the future, to provide our stakeholders with a futuristic outlook with regard to the Company.

By voluntarily adopting the Integrated Reporting Framework we hope to enhance our transparency by disclosing a greater depth and width of information that goes beyond traditional financial reporting. To do so, we have identified a range of material topics that have high significance to both the Company and its key stakeholders. We hope this information will provide greater insights into the operational aspects of Kotagala Plantations, including our ethical business practices, and the Company's future potential.

SIGNIFICANT FRAMEWORKS AND METHODS

In addition to the Integrated Reporting Framework, this report uses the following standards

- The Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- The International Financial Reporting Standards - IFRS Foundation
- The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka
- The Listing Rules of the Colombo Stock Exchange

BOARD RESPONSIBILITY STATEMENT

The Kotagala Plantations PLC Board takes full responsibility for the accuracy of this report and to the best of our knowledge, this report complies with the Integrated Reporting principles and guidelines.

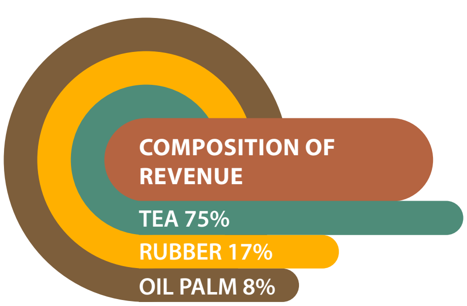
Our assurance on this report extends to the Company's financial statements and other quantitative and qualitative data provided in this report for the reporting period. The extent of our assurance for this report is further demonstrated by the following statutory reports.

1. Independent Auditors' Report on page 87

2. Statement of Directors' Responsibilities on page 83

FORWARD-LOOKING STATEMENTS

All forward-looking statements, with regard to Kotagala Plantations PLC's operations, plans and financials, are contingent on external and internal changes and may change without notice. Kotagala Plantations PLC does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.



Transparency, accountability, and sustainability in action - our integrated report for the year.

NAVIGATION ICONS

Financial Capital 40

Human Capital 45

Manufactured Capital 50

Intellectual Capital 53

Natural Capital 54

Social capital 60

BASIS OF PREPARATION AND PRESENTATION

As this is our first integrated report, the first step was to decide what was material to report and capture as a historic record of Kotagala Plantations for the financial year 2022/23.

PROCESS TO DETERMINE MATERIAL TOPICS

The topics identified as material for reporting were selected through a discussion with the Managing Director and the senior management. In doing so, we considered Kotagala Plantations' plans for the future and its sustainable growth strategy. Topics deemed essential for the sustainable growth of the Company were broadly identified, such as :

1. Good governance and strong risk management
2. Cash flow/liquidity
3. Cost containment
4. Capital investments
5. Debt management
6. Adequate supplies of manual labour and other skills
7. Mechanisation to counter labour migration and for cost management
8. Innovation and scientific agriculture for more efficient production

REPORT SCOPE AND BOUNDARY

The scope of this integrated report is limited to Kotagala Plantations PLC and its fully owned subsidiary, Rubber & Allied Products (Colombo) Ltd.

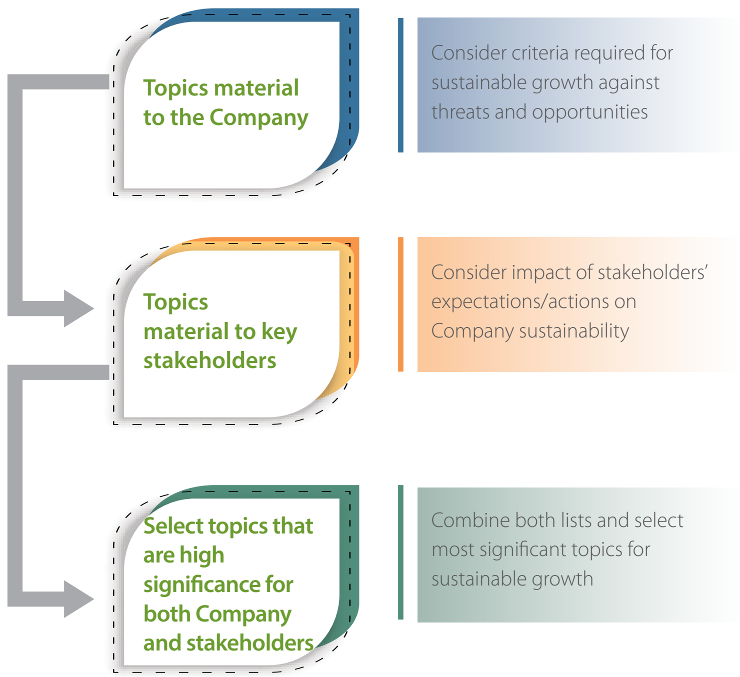
STAKEHOLDER CONTRIBUTIONS

In identifying the report boundary, we also identified the key stakeholders of the Company and considered what topics would be material to these different stakeholder groups, based on the positive and potential negative impacts our operations have on each stakeholder group, and also the impact or influence of each stakeholder group on the Company. Our stakeholder groups and engagement with these stakeholders are presented separately in the Social Capital chapter of this report.

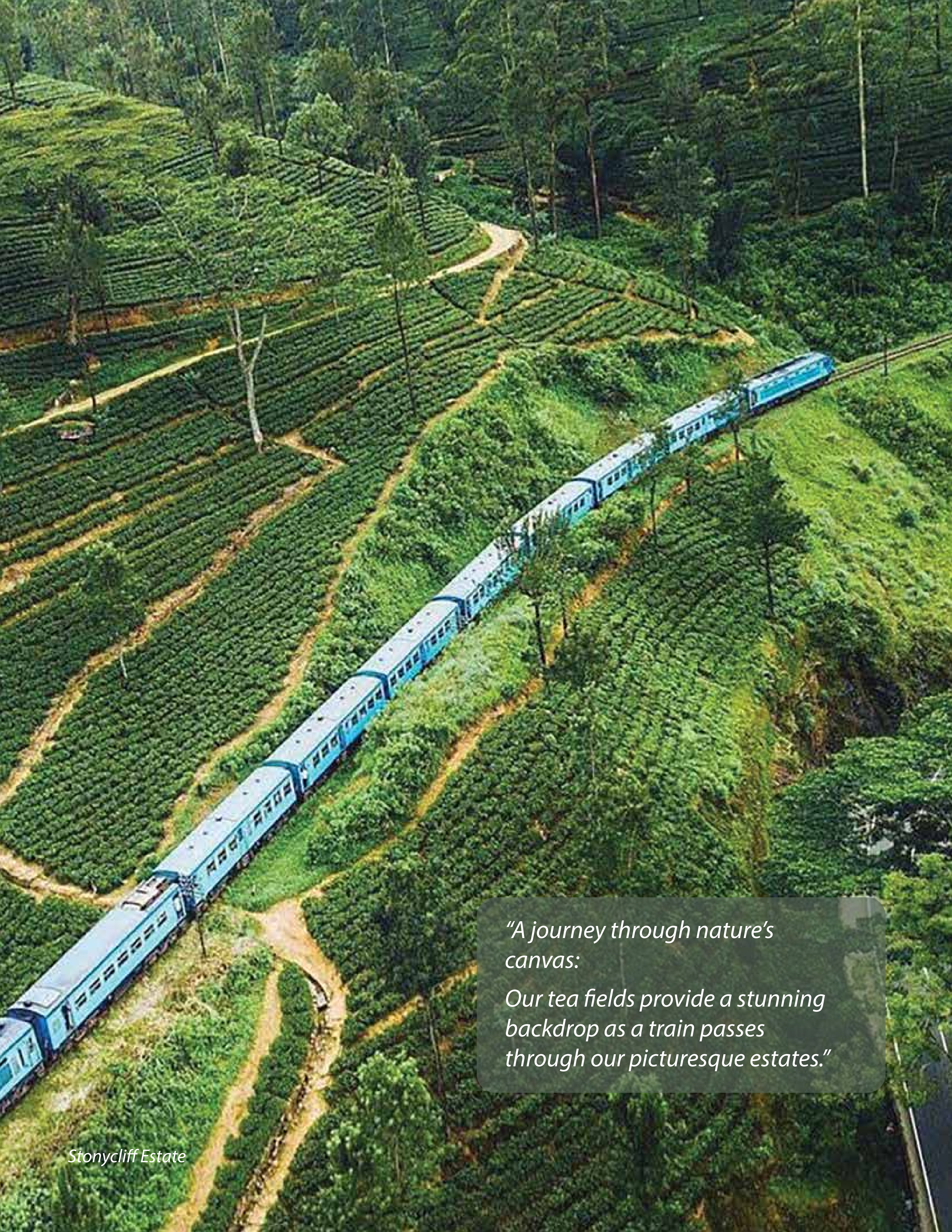
Through this process we identified many non-financial topics that were deemed material for disclosure in addition to financial topics.

PRIORITISATION AND SELECTION OF MATERIAL TOPICS

The list of topics were prioritised according to their importance to the Company and key stakeholders.



Material topic	Chapter	Page number
1. Good governance and compliance	Governance System Risk Management System	**66** **71**
2. Growth strategy and prospects	Chairman's Message MD's Review Operations Review by the CEO's	**22** **25** **28**
3. Financial stability	Operating Environment Financial Capital	**38** **40**
4. Attracting talent and labour retention associated topics	Human Capital	**45**
5. Mechanisation and innovation for tea harvesting and tea manufacturing	Manufactured Capital Intellectual Capital	**50** **53**
6. Ethical production (Social and environmental sustainability)	Natural Capital Social Capital	**54** **60**



"A journey through nature's canvas:

Our tea fields provide a stunning backdrop as a train passes through our picturesque estates."

Stonycliff Estate

FINANCIAL HIGHLIGHTS

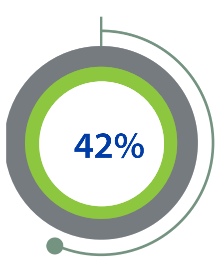
Year ended 31st March	Notes	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000	Change %
Statement of Comprehensive Income						
Revenue	Rs.000	5,019,404	3,496,784	4,946,087	3,472,020	0.42
Profit before tax	Rs.000	786,528	14,541	770,503	104,159	6.40
Profit after tax from continued operation	Rs.000	252,890	98,478	236,865	188,096	0.26
Other Comprehensive income (Expense)	Rs.000	(55,981)	307,756	(55,818)	264,712	(1.21)
Total Comprehensive Profit for the year	Rs.000	196,909	406,234	181,047	452,808	(0.60)
Profit per share	Rs.	0.75	0.29	0.70	0.56	0.25
Statement of Financial Position						
Total Assets	Rs.000	8,286,184	7,959,774	8,295,096	7,987,685	0.04
Total Liabilities	Rs.000	6,486,601	6,357,100	6,478,856	6,352,492	(0.02)
Total Shareholders' Funds	Rs.000	1,799,583	1,602,674	1,816,240	1,635,193	0.11
Net Assets per share	Rs.	5.32	4.73	5.37	4.83	0.11
Market/shareholder information						
Debt/ Equity Ratio		0.95	0.97	0.94	0.95	0.01
Quick Asset Ratio		0.28	0.15	0.28	0.15	0.88
Interest Cover		3.07	1.05	3.03	1.33	1.28
Market Price (Year end)	Rs.			6.10	4.20	0.45
Market capitalisation	Rs.000	-	-	2,064,929	1,421,755	0.45

4,946MN
REVENUE

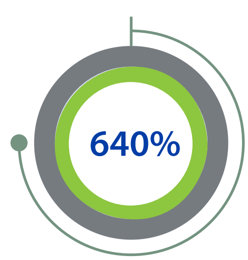
770MN
PBT

223MN
CAPITAL EXPENDITURE

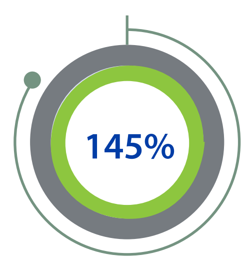
YOY INCREASE IN REVENUE

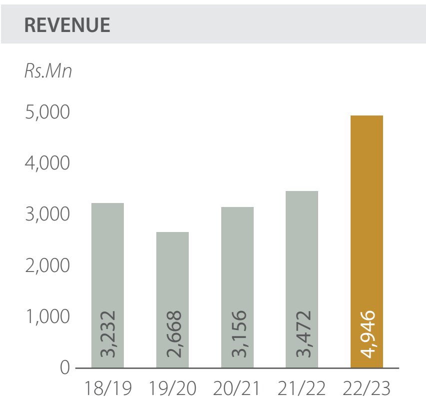


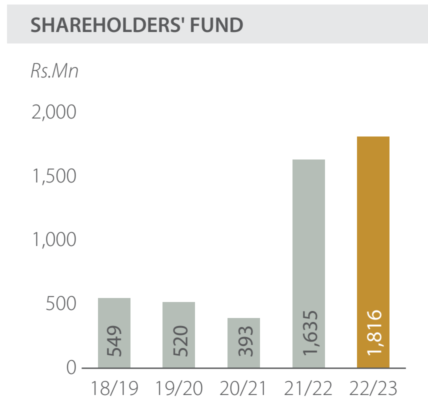
YOY INCREASE IN PBT

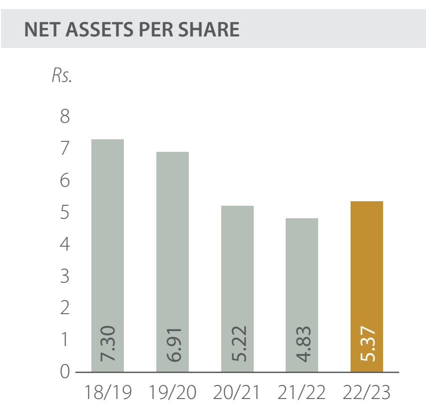


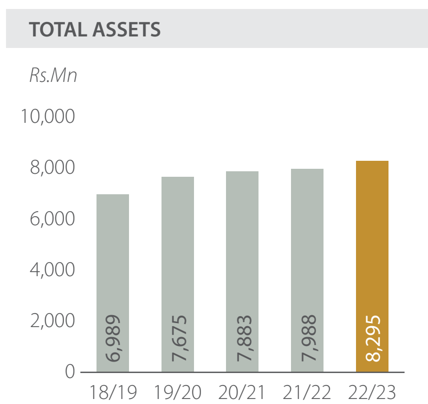
YOY INCREASE IN CAPEX











DESPITE THE COMPANY'S STRONG FINANCIAL PERFORMANCE DURING THE YEAR, THE INCREASE IN SHAREHOLDERS' FUNDS WAS LIMITED TO 11%. THIS WAS PRIMARILY DUE TO A SIGNIFICANT DEFERRED TAX CHARGE OF RS.695MN THAT THE COMPANY INCURRED DURING THE YEAR.

NUMBER OF WORKERS 2004/2005	NUMBER OF WORKERS 2022/2023	DECREASE OVER THE YEARS
13,086	4,977	62%

In response to the ongoing challenges posed by the declining labour force in the industry, we have prudently invested in plucking machines to enhance our operational efficiency and productivity. We remain committed to staying at the forefront of innovation and technology in the industry and will continue to invest in the development of our operations to ensure we remain competitive in the market.

AWARDS AND ACCOLADES

WE ARE DELIGHTED TO ANNOUNCE THAT OUR ESTATES HAVE BEEN RECOGNISED FOR THEIR EXCEPTIONAL QUALITY TEA AT THE PRESTIGIOUS ASIA PACIFIC TEA COMPETITION HELD IN BEIJING CHINA.

YULLIEFIELD - GOLD AWARD - BOP

STONYCLIFF- SPECIAL GOLD AWARD FOR BOP

MAYFILED - SILVER AWARD

BOGAHAWATTE'S STELLAR PERFORMANCE IN THE COLOMBO AUCTIONS WAS MARKED BY 46 INSTANCES OF ACHIEVING TOP PRICES, A CLEAR REFLECTION OF ITS POSITION AS A LEADING PLAYER IN THE MARKET. FURTHERMORE, DURING THE YEAR UNDER REVIEW, BOGAHAWATTE ACHIEVED A RECORD-BREAKING PRICE AT THE COLOMBO AUCTIONS, FURTHER CEMENTING ITS POSITION AS A LEADING PLAYER IN THE MARKET.

WE ARE PLEASED TO ANNOUNCE THAT THE MOUNT VERNON FACTORY HAS BEEN AWARDED THE COVID SAFETY CERTIFICATION, BECOMING THE FIRST FACTORY IN OUR INDUSTRY TO ACHIEVE THIS RECOGNITION.

ABOUT KOTAGALA PLANTATIONS

VISION

To be the foremost producer of high-quality Tea, Rubber and Oil palm.

MISSION

To maximise land and labour productivity and achieve excellence in the profitable management of the Company in an acceptable and socially responsible manner.

CORE VALUES

INTEGRITY

COURAGE

COMMITMENT

OBJECTIVES

- To lead the way in the technical and innovative development of the tea, rubber & oil palm agri-industries.
- To provide a satisfying work experience to our employees and ensure a rewarding investment to our shareholders.
- To be a trail-blazer in the shift away from producing visually graded rubber as an agricultural commodity to the production of a fully technically specified industrial polymer

ABOUT KOTAGALA PLANTATIONS

OUR HISTORY

The plantation industry has a rich history that spans over a century. We have always been dedicated to using our fertile land and favorable climate to produce high-quality tea, rubber, and oil palm. Sustainability, quality, and social responsibility have always been integral to our values and company culture. We are proud to continue this legacy today as we strive to create a better future for our employees, communities, and customers.

The Plantation Industry in Sri Lanka had its beginnings in the early 19th century and continued in the hands of the Corporate sector and a few Sri Lankan families till the advent of the Land Reform Laws when the Industry was nationalised and most of the plantation lands - Tea, Rubber and some of the Coconut, came under State ownership and the management was handed over to two State owned corporations, the SLSPC and the JEDB. The plantation sector was managed by these corporations for a period of 17 years during which it benefited from an inflow of aid funds for development. The sector also saw significant increases in replanting, infrastructure development and social development. However due to the sheer size of the managing organisations and the associated bureaucratic system of management, overall regional management accountability was lacking and any increase in overall productivity was low.

Specialist skills in Marketing, Finance and Human Resource Management and Development were lacking and the Industry lagged far behind the rest of the private sector in computerisation of data processing and management processes. It was under this scenario that the Government decided to privatise the management of the estates and all plantations under the management of the JEDB and SLSPC were allocated to 22 different companies, the Regional Plantation Companies (RPCs). Kotagala Plantations was one of these - RPC No. 18.

Private sector companies, particularly those with previous experience in Agency House type of management were encouraged to bid for Management Contracts and George Stuarts Management Services made a successful bid for RPC No. 18, and were awarded the Management Contract for Kotagala Plantations. At that time Kotagala Plantations consisted of 10 high grown tea properties in the Dimbulla district and 14 rubber, and tea cum rubber properties in the Kalutara district. Due to subsequent acquisitions, amalgamations and exchanges, the Company now consists of 10 high grown properties and 11 Rubber and tea cum Rubber, Oil Palm properties in the low country.

In 1996 the Management Contracts of the RPCs were converted into long term leases. Those RPCs which at that time were being operated at a profit under the Management Contracts, were offered shares at par value whilst the shares for all the other RPCs were awarded under a system of open bidding. Kotagala Plantations was being managed at a profit and George Steuarts Management Services were able to obtain the shares at a par value of Rs.10 per share.

At the time of the initial privatisation of management, Kotagala Plantations' tea extent consisted of about 55% Vegetative Propagated (VP) with a average tea yield of about 1,550 kgs/ ha. The rubber yield was 880 kg/ha. Since then, most of the balance tea extent has been replanted and the total extent under VP is now in excess of 80%, with several estates being under 100% VP, which makes Kotagala Plantations one of the highest yielding tea companies in the island. Rubber was also replanted continually throughout this period. Additionally, some of the marshy lands in the area and some of the areas less suited for rubber was planted with oil

CULTIVATED EXTENT

Tea
2,536.75 Ha

Rubber
2,557.53 Ha

Oil Palm
525.88 Ha

No. of estates	21
Tea Factories	12
Rubber Factories	8

palm and currently covers 525.88Ha. The Company has throughout the years, built up a steady rubber export business and are pioneers in direct export of rubber.

Today, Kotagala Plantations has transformed into a well-diversified company with strong growth potential.

COLONIAL BUNGALOWS OF HISTORICAL SIGNIFICANCE

Nestled amidst the verdant tea estates and rolling hills of Sri Lanka, the plantation bungalows are charming and historic structures that have stood the test of time. These architectural gems harken back to the colonial era when British tea planters established and managed the country's extensive tea plantations.

With a combination of local and colonial architectural influences, plantation bungalows are a unique blend of styles. Their spacious verandas, high ceilings, large windows, and expansive gardens exude an old-world charm that transports visitors to a bygone era. Strategically positioned on elevated sites, the bungalows offer sweeping views of the surrounding tea plantations and scenic landscapes, making for a truly mesmerising experience.

Initially built as homes for tea estate managers and their families, many of these bungalows have been converted into boutique hotels or guesthouses, offering visitors a chance to experience the colonial charm of the past. The interior of a typical plantation bungalow features a blend of antique and modern furniture that creates an eclectic and nostalgic atmosphere. Vintage décor, four-poster beds, and colonial-style furniture add to the bungalow's authentic charm.

Staying in a plantation bungalow is not just about the ambiance, but also about immersing oneself in the tranquility of the tea-growing regions. Guided tours of the tea estates, tea plucking demonstrations, and tea tasting sessions are just a few of the activities guests can indulge in. The serene surroundings offer opportunities for leisurely walks through the tea plantations, birdwatching, or simply enjoying the breathtaking views. Visitors can also learn about the tea production process and the history of the tea industry in Sri Lanka.

STONYCLIFF BUNGALOW

The estate is home to a prestigious tea garden and a bungalow built in 1935 in British architectural style, which stands majestically amidst the closely-knitted tea fields. The bungalow is fully furnished and equipped, boasting two sitting rooms, a morning room, a dining room, a master bedroom, two visitors' bedrooms, and a large veranda leading to the inner rooms. The traditional hot room has a cylindrical cast-iron tank that supplies hot water to the pantry, kitchen, and washrooms.

The bungalow features a beautiful flower garden and a bluegrass lawn, which provides a home for various species of birds and animals. A fish pond and swimming pool are also available in the vicinity.

The picturesque environment offers a breathtaking view of the beautifully manicured tea garden and the mild jungle that surrounds it.

Prominent planters have occupied this bungalow over the years, including Mr. George Scott and Mr. George Vernon Thissera, who stayed for an extended period.

OUR JOURNEY

1992

- Incorporated as a public quoted company on June 22 under the Companies Act No 17 of 1982.

1993

- CTC machinery was installed in Mount Vernon estate to benefit from all manufacturing types, as Kotagala already had rotorvane and leafy manufacturing factories
- Mount Vernon ventured into tourism

1995

- Official listing on the Colombo Stock Exchange

2000

- Pioneered direct exports of natural rubber

2001

- Yulliefield ventured into tourism

2004

- Stonycliff ventured into tourism

2006 Dividend payment of **Rs.1** per share

2007 Dividend payment of **Rs.3** per share

2008

- Re-registered on July 3rd, under the Companies Act No 7 of 2007
2008 Dividend payment of **Rs.3** per share

2009 Dividend payment of **Rs.1** per share

2010 Dividend payment of **Rs.3** per share

2011

Dividend payment of **Rs.10** per share

2012

- Rubber lands were converted into oil palm cultivation lands as climatic conditions are ideal for oil palm

Dividend payment of **Rs.2** per share

2013

- 1st Equity infusion of LKR 360Mn

Dividend payment of **Rs.2.5** per share

2014

- Acquisition of Rubber & Allied Products (Colombo) Ltd, to enable centrifuge rubber manufacturing

2017

- 2nd Equity infusion of LKR 101Mn

2020

- Investment in latest technology for mechanised plucking

2021

- 3rd Equity infusion of LKR 789Mn

2022/23

- Improvements to governance structure by appointing a dedicated Director of Finance and separate CEOs to overlook upcountry estates and low country estates.

OUR ESTATES, PRODUCTS, CERTIFICATIONS AND WORKFORCE

QUALITY, AND HEALTH AND SAFETY STANDARDS

All tea factories of Kotagala Plantations have obtained ISO quality standards and food safety standards to maintain internationally acceptable food safety and manufacturing standards. Quality assurance standards in factories have been established over a period of time in line with ISO and HACCP standards and continuous reviews are conducted to ensure they are maintained.

Other ethical accreditations have been obtained to confirm socially and environmentally friendly business operations. All our up-country tea estates are Rainforest Alliance(RA) certified and comply with a range of environmental protection requirements under the accreditation. Please refer the Natural Capital chapter for details.

In addition, our tea plantations, tea factories, rubber plantations, rubber factories and oil palm plantations comply with occupational health and safety standards to protect our employees during work. Please refer the Human Capital chapter for details.

Eduragala estate

Mayfield estate

Drayton estate

Uskvalley estate

Yulliefield estate

OUR PLANTATION ESTATES ARE A TESTAMENT TO OUR COMMITMENT TO SUSTAINABLE AGRICULTURE, FEATURING LUSH LANDSCAPES, STATE-OF-THE-ART FACILITIES, AND A DIVERSE RANGE OF CROPS SUCH AS TEA, RUBBER, AND OIL PALM.

UP COUNTRY - NUWARA ELIYA

Estate	No. of workers	Extent	Factory Type	Factory Capacity	Certification
BOGAHAWATTE	135	239.04Ha	Orthodox Leafy	9,000 Kgs GL/day	RA/ISO Certified
CHRYSTLERS FARM	167	188.39Ha	Orthodox Leafy	9,000 Kgs GL/day	RA/ISO Certified
CRAIGIE LEA	303	361.50Ha	Orthodox RV	12,000 Kgs GL/day	RA/ISO Certified
DRAYTON	311	342.50Ha	Orthodox RV	19,200 Kgs GL/day	RA/ISO Certified
KELLIEWATTE	80	144.86Ha	Orthodox Leafy	8,000 Kgs GL/day	RA/ISO Certified
MAYFIELD	362	536.70Ha	Orthodox RV	14,000 Kgs GL/day	RA/ISO Certified
MT.VERNON	433	620.23Ha	CTC	31,000 Kgs GL/day	RA/ISO Certified
STONYCLIFF	404	600.25Ha	Orthodox RV	14,000 Kgs GL/day	RA/ISO Certified
YULLIEFIELD	363	659.75Ha	Orthodox RV	14,000 Kgs GL/day	RA/ISO Certified
DERRYCLARE	187	294.00Ha	No Factory		

ABOUT KOTAGALA PLANTATIONS

LOW COUNTRY - HORANA/KALUTARA

Estate	No. of workers	Extent	Factory Type	Factory Capacity
ARAPOLAKANDE	165	615.52Ha	Pale Crepe	2,000 Kgs /day
DALKEITH	266	1,192.72Ha	Pale Crepe	4,500 Kgs /day
VOGAN	256	797.86Ha	Orthodox Leafy	8,000 Kgs GL/day
GEEKIYANAKANDE	252	861.39Ha	Orthodox Leafy/RSS	8000/Kgs GL/day 2000 Kgs/day
SORANA	195	632.64Ha	Pale Crepe	1,500 Kgs /day
PADUKKA	213	414.17Ha	Sole Crepe	2,300 Kgs /day
PAIYAGALLA	242	467.00Ha	Pale Crepe	2,200 Kgs /day
RAYIGAM	248	664.19Ha	Orthodox Leafy/Crepe	10000/Kgs GL/day 1200 Kgs/day
USKVALLEY	111	771.02Ha	RSS	600 Kgs /day
EDURAGALA	179	520.96Ha	No Factory	
HEDIGALLE	105	480.22Ha	No Factory	

RAYIGAM: **ISO Certified**

TIMBER: GROWING VALUE SUSTAINABLY

WE ARE PROUD TO MAINTAIN COMMERCIAL TIMBER IN OUR UP COUNTRY ESTATES AND LOW COUNTRY ESTATES, COVERING AN EXTENT OF 1,124.78 HECTARES WITH A VALUE OF RS. 1.8BN. OUR TIMBER PLANTATIONS CONTRIBUTE SIGNIFICANTLY TO OUR COMPANY'S OVERALL ASSET VALUE. WE ARE COMMITTED TO MANAGING OUR TIMBER PLANTATIONS SUSTAINABLY AND RESPONSIBLY TO ENSURE THE LONG-TERM HEALTH AND PRODUCTIVITY OF THESE VALUABLE RESOURCES.

RUBBER & ALLIED PRODUCTS (COLOMBO) LTD

Our fully owned subsidiary Rubber & Allied Products (Colombo) Ltd was acquired in 2014/15 to expand Kotagala Plantations' production capabilities to include centrifuge natural rubber latex manufacturing. The centrifuge factory is located within the Paiyagala estate of Kotagala Plantations and provides direct employment to eight people.

OUR BUSINESS MODEL

INPUTS

INVESTING IN OUR FUTURE WITH STRATEGIC FINANCIAL PLANNING.

The Company's primary sources of financial capital are equity and debt.

Equity - Rs.1,816Mn
Debt - Rs.1,715Mn

Financial Capital

We have a highly skilled and experienced management team, which brings together industry knowledge in all aspects of business. Employees are the driving force behind Kotagala's growth. Kotagala is an equal opportunity employer providing a safe place to work with a fair remuneration. We invest in our employees for appropriate skills to deliver on our strategic priorities, in a performance based culture.

NURTURING TALENT THROUGH CONTINUOUS LEARNING AND DEVELOPMENT

Human Capital

INVESTING IN INNOVATION AND TECHNOLOGY TO ENHANCE PRODUCTIVITY.

The biological assets and other tangible assets of our estates form the manufacture capital of the Company. We continually invest in our plantations and maintain our factories in good condition. We continue to add to our asset base and ensure optimum utilisation of our assets.

Manufactured Capital

We actively manage the stakeholder relationships on which our business depends, including communities, regulators, suppliers , brokers and buyers. We thrive to deliver a quality product adhering to international standards (RA/ISO). We look after our communities and sustain them through various activities. We conduct our business as an ethical operator, adhering to industry best practices.

FOSTERING STRONG RELATIONSHIPS WITH COMMUNITIES THROUGH ACTIVE ENGAGEMENT.

Social Capital

PROTECTING AND PRESERVING OUR NATURAL RESOURCES THROUGH SUSTAINABLE PRACTICES.

Our environmental policies are aimed at conserving, protecting and enhancing the highly sensitive and climatically important natural capital within our estates. We have built effluent plants in most of our rubber estates and conduct audits under the Rainforest Alliance certification.

Natural Capital

Our intellectual capital base is our expertise on plantation management and cultivation of tea, rubber and oil palm. Estate trademarks are another unique intellectual property adding value to Kotagala tea. Kotagala is also a pioneer in experimenting with mechanised tea plucking. We continue to focus on developing the intellectual capital of the Company through employee training and innovations. .

FOSTERING A CULTURE OF INNOVATION AND CREATIVITY THROUGH ONGOING KNOWLEDGE MANAGEMENT.

Intellectual Capital

OUTCOMES

REALISING SUSTAINABLE GROWTH THROUGH SOUND FINANCIAL MANAGEMENT.

In the year under review :

- The Company generated **Rs.508Mn** cash flow from operating activities
- YOY increase in revenue **42%**
- YOY increase in PBT **640%**
- Shareholders' equity **Rs 1,816Mn**

Please refer Financial Capital chapter on pages **40 to 44**

EMPOWERING OUR WORKFORCE TO DRIVE SUSTAINABLE BUSINESS GROWTH.

In the year under review we have given employment to:

2,991 in the Kotagala region

2,443 in the Horana region

19 in our Head office.

Employee wages and benefits : **Rs 2.2Bn**

Please refer Human Capital chapter on pages **45 to 49**

DELIVERING HIGH-QUALITY PRODUCTS THROUGH EFFICIENT MANUFACTURING PROCESSES.

In the year under review we invested:

- **Rs.143Mn** on our immature plantations
- **Rs.80.4Mn** on property plant and equipment
- **Rs. 34.8Mn** on tea plucking machines

We are developing our Padukka rubber factory into a state-of-the-art sole crepe facility.

Please refer Manufactured Capital chapter on pages **50 to 52**

CREATING SHARED VALUE BY CONTRIBUTING TO THE SOCIAL AND ECONOMIC DEVELOPMENT OF OUR COMMUNITIES.

In the year under review we:

- Conducted many welfare activities for our estate communities.
- Maintained productive relationships with our stakeholders.
- Strengthened the Kotagala brand and reputation through quality products

Please refer Social Capital chapter on pages **60 to 64**

ACHIEVING ENVIRONMENTAL STEWARDSHIP THROUGH RESPONSIBLE LAND USE AND BIODIVERSITY CONSERVATION.

During the year under review we:

- Passed the Rain Forest Alliance audits with minimum non conformity.
- Controlled wastage and optimised the use of limited natural resources
- Continued our environmental conservation activities
- Continued to invest in renewable energy
- Continued our circular economy initiatives

Please refer Natural Capital chapter on pages **54 to 59**

GENERATING VALUE THROUGH INTELLECTUAL PROPERTY AND INNOVATIVE SOLUTIONS THAT DRIVE BUSINESS GROWTH.

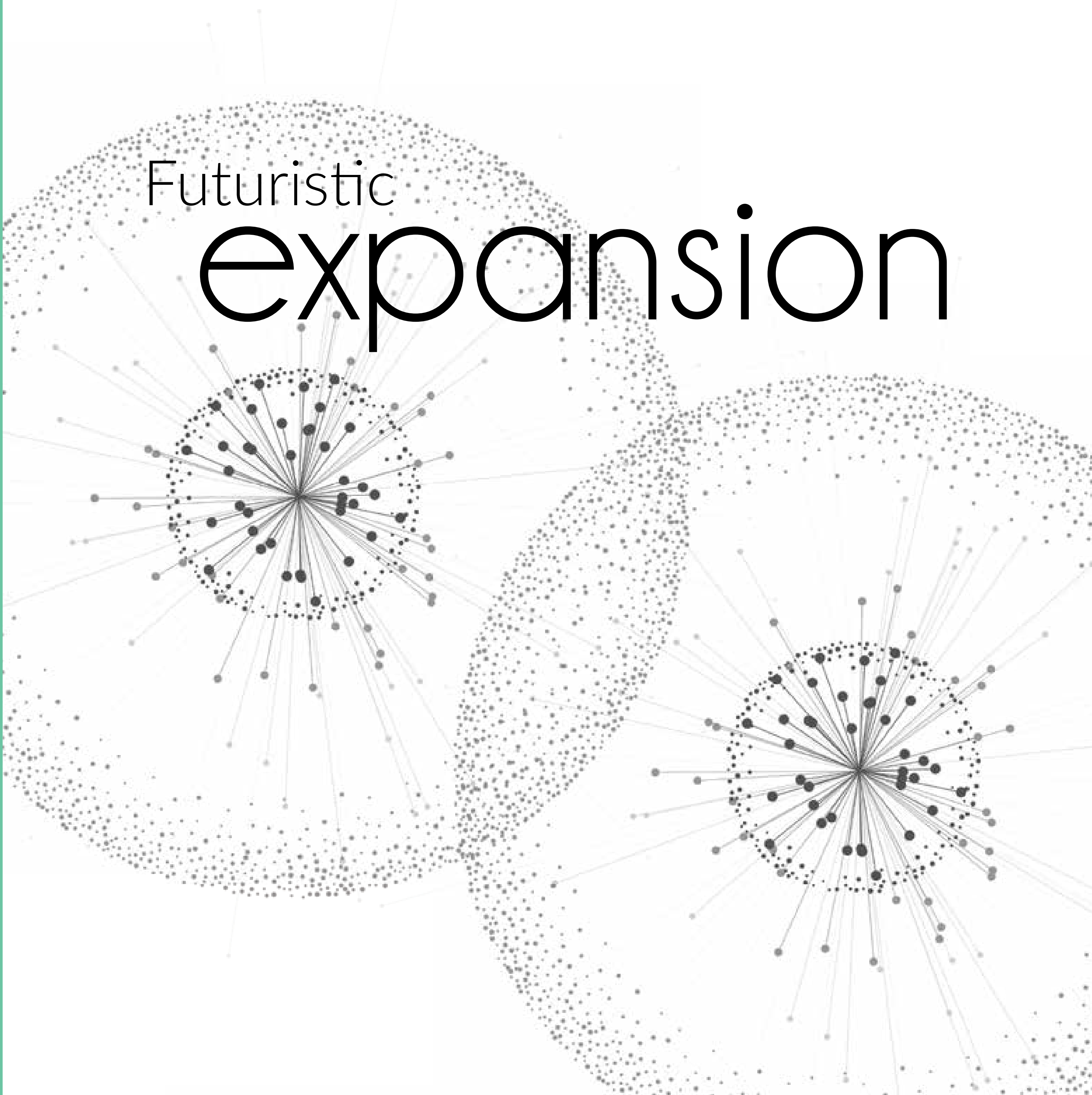
- During the current financial year we:
- Continued to develop intellectual capacity by training employees in modern technologies
- Upgraded our customised ERP system
- Extending digital connectivity deeper into the management of our estates.
- Expanded application of mechanisation in tea estates

Please refer Intellectual Capital chapter on pages **53**


"Building Strength through
Diversity: A Resilient and
Dynamic Portfolio"

EXECUTIVE REVIEWS

Futuristic expansion



We believe in our dynamic ability to achieve our goals successfully the way new cells for Mitosis growth skillfully replace aged and dying cells, for continued survival of life.

CHAIRMAN'S MESSAGE

STAYING THE COURSE: A YEAR OF SUSTAINED FINANCIAL SUCCESS.

Against a backdrop of emerging threats and uncertainties, Kotagala Plantations not only persevered but thrived, sustaining its upward growth trajectory and reinforcing its reputation as a leader in the industry.

At the conclusion of the financial year 2022/23, I am pleased on behalf of the Board of Directors, to welcome our shareholders to the 30th Annual General Meeting of Kotagala Plantations PLC. I take this opportunity to announce the encouraging news of a sustained financial performance by your Company, despite the many operational challenges faced during the year, and to present to our shareholders the Annual Report and Audited Financial Statements of your Company for the year ended 31st March 2023.

The financial year under review, with its multiplicity of emerging threats and uncertainties, was one that required the highest degree of ingenuity simply to maintain operational status quo. However, Kotagala Plantations has continued to sustain its growth trajectory against all odds.

Kotagala Plantations achieved a profit before tax growth of 640%, reaching Rs 770 Mn for the financial year 2022/23, the profit after tax amounted to Rs.237Mn with the staggering tax increase and deferred tax charge, which totalled to Rs 534 Mn, from Rs 84 Mn reversal in the previous financial year. The Group reported a profit before tax of Rs 786Mn for the year, which is a growth of 5309%.

Sri Lanka's economy hit its worst lows in 2022, shrinking by 7.8% on a year-on-year basis, according to the Central Bank Annual Report 2022, indicating output losses across all major economic sectors. Industry activities contracted by 16.0% in 2022, compared to the 5.7 % growth recorded in 2021. Services activities, largely affected by the prolonged energy crisis, limited availability of goods and high inflation, contracted by 2.0% in 2022 in value-added terms, compared to the growth of 3.5% recorded in 2021. The overall agriculture sector contracted by 4.6%, compared to the growth of 0.9% recorded in 2021. This decline is reflected in the Volume Index of Agricultural Production, which measures the output of the agriculture sector, contracting by 19.4%, year-on-year, during 2022, compared to a year-on-year growth of 2.1% in 2021. Outputs of most of the sub-indices, including paddy, tea, rubber, and livestock and livestock products, recorded a reduction. Supply side headwinds including severe shortages of agricultural inputs, particularly those of fertilisers and other agrochemicals, substantial increases in production costs, and disruptions in fuel supply hampered the overall performance of agriculture activities during 2022.

TEA

The severe shortage in fertilizer and agrochemicals caused national tea output to fall sharply by 16% against 2021, to 250 million kgs. Inclement weather made matters worse.

Tea export earnings too, declined by 5% or US $ 65 Mn but tea prices at the Colombo Tea Auction (CTA) reached the historically highest level in 2022 and remained elevated throughout the year. The average price of tea increased notably by 105.2 % to Rs. 1,270.50 per kg during the year, from Rs. 619.15 per kg recorded in 2021.

RUBBER

Total rubber production decreased by 7.8% to 70 million kgs, year-on-year, in 2022 and export earnings declined by 1.8%. Rubber cultivation was also held back by shortages of fertilizer and bad weather, and on top of this was also plagued by a leaf disease which could not be contained quickly due to import restrictions on agrochemicals.

In 2022, the domestic consumption of raw rubber by the industrial sector contracted by 12.4 % to 117.3 million kgs, which was partially attributed to the decline in demand for medical gloves in both domestic and global markets as the COVID-19 pandemic faded away. The prices of most varieties of rubber at the Colombo Rubber Auction reached historically high levels, driven by the favourable demand in the global market during the first half of 2022. The average FOB price of rubber also marginally increased to US dollars 2.73 per kg in 2022 from US dollars 2.72 per kg recorded in the previous year.

PERFORMANCE OF THE SRI LANKAN OIL PALM INDUSTRY

In 2022, world production of palm oil was 78.9 million MTs, up by 4% on the 76.0 million MTs produced in 2021. The largest part of the increase was in Indonesia where production is now 46.5 million MTs. There was a slight fall in global consumption during the year, partly as a result of the temporary market disruption caused by the export ban in Indonesia.

In Sri Lanka, the total national production of oil palm increased by 6%, from 28.1Mn kgs in 2021/22 to 29.7Mn kgs in 2022/23. This marginal increase in production was primary due to shortages of fertilizer and unfavourable weather, and also due to the ban on replanting. Oil palm cultivation cannot be expanded in Sri Lanka due to a prevailing prohibition on cultivating this crop.

> **“KOTAGALA PLANTATIONS ACHIEVED A PROFIT BEFORE TAX GROWTH OF 640%, REACHING RS 770 MN FOR THE FINANCIAL YEAR 2022/23, THE PROFIT AFTER TAX AMOUNTED TO RS.237MN WITH THE STAGGERING TAX INCREASE AND DEFERRED TAX CHARGE, WHICH TOTALLED TO RS 534 MN, FROM RS 84 MN REVERSAL IN THE PREVIOUS FINANCIAL YEAR.**

However, the Oil Palm Association of Sri Lanka has made a writ application to the Court of Appeal to revoke the government decision to ban Oil Palm cultivation in Sri Lanka and we are hopeful of a positive outcome in the near future. In addition, oil palm will enable the country to benefit by saving foreign exchange and supporting many local industries that depend on oil palm. Kotagala Plantations is prepared to expand oil palm cultivation significantly, whenever restrictions are lifted.

STRATEGIC PROGRESS

Kotagala Plantations' diversification strategy has continued to be highly effective in protecting the Company against emerging macro threats, while enhancing the Company's ability to capitalise on diverse market opportunities. This is demonstrated by the significant income gains during the year, despite lower production.

Meanwhile, our modernisation strategy, which includes mechanisation of manual processes in Kotagala estates as well as offices, has been instrumental in containing costs and maintaining productivity.

I would like to stress that despite the high costs involved, Kotagala Plantations did not withhold or postpone its good agricultural practices, including the required application of fertilizer and investments into replanting.

HUMAN RESOURCES, CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL WELFARE

In the prevailing harsh economic conditions, Kotagala plantations did not overlook its social and environmental obligations. The Company maintained its investments into developing human resources while also providing a range of employment benefits. Further, educational, health and well-being, and infrastructure programmes for estate communities were continued uninterrupted. It is noteworthy that only a small portion of estate residents continue to work at Kotagala estates. However, Kotagala Plantations has continued to support entire families living in its estates, through diverse welfare programs. Please refer to the Social Capital chapter for some of these activities.

The Company also continued its environmental conservation programmes that go above and beyond environmental regulatory requirements. Please refer to the Natural Capital chapter for more information.

Kotagala Plantations' performance during this exceptionally difficult year, also indicates the potential of the Company, and we are confident the Company's performance will continue to improve in the coming years.

CHAIRMAN'S MESSAGE

APPRECIATIONS

I wish to thank all employees of Kotagala Plantations, for their tireless contributions towards making this year a success against the most daunting environment. I extend my Sincere appreciations to Mr. Mahen Madugalle who functioned as Director/ CEO of Kotagala Plantations and retired from the services of the Company as at end December, 2022.

I also wish to welcome Mr. Gotabaya Dasanayaka and Mr. Asoka Sirimane who joined the Board with effect from 20th September, 2022 as well as Mr. Kowdu Mohideen who was appointed as Director-Finance effective 20th September, 2022. I am grateful, as always to our shareholders and all other stakeholders for their continued confidence in the Board of Directors and I look forward to their continued support in the new financial year.

S D R Arudpragasam
Chairman

22nd August 2023

MANAGING DIRECTOR'S REVIEW

(Managing Director - Lankem Tea & Rubber Plantations (Private) Ltd - Managing Agents)

KOTAGALA PLANTATIONS RESPONDED TO INCESSANT WAVES OF THREATS BY STRENGTHENING ITS OVERSIGHT MECHANISMS TO MANAGE AVAILABLE RESOURCES MORE EFFICIENTLY.

Kotagala Plantations continue to be one of the most diversified regional plantation companies having a mix of high grown tea in the Kotagala region of the Nuwara Eliya district & the balance extent in the low country, with the Horana region in the Kalutara district having rubber, oil palm & tea. The high grown region consists of 10 estates with 9 factories having the facility to manufacture rotorvane small leaf, orthodox leafy and CTC.

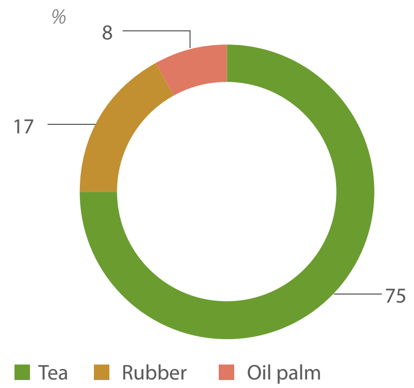
"GOING FORWARD, WE WILL CONTINUE TO FOCUS ON ADVANCING OUR MODERNISATION PLANS WITH FURTHER RESOURCE ALLOCATIONS TO ACQUIRE AND INTEGRATE MODERN AGRICULTURAL TECHNOLOGIES AND TO DIGITISE FIELD, FACTORY AND OFFICE OPERATIONS.

The low country consists of 11 estates having rubber, oil palm and a lesser extent of tea along with eight rubber factories having the facility to manufacture sole crepe, pale crepe, and centrifuge latex. There are also three tea factories in the low country having the facility to manufacture orthodox leafy tea.

The financial year 2022/23 was extremely challenging for the country's plantation sector. Plantations had to overcome the combined impacts of a range of external challenges from the government's decision to convert all agriculture, including the plantation industry to organic farming. This decision created a severe shortage of chemical fertilizer & agrochemicals which led to unprecedented cost increases as well. The situation was aggravated with the economic crisis with limitations of fuel resulting in energy shortages disrupting all factory operations, transport etc. Kotagala Plantations responded to incessant waves of threats by strengthening its oversight mechanisms and taking advantage of the resources of the Company.

MANAGING DIRECTOR'S REVIEW

COMPOSITION OF REVENUE



INCREASE IN REVENUE

Tea	**55%**
Rubber	**9%**
Oil Palm	**28%**

FINANCIAL PERFORMANCE

Despite the drop in production of its primary crops, Kotagala Plantations achieved a revenue growth of 42% year on year, at Rs 4,946 Mn, while the Company managed an outstanding profit before tax increase of 640%, reaching Rs 770Mn in spite of the hitherto unparalleled cost increases in the plantation sector. As outputs had declined across the portfolio, the growth in revenues was mainly with the sales price increases for all three crops due to supply & demand along with the depreciation of the currency. Kotagala Plantations' investments into quality systems ensured that the Company was well positioned to command good prices. Kotagala Plantations' diversified production facilities in both tea & rubber provided an advantage to achieve the maximum benefit of the market. Unfortunately, the Company's bottom line does not reflect the impressive operating profit growth, due to the 736% increase in tax and deferred tax provision.

Nevertheless, Kotagala Plantations retained its upward trajectory and concluded the year with a net profit of Rs 237Mn.

Tea remained the main contributor to revenues and profitability, contributing to 75% of revenue and 83% of profitability through a gross profit margin of 28%. These results were achieved despite a reduction of the Company's production by 30 % compared to the corresponding period last year. The overall national production too, declined by 17 % and the different agroclimatic sectors of high, medium, and low grown tea, which contributed to around 22%, 16%, and 62% of the total production respectively last year, declined by 13.8%, 21.2 %, and 15.4%, respectively, in 2022. However, the estimated cost of production of tea too increased compared to the financial year 2021/22 mainly due to the increase in all inputs.

Rubber accounted for 17% of total revenue and recorded a gross loss of Rs.19Mn. The national production too declined by 7.8% mainly due to adverse weather conditions and as a result of the ban on chemical fertilizer. The spread of the fungal pathogen pestalotiopsis could also not be contained quickly as import restrictions on agrochemicals and foreign exchange shortages prevented the immediate importation and application of the required chemical solutions. Accordingly, at end March 2022, the average auction prices of RSS1 and latex crepe rubber stood at Rs. 517.67 per kg and Rs. 628.33 per kg, respectively.

The oil palm national production has recorded a slight increase of 6% whilst the Company production too has been almost on par with the previous year. The new cultivation and replanting of oil palm are at a standstill due to the ban imposed by the government. However, Kotagala plantations has some of the most suitable lands in the low country for the cultivation of oil palm, having the required rain fall. With the impact of climate change, it is necessary to diversify most of the present rubber land into oil palm considering the high rain fall which frequently interrupts the tapping operations resulting in a drastic drop in production. The oil palm generated a gross profit of Rs 238 Mn with a margin of 60%.

STRATEGY AND RESOURCE ALLOCATION

We are encouraged by Kotagala Plantations performance during one of the most difficult years in the country's history, which indicates the effectiveness of our crop diversification strategy. Going forward, we will continue to focus on advancing our modernization plans with further resource allocations to acquire and integrate modern agricultural technologies and to digitise field, factory, and office operations. We plan to mechanise at least 30% of the high grown and low grown tea extent over the short term. This will also, at least partially, address the issue of labour shortages in estates. We will also invest in system safeguards to respond to any potential technological risks. We also intend to improve the bought leaf operation in the low grown category making use of the three tea factories.

As part of business diversification, in 2023, Kotagala Plantations is also planning to enter the tourism market by introducing specialised tea boutiques and mobile tea cafes, to capitalise on the resurgence of tourism in Sri Lanka. We are also considering tapping into export market opportunities for Kotagala tea and rubber with the required certifications. We are on track to obtain the Forest Stewardship Council certification in 2023, which will support our rubber export opportunities. In the tea sector, we will focus on optimising revenues by leveraging

Kotagala's diversified manufacturing capabilities and quality standards. Kotagala has already demarcated lands to expand the oil palm extent but is held back by the prevailing ban on cultivation. We are ready to expand this crop as soon as the ban is lifted.

Meanwhile, we will continue to invest in good agricultural practices that will contribute towards sustaining the quality and outputs of our crops. Kotagala has already embarked on an aggressive rubber replanting program which will be continued with a view to increasing rubber production. In the interim we expect to increase the bought latex to maximise the production of centrifuge latex in our Rubber & Allied factory.

Given the rising energy insecurity, we are actively looking into renewable energy options for Kotagala Plantations, including solar power and hydro power, initially to our tea and rubber factories. We hope to initiate these projects in 2023.

Our employees remain a priority and we will continue to invest in skills development to build a more competent human capital base that will support Kotagala Plantations as a modern, diversified agribusiness.

IMPROVEMENTS TO MANAGEMENT STRUCTURE

A key improvement during the year was to facilitate a separate management of upcountry and low country estates by recruiting two dedicated Chief Executive Officers (CEOs) to overlook the two sectors. This has not only enabled closer oversight of operational activities but has facilitated specialised interventions. Upcountry estates have benefited from specialised tea sector management, while low country estates that have diversified crops, have benefited from the required expertise to manage the diversified portfolio. The effectiveness of these management changes is already indicated in Kotagala Plantations' operational profits for the year.

The other change to the management structure of Kotagala Plantations is the appointment of a dedicated Director Finance and a General Manager Finance to overlook financial management, which is considered a contributor to the Company's success. In this aspect Kotagala Plantations has already benefited from successful debt restructuring negotiations that have now significantly strengthened the Company's financial position.

OUTLOOK FOR THE NEW FINANCIAL YEAR

Kotagala Plantations' outlook for the new financial year is subject to both internal economic stability as well as global commodity market prices. However, it is encouraging that the Company has continued to increase its financial resilience over the past few years, despite persistent unfavourable macro environmental conditions. Therefore, we are reasonably confident of Kotagala Plantations sustaining growth and improving its financial position in the new financial year, provided there are no further significant external shocks that would interrupt operations.

ACKNOWLEDGEMENTS

I would like to thank the Kotagala Plantations' management team, including all employees in our estates, the Head Office, and Regional Offices, for their commitment during a very difficult year. I also wish to thank all industry stakeholders for the support extended to the Company during this turbulent time .

The Chairman and Board of Directors have provided invaluable guidance to navigate the challenges of the year, and I fully appreciate their contribution. I also take this opportunity to thank the former Director/CEO Mr. Mahen Madugalle and the Director Low Country Mr. Nissanka Seneviratne, for their long years of service to the Company and wish them a happy retirement. I also welcome Mr. Udara Prematilake, CEO Low Country & Mr. Channa De Costa ,CEO Up Country & wish them all success. I look forward to working together to build a more sustainable Company that creates value for all our shareholders in the new financial year.

S S Poholiyadde
Managing Director

Lankem Tea & Rubber Plantations (PVT) Ltd
Managing Agents

22nd August 2023

OPERATIONS REVIEW BY THE CEOS

CEO's review - Up Country

KOTAGALA PLANTATIONS' UPCOUNTRY ESTATES FACED MULTIPLE EXTERNAL CHALLENGES, INCLUDING FERTILIZER SHORTAGES, LABOUR OUTMIGRATION, AND RISING COSTS, IMPACTING TEA PRODUCTION. HOWEVER, THE COMPANY SHOWCASED RESILIENCE THROUGH INVESTMENTS IN MECHANISATION, DIGITISATION, AND FORESTRY MANAGEMENT, WHILE ALSO ACHIEVING HIGHER AVERAGE TEA PRICES AND EXPANDING SOCIAL WELFARE INITIATIVES.

Kotagala Plantations' up country estates are located in the heart of the Dimbula tea planting district situated in the Talawakelle /Patana sub-district, namely Derryclare, Bogahawatte, Kelliewatte, Mount Vernon, CraigieLea, Stony cliff, Drayton, Mayfield, Chrystlers Farm, and Yuillefield with a total extent of 3,987.22 hectares. Nine out of ten estates have a tea factory within the estate.

During the financial year 2022/23, the country's plantation sector had to absorb the full brunt of multiple waves of external challenges. Starting with the abrupt unavailability of fertilizer, which is a non-negotiable for agribusinesses, followed by fuel and electricity shortages, the country's plantations then had to cope with repeated price hikes of fuel, electricity, interest rates, taxes and also fertilizer. Next came the mass exodus of estate labour trying to escape the inescapable cost of living. The continuing labour outmigration remains a major day-to-day operational challenge for plantations.

The Operations Review will explain how Kotagala Plantations' upcountry estates performed against this backdrop during the 12 months of the financial year 2022/23.

TEA PRODUCTION (UP COUNTRY)

Kotagala Plantations' 10 upcountry estates are dedicated towards tea cultivation. Its revenue extent is 2,315.70 hectares, out of which, 92% of the extent is Vegetatively Propagated Tea (VP) comprising cultivars of the TRI 2000, 3000 and 4000 series covering 48% of the extent, with other cultivars, such as Kirkoswald 145, Diyagama N, and our own Drayton 1, covering 42% of the extent. The potential of the estate's ranges from 2,000 to 2,300 kgs of made tea per hectare, per annum.

Due to shortages in fertilizer and unfavourable weather conditions, total made tea production by Kotagala Plantations' high grown estates declined by 27% year on year to 2.7 Mn Kgs during the year. Although our requirement of fertilizer was 2,170 MT for the season due to the unavailability, we were able to purchase only 1,600 MT and that too was at exorbitant prices towards the season end. When limited volumes of fertilizer and agrochemicals became available, fertilizer prices increased at an exorbitant rate of over 300% reflecting the supply demand gap in the market. Nevertheless, Kotagala Plantations continued to invest in fertilizing spending a colossal amount of Rs. 492 Mn.

Some of our Vegetatively Propagated (VP) tea extents are aging, being over 50 years old. An extent of 1,113 hectares, which is 50% of the total extent, is over 40 years old, while 555 hectares, which is 25% of the total extent, is over 50 years old. Such extents enter a natural phase of declining productivity. Therefore, a planned program of replanting of these aging tea extents was initiated, to maintain the production levels. As a soil conservation measure and to improve the soil conditions, forking and draining of all pruned fields were undertaken as per the Company policy covering an extent of 540 Hectares.

Upcountry tea estates experienced a significant rise in labour outmigration during the year.

Our total work force was only 2,745 workers, with a land to labour ratio of 1.2 workers per hectare, as against the requirement of 5,500 workers, which is the industry norm at 2.5 workers per hectare.

However, investments into mechanisation and digitisation of previously manual processes made it possible to continue operations with a core cadre, even under sudden labour shortages. For instance, almost 20% of Kotagala Plantations' upcountry tea harvesting is now mechanised with over 250 harvesting machines being deployed, as opposed to manual plucking, and plans are ahead to expand the mechanised operations. Apart from harvesting, the pruning operation is fully mechanised and we have undertaken trials successfully on drone spraying of foliar nutrients and fungicides, of which, operations will commence in the near future.

The processing facilities at Kotagala up country comprises one CTC factory with a capacity of 25,000 kgs of green leaf per day, five rotorvane tea manufacturing factories with 85,000 kgs of green leaf per day and two orthodox tea manufacturing factories with 18,000 kgs of green leaf per day. The availability of diverse processing systems gives us a competitive edge to capitalise on market changes.

On a positive note, Kotagala's gross sales average improved by 121% year on year to Rs. 1,317.86 per kg. The gross sales average for orthodox leafy teas, improved by 146% with a production volume of 395,000 kgs, while the gross sales average of rotorvane teas improved by 101% with a production volume of over 2 Mn kgs.

The off-grade tea production facility contributed an additional 139,000 kgs of manufactured off grade tea, which added to the total output. The impressive 121% increase in the average tea prices commanded by Kotagala Plantations, helped to boost the performance.

Kotagala Plantations' off-grade tea processing facility at Kelliewatte Factory, which is licensed by the Sri Lanka Tea Board, began operations in March 2022, by obtaining off-grade tea from all Kotagala Plantations' tea factories, to extract maximum black tea particles. This venture takes advantage of the demand for off-grade tea, and the improved prices for Absolute Refuse (BMF) by instant tea factories. This is also an environmentally sustainable venture, which significantly reduces tea waste from our factories. We have also replaced our fuel fired furnaces with hot water generators, that use fuel wood.

The modernisation programme at all Kotagala tea factories, to improve the quality and consistency of made tea, was continued despite import restrictions and cost increases. The benefits of this project will materialise in the form of improved prices for Kotagala tea, in the future.

Keeping in line with the potential, we forecast a production of 4.3 Mn kgs from upcountry tea estates in the next financial year.

FORESTRY/TIMBER

Commercial timber cultivations are maintained in upcountry estates and new planting and replanting was continued according to our 5-year forestry management plan. Although timber harvesting was not undertaken for a few years, plans are ahead to harvest timber from the following year, from which we expect a revenue of Rs. 360 Mn. We have also established new areas under permanent forest to conserve the natural forest cover.

SOCIAL WELFARE ACTIVITIES

Re roofing of workers' quarters have been undertaken and Child Development Centres have been renovated and a morning meal and a mid-day meal is being provided to all children

ENGAGING WITH WORKERS

Plans are ahead to establish productivity committees in all estates where the workers will get an opportunity to contribute and be partners in making important decisions in terms of productivity. Productivity committees will be a valuable tool to enhance operational efficiency and effectiveness. By identifying inefficiencies, developing strategies, implementing initiatives and fostering a culture of continuous improvement, these committees can drive positive change and help achieve a higher level of productivity and success.

APPRECIATIONS

We thank the Chairman and the Managing Director and the rest of the management team for their support and guidance during this difficult year. We would also like to thank all our teams for their continued commitment and hard work towards making the year a success.

Channa De Costa
Chief Executive Officer - Up Country

Kotagala Plantations PLC

22nd August 2023

OPERATIONS REVIEW BY THE CEOS

CEO's review - Low Country

WE ARE IN THE PROCESS OF OBTAINING THE FOREST STEWARDSHIP COUNCIL CERTIFICATION TO OUR PADUKKA ESTATE RUBBER FACTORY AND THE PLANTATIONS.

Kotagala Plantations has 11 estates in the low country with a total cultivated extent of 3,282.46 hectares, consisting of rubber, oil palm & tea. The details of the mature and immature extents of each crop are as follows.

	Mature	Immature	Total
Rubber - Hect:	2,124.33	433.20	2,557.53
Oil Palm - Hect:	525.88	-	525.88
Tea - Hect:	180.95	18.10	199.05
Total	2,831.16	451.30	3,282.46

There are also eight rubber processing centres including the Padukka estate sole crepe factory, five pale crepe Rubber Factories in Arapolakanda, Dalkeith, Paiyagala, Sorana & Rayigam estates. Kotagala also has two RSS factories in Geekiyanakande and Uskvalley estates.

The Padukka sole crepe factory has a capacity to manufacture 400,000 kgs of sole crepe per annum. The natural rubber sole crepe manufactured at Padukka factory is mainly for shoe soles for world renowned brands of shoes fetching a high premium.

FOREST STEWARDSHIP COUNCIL –

Sri Lanka is the only country in the world producing sole crepe. The demand for sole crepe is much greater with the Forest Stewardship Council – (FSC) certification. We are in the process of obtaining the (FSC) certification to our Padukka estate rubber factory and the plantations. The plan is to divert latex from Eduragala, Rayigam and Sorana estates to the Padukka sole crepe Factory. Five of the eleven rubber estates will be certified.

RUBBER & ALLIED PRODUCTS (COLOMBO) LTD: - (CENTRIFUGE LATEX FACTORY)

Kotagala also has a facility in Paiyagala Estate for the manufacture of centrifuge latex under 'Rubber & Allied Products (Colombo) Limited, a fully owned subsidiary of Kotagala Plantations.

This plant has a capacity of producing one million kilos of centrifuged latex per annum. We plan to increase production by way of collecting bought latex.

WEATHER –

During the season under review, harvesting rubber was severely hampered due to adverse weather conditions.

The average annual rainfall for many years has been approximately 4,250 mm, but the rainfall recorded last year was 6,215 mm with 215 wet days, compared to 6,131 mm. rainfall and 205 wet days recorded in the previous year. There is a definite change in the weather patterns due to Global warming etc. and these areas are now becoming unsuitable for rubber, with many tapping days being lost due to rain. These areas are ideal for oil palm with the high rainfall experienced at present. Rainfall & wet days of previous seasons are indicated below.

Season	Rainfall mm.	Wet Days
2020/2021	4,273.00	163
2021/2022	6,131.00	205
2022/2023	6,215.00	215

In addition, the rubber was affected with 'Pesta' leaf disease during the period under review. This too, is due to the continuous wet weather conditions. Most of the rubber fields were affected by pesta leaf disease with continuous leaf fall during the year, and there has been a drastic drop in yield. The annual crop deficit due to this leaf disease is around 30%.

Due to these climatic issues, the rubber crop harvested was only 1,167,316 kgs at an average yield of 549 kgs/hectare compared to 571 kgs/hectare harvested the previous year. The decrease in rubber crop is due to high rainfall with a greater number of wet days compared to previous seasons, as indicated above. Further, we had to face many other issues with the non-availability of fertilizer and chemicals and fuel, due to the economic crisis.

WE ARE PLANNING TO INCREASE REPLANTING OF TEA IN THE LOW COUNTRY ESTATES ALONG WITH THE EXISTING EXTENT OF 181 HECTARES.

WE INTEND TO REPLANT 1,000 HECTARES OF RUBBER WITHIN THE NEXT FIVE YEARS TO INCREASE ANNUAL PRODUCTION.

The rubber prices increased due to supply and demand but was not sufficient to compensate for the loss of crop and the increase in the cost of production.

The Prices recorded are as follows:

	2021/2022 Rs.	2022/2023 Rs.
Sole Crepe	857	1,262

	2021/2022	2022/2023
Latex/ Crepe	632/43	881/40

OIL PALM

The cultivated extent under oil palm in the Kotagala Plantations', Low Country region during the period under review was 525.88 hectares with 337.04 hectares in bearing.

The crop harvested has been 3,724,870 kgs. of Fresh Fruit Bunches (FFB) at an average yield of 11,000 kgs per hectare. However, this is a drop of 12% compared to the crop harvested the previous season. The drop has been mainly due to non-availability of fertilizer and chemicals. Application of fertilizer is essential to harvest the potential of oil palm. The price of oil palm fertilizer too, has increased to Rs.220,000/- per metric ton.

TEA

Kotagala low country also has three tea factories at Rayigam, Gikiyanakanda and Vogan estates with a production capacity of 1.3 million kilos of made tea per annum, which can accommodate 20,000 kilos of green leaf per day.

To meet the above target, we are planning to increase replanting of tea in the low country estates along with the existing extent of 181 hectares. With the increased rainfall over the past few years, we find that there are many areas which will be ideal for tea. This will also help to meet the requirement of 20,000 kilos of green leaf per day, for the tea factories to operate to full capacity. In the interim, we expect to increase bought leaf volumes from small holders.

FUTURE REPLANTING PROGRAMME

Rubber – We intend to replant 1,000 hectares within the next five years in order to have an annual production of 3.5 million to 4 million, kilos since we already have the processing facilities.

Oil Palm - Considering the weather pattern with high rainfall, and the availability of most suitable land, our plan is to plant an additional 1,500 hectares to increase the extent of oil palm to 2,000 hectares.

HUMAN RESOURCES AND WELFARE

We have commenced many welfare programmes to improve attendance, since we experience a severe shortage of workers. We have already made arrangements to give rations as a gift pack in order to motivate our employees to report to work regularly.

APPRECIATIONS

We would like to express our gratitude to the Chairman, the Managing Director, and the entire management team for their invaluable support and guidance throughout this challenging year. Additionally, we extend our heartfelt appreciation to all our teams for their unwavering commitment and diligent efforts, which contributed to the success of the year.

Udara Premathilake
Chief Executive Officer - Low Country

Kotagala Plantations PLC

22nd August 2023

BOARD OF DIRECTORS

Standing from left to right

M. KOWDU K. MOHIDEEN,
S.S. POHOLIYADDE,
P.M.A. SIRIMANE,
G.K.B. DASANAYAKA

Seated from left to right

C. P. R. PERERA,
S. D. R. ARUDPRAGASAM,
A. M. DE S. JAYARATNE,
ANUSHMAN RAJARATNAM *(Absent)*

S. D. R. ARUDPRAGASAM – CHAIRMAN

Non- Executive

Mr. S. D. R. Arudpragasam joined the Board of Kotagala Plantations PLC in 1996 and was appointed Chairman in May, 2013. Mr. S. D. R. Arudpragasam whilst being associated with The Colombo Fort Land & Building Group of companies since 1982 and having served on the Board of The Colombo Fort Land & Building PLC (CFLB) since the year 2000 and as Deputy Chairman from 2011 was appointed Chairman CFLB with effect from 1st July 2022. He also serves as Chairman of several subsidiaries of CFLB and holds the position of Chairman, Lankem Ceylon PLC and Chairman/Managing Director of E.B. Creasy & Company PLC in addition to holding other Directorships within the CFLB Group.

Mr. S.D.R. Arudpragasam is a Fellow of the Chartered Institute of Management Accountants (U.K.)

C. P. R. PERERA - DEPUTY CHAIRMAN

Independent Non- Executive

Mr. C.P.R. Perera joined the Board of Kotagala Plantations PLC in 1996 and was appointed Deputy Chairman in May, 2013. He was appointed Deputy Chairman of The Colombo Fort Land & Building PLC (CFLB) on 1st July 2022 and also serves on the Boards of several subsidiary companies of the CFLB Group. He also holds directorships in other private and public companies. He retired as Chairman of Forbes & Walker Ltd and its subsidiary companies in June 2005 after almost 44 years of service. He is also a past Chairman of the Sri Lanka Tea Board, Sri Lanka Insurance Corporation, PERC and Bank of Ceylon.

Mr. Perera having held the Office of Chairman of Ceylon Tea Brokers PLC until 1st April 2022 continues to serve as a Non-Executive Director of the said Company. Mr. Perera has served as a Committee Member of the Ceylon Chamber of Commerce, The Planters Association of Ceylon, and on the Committee of Management of the Ceylon Planters Provident Society.

BOARD OF DIRECTORS

S. S. POHOLIYADDE

Executive Director

Mr S.S. Poholiyadde joined the Board in 2018 and continue to hold the position of Managing Director, Lankem Tea & Rubber (Pvt) Ltd, managing agents of Kotagala Plantations PLC and Agarapatana Plantations Ltd.

Mr. Poholiyadde is the former Managing Director of the Plantations Sector and Head of Group Human Resources of the Richard Pieris Group. He was also the former CEO/Executive Director of Kegalle Plantations PLC, Namunukula Plantations PLC, Maskeliya Plantations PLC, Executive Director of AEN Palm Oil Processing (Pvt) Ltd & Eastern Brokers (Pvt) Ltd.

He has been a former Chairman of the Planters' Association of Ceylon, former Chairman of the Colombo Rubber Traders' Association and has served as Chairman of the Plantation Services Group of the Employers Federation of Ceylon. He was also a member of the Board of Directors of the Sri Lanka Tea Board and the Rubber Research Board. He has also served as a Council Member of the Ceylon Chamber of Commerce and in the Executive Committee of the Sri Lanka Society of Rubber industry.

Mr. Sunil Poholiyadde is a Fellow of the National Institute of Plantation Management and has over four decades of experience in the Plantations Industry.

A. M. DE S. JAYARATNE

Independent Non- Executive Director

Mr. A. M. de S. Jayaratne was appointed to the Board of Kotagala Plantations PLC in December 2012.

He is a former Chairman of Forbes & Walker Ltd, Colombo Stock Exchange, Ceylon Chamber of Commerce and The Finance Commission. He also served as Sri Lanka's High Commissioner in Singapore. Mr. Jayaratne is a Director of several listed and unlisted companies.

Mr. A. M. de S. Jayaratne holds a Bachelor of Science degree in Economics and is a Fellow of the Institute of Chartered Accountants of England and Wales and of Sri Lanka.

ANUSHMAN RAJARATNAM

Non- Executive Director

Mr. Anushman Rajaratnam was appointed to the Board on 1st October 2019. He is at present the Group Managing Director of The Colombo Fort Land and Building PLC (CFLB). In addition, he serves on the Boards of several Subsidiary Companies of the CFLB Group. Prior to joining the CFLB Group, he worked overseas for a leading global Accountancy Firm.

Mr. Anushman Rajaratnam holds a Bachelor of Science degree in Economics from the University of Surrey, UK, and MBA from the Massachusetts Institute of Technology, USA.

P. M. A. SIRIMANE

Independent Non – Executive Director

Mr. P.M.A. Sirimane was appointed to the Board of Kotagala Plantations PLC on 20th September 2022.

He serves on the Board of The Colombo Fort Land & Building PLC (CFLB) and also serves on the Boards of several subsidiary companies in the CFLB Group. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Ltd., Group Finance Director of United Tractor & Equipment Ltd., Chief Finance Officer of Sri Lanka Telecom Ltd., and Director of SLT Hong Kong Ltd. He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was an ex-officio member of the International Leasing Association.

Mr. P.M.A. Sirimane is a Fellow of the Institute of Chartered Accountants of Sri Lanka and also holds a Master's in Business Administration from the University of Swinburne, Victoria, Australia.

G. K. B. DASANAYAKA

Independent Non – Executive Director

Mr. G.K.B. Dasanayaka was appointed to the Board of Kotagala Plantations PLC on 20th September 2022.

Mr. Dasanayaka is an Attorney-at-Law by profession. After a brief period at the unofficial Bar, he joined the Employers Federation of Ceylon (EFC) in 1979 and was Director General/CEO of the EFC from 2000 - 2006. His areas of work and expertise involved representing employers at International and National Level on Labour and related social issues, Employment Law, Employee Relations and Training & Development of Human Resources. He is an Honourary Life Member of the Chartered Institute of Personnel Management (Sri Lanka). Mr. Dasanayaka worked with the International Labour Organisation (ILO) as a Senior Professional Specialist (Employer's activity) for the South Asian Region from 2007 to 2015. Since leaving the ILO, he offers consultancy services in employment related subjects.

M. KOWDU K. MOHIDEEN

Executive Director

Mr. Kowdu Mohideen was appointed to the Board of Kotagala Plantations PLC on 20th September 2022.

He commenced his career at M/s Ernst & Young, Sri Lanka and later moved to various Commercial Sectors both locally and overseas.

He possesses a wide exposure in the areas of Plantation Industry, Hyper Market Operations, Fast Food Industry, Investment & Finance and Manufacturing spanning over 25 years in local and overseas companies during which period he has held several senior positions in Finance and Management including the position of Director, Finance & IT in a local Company and has also served as Managing Director in a Super Market operation overseas.

Having extensive experience in the field of Finance, Mr. Kowdu Mohideen joined the Lankem Plantations Group in the year 2012 as General Manager- Finance. He currently holds the position of Director Finance and heads the Financial Management Unit of the Plantations Sector which comprises of several Companies including two Regional Plantation Companies.

Mr. Kowdu Mohideen is a Fellow of the Institute of Chartered Accountants of Sri Lanka and The Chartered Institute of Management Accountants (UK).

Drayton Estate

MANAGING OUR CAPITALS

Futuristic vision

All cells have a life cycle powered by visionary direction, to ensure continuity and advancement and so we too are visionary leaders focused on transforming our business landscape into an unprecedented high-tech future of excellence.

OPERATING ENVIRONMENT

THREATS AND OPPORTUNITIES

External developments during the 12 months of the financial year 2022/23, exposed Kotagala Plantations to a range of unexpected and unavoidable new threats that had direct negative impacts on the Company's financial performance. However, Kotagala Plantations was also able to capitalise on the opportunities that emerged as a result of global commodity market changes, which contributed positively towards the bottom-line. Please refer the financial capital chapter for details on our financial performance.

Major threats

- Unfavourable weather
- Unstable commodity markets
- Import restrictions
- Foreign exchange shortages
- Fertilizer and agrochemical shortages
- Fertilizer price increase
- Labour outmigration
- Rapid interest rate increases
- Tax increases
- Increase of fuel & oil prices
- Electricity price increase

Opportunities

- Impact on commodity markets due to rupee depreciation
- Diversified Product Portfolio
- Ability to change mechanisation types for both tea and rubber
- Availability of tea from different agroclimatic areas
- High Yielding Tea (More VP Extent)
- Savings from mechanisation and automation

MAJOR THREATS FACED BY KOTAGALA PLANTATIONS

Tax increases

The corporate tax on the non agriculture sector increased from 14% to 30% during the year. The tax increase had a direct unfavourable impact on Kotagala Plantations' P&L due to the unforeseen deferred tax impact, which eroded the Company's operational performance.

	2021/22 Rs. `000	**2022/23 Rs. `000**	% change Rs. `000
Income tax -Recognised in the Profit or Loss	83,937	(533,638)	(736%)
Income Tax - Recognised in the other comprehensive income	(30,494)	(161,334)	(429%)
Income tax – Total	53,443	(694,972)	(1,400%)

Fertilizer price increases

Although import restrictions on fertilizer were lifted, the shortage in foreign exchange, rupee depreciation and delays in placing orders to import fertilizer, prolonged the shortages and caused prices to increase exponentially. This had a direct and detrimental impact on the cost of production. Despite the exorbitant prices of fertilizer and replanting costs, Kotagala has continued to invest in nurturing and maintaining its crops.

	2022	**2023**	% change
Fertilizer prices Rs / MT	29,250	384,489	1,214%

Unfavourable weather

The country experienced unfavourable weather patterns for much of 2022, which caused lower yields and impacted the quality of agricultural crop. Rubber crop in particular declined due to excessive rain.

Labour outmigration

The plantation sector experienced a rapid rise in labour outmigration during 2022-23, as many estate youth as well as staff left the sector in search on foreign employment and other employments, in response the escalating cost of living.

Kotagala Plantations labour force 31st March 2005 Vs 31st March 2023

Labour force	31st March 2005	31st March 2023	% change
Total plantation workers	13,086	4,977	62%
Total employees (including management, staff and plantation workers)	748	476	36%

FUEL, FIREWOOD AND ELECTRICITY PRICE INCREASES

The increases in fuel, Firewood & electricity prices during the year added to the cost of production.

Kotagala Plantations power cost 2021/22 Vs 2022/23

Financial Year	2022	2023	% change
Power Cost Rs. Mn.	71.7	108.3	51%

Interest rate increases

	2021/22	2022/23	% change
Interest Rate AWPLR (12 Months Average for the year) %	7.09%	24.04%	239%
Company Finance Expenses Rs.000	318,589	409,496	29%

Opportunities reaped by Kotagala Plantations

During the year, the significant opportunities that emerged were the world market price increases of tea and rubber. The rupee depreciation against major international currencies also contributed to the price increase within the country.

A key contributor was Kotagala Plantation's capability to manufacture all three types of tea – rotorvane, orthodox and CTC tea - which made it possible to capitalise on market demand and prices for different types of tea.

Due to import restrictions on oil imports, the price of oil palm fresh fruits also increased.

Commodity type	2021/22	2022/23	% change
Average tea price Rs/kg	558	1,266	127%
Average rubber price Rs/kg	603	726	20%
Average oil palm price Rs/kg	82	106	29%

FINANCIAL CAPITAL

Investing in our future with strategic financial planning

Kotagala Plantations strengthens financial capital, improves management structure, and continues mechanisation of tea estates for cost savings and productivity gains.

Strengthening our financial capital

Kotagala Plantations' financial capital consists of only the two components of debt and equity. Despite the extremely volatile macro environment that prevailed during the financial year 2022/23, the Company's financial capital base was strengthened by rebalancing our debt structures and through changes to management structure.

The debt restructuring and reduction places Kotagala Plantations on a stronger footing to face emerging risk elements in the prevailing unpredictable environment, and also provides for greater resilience and stability for the Company's future.

In addition, the changes to management structure, which includes the appointment of a dedicated Director Finance and recruitments of dedicated CEO's to overlook the management of the Company's upcountry and low country estates separately, the Company envisage significantly improved both financial management and operational efficiencies.

MECHANISATION

Kotagala Plantations has continued mechanising its tea estates, which is now starting to demonstrate financial benefits in the form of cost savings and quality and productivity gains.

Mechanized harvesting requires only around 30% of the workforce needed for hand/shear plucking. Thereby, the existing cadre of hand-pluckers could be efficiently and gainfully utilised in manageable extents, ensuring a minimum of 4 plucking rounds per month, where most estates are able to complete only around 2 – 3 rounds or less. Overall crop increases by timely harvesting is substantial, whilst green leaf standards will improve, positively impacting the finished product. Male workers, presently engaged unproductively in hand-plucking, can be re-deployed for sundry work.

So far, around Rs 45 Mn has been spent on the procurement of machines for mechanised harvesting at Kotagala tea estates. The results have been encouraging with substantial savings of over Rs 100 - Rs 140 per kilo of made tea on estates where mechanised harvesting is well established. It is proposed to expand the tea extent in the Horana region, considering the attractive profit realised per hectare from tea, and the availability of under-utilised processing centres.

All new planting of tea will be designed to accommodate wheeled harvesting, depending on the terrain, to increase the efficiency of machine harvesting.

Kotagala Plantations' financial capital base 2021/22 vs 2022/23

Capital type – Company	2021/22	2022/23	% change
Total equity Rs Mn	1,635	1,816	11%
Total debt Rs Mn	1,557	1,715	10%

Capital type – Group	2021/22	2022/23	% change
Total equity Rs Mn	1,603	1,800	12%
Total debt Rs Mn	1,557	1,715	10%

Company	2021/22	2022/23	% change
Earnings per share (EPS)	0.56	0.70	25%
Interest coverage (Times)	1.33	3.03	128%
Return on Assets (ROA)	0.02	0.03	50%
Return on Equity (ROE)	0.12	0.13	8%
Gearing ratio (debt/equity)	0.95	0.94	(1%)
Current ratio	0.23	0.49	113%

Group	2021/22	2022/23	% change
Earnings per share (EPS)	0.29	0.75	159%
Interest coverage (Times)	1.05	3.07	192%
Return on Assets (ROA)	0.01	0.03	200%
Return on Equity (ROE)	0.06	0.14	133%
Gearing ratio (debt/equity)	0.97	0.95	(2%)
Current ratio	0.23	0.49	113%

Revenue

Kotagala Plantations recorded a robust growth in revenues year on year, mainly due to higher incomes from tea, rubber and oil palm fruits.

Revenue	2021/22	2022/23	% change
Company Revenue Rs Mn	3,472	4,946	42%
Group Revenue Rs Mn	3,496	5,019	43%

Segmental revenue

Due to shortages of fertilizer and unfavourable weather, yields of all three major crops of Kotagala Plantations' declined during the year. However, revenues from all three crops increased substantially, resulting in growth in segmental revenues.

FINANCIAL CAPITAL

Tea remained the largest contributor to overall revenue accounting for 75% of total revenue.

Revenue source – Rs. Mn Company	2021/22	2022/23	% change	Contribution to total revenue 2022/23 (%)
Tea	2,389	3,707	55%	75%
Rubber	775	844	9%	17%
Oil palm	308	394	28%	8%
Total	3,472	4,946	42%	100%

Gross Profit

Despite the escalating costs, Kotagala Plantations achieved a 243% growth in gross profits year on year, reaching Rs 1,264Mn. The gross profit margin increased from 11% to 26%.

Gross Profit	2021/22	2022/23	% change
Company - Rs. Mn	368	1,264	243%
Group - Rs. Mn	376	1,281	241%

Profit from Operations

Kotagala Plantations recorded an excellent year on year growth of 640% in profit before tax, which came to Rs 770Mn for the year.

The primary factors contributing to the profitability growth in the current financial year was higher commodity prices in the international market coupled with increase in tea auction prices as a result of the significant depreciation of the Sri Lankan rupee against the USD.. However we were able to fetch the opportunity of the market price increase due to good agricultural practices that enabled high quality outputs that could command good prices.

The Company has also invested in cost containment and efficiency improvement measures including mechanisation and digitisation that have contributed towards better cost management. Please refer the Manufactured Capital chapter for details.

Profit before tax	2021/22	2022/23	% change
Company – Rs. Mn	104	770	640%
Group – Rs. Mn	14	786	5,309%

Tax Expenses

Tax expenses increased by 736% year on year to Rs.534Mn due to changes in the corporate tax structure. The increased tax expenses caused the Company's bottom line to decline.

However, the major tax impact resulted from the deferred tax component. Weighted Average tax rate used to calculate the deferred tax increased to 30% from 10.5% as at 31st March 2022. Deferred tax is provided using the future liability method, based on prudency 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 certified on 19 December, 2022. The deferred tax liability is calculated at the effective tax rate of 30% (31st March 2022 -10.5%) for the company as at 31st March 2023. This change in the corporate tax rate from 10.5 % to 30 % has resulted in a provision of Rs. 695Mn related to the re-measurement of deferred tax liability of the company.

This caused Kotagala Plantations' bottom line to reduce significantly during the current financial year, despite year on year gains in the operational and pre-tax positions.

Company	2021/22	2022/23	% change
Income tax -Recognised in the Profit or Loss Rs'000	83,937	(533,638)	(736%)
Income Tax- Recognised in the other comprehensive income - Rs'000	(30,494)	(161,334)	(429%)
Income tax – Total Rs'000	53,443	(694,972)	(1,400%)

Group	2021/22	2022/23	% change
Income tax -Recognised in the Profit or Loss Rs'000	83,937	(533,638)	(736%)
Income Tax- Recognised in the other comprehensive income - Rs'000	(30,494)	(161,334)	(429%)
Income tax – Total Rs'000	53,443	(694,972)	(1,400%)

Company / Group	2021/22	2022/23	% change
Income Tax for the year	(7,664)	-	-
Deferred Tax for the year	61,107	(694,972)	1,037%
	53,443	(694,972)	(1,400%)

Profit for the year

The Profit Before Tax increased by 640% to Rs 770Mn However, due to the deffered tax provisioning the after tax profit came to Rs 237Mn which is still an increase of 26 % year on year.

Company	2021/22	2022/23	% change
Profit before tax Rs Mn	104	770	640%
Profit after tax Rs Mn	188	237	26%

Group	2021/22	2022/23	% change
Profit before tax Rs Mn	14	786	5,309%
Profit after tax Rs Mn	98	253	158%

FINANCIAL CAPITAL

FINANCIAL POSITION

Assets

Kotagala Plantations' total assets grew by 4% to Rs 8,295Mn during the year. This growth was primarily due to increase in inventories by Rs.217Mn. This increase was negated to an extent by the disposal of the unit trust asset amounting to Rs.221Mn reflected under Fair value through OCI investments.

Cash Flow

Prudent cash flow management was a key financial priority during the year in response to the unpredictable external environment and rapidly changing economic indicators.

However, we continued to allocate funds for routine capital investments such as replanting tea and rubber, funds could not be allocated for Oil Palm mainly due to the government restriction on replanting of oil palm.

Company	2021/22	2022/23	Increase/ Decrease- Rs. Mn	% Change
Net cash from/(used in) operating activities	(340)	508	848	249%
Net Cash used in Investing Activities Rs. Mn	(131)	(189)	57	44%
Net Cash from/(used in) Financing Activities Rs. Mn	484	223	(261)	(54%)

Group	2021/22	2022/23	Increase/ Decrease- Rs. Mn	% Change
Net cash from/(used in) operating activities	(371)	515	886	239%
Net Cash used in Investing Activities Rs. Mn	(101)	(189)	88	87%
Net Cash from/(used in) Financing Activities Rs. Mn	484	223	(261)	(54%)

OUTLOOK AND PLANS

The global outlook remains unpredictable with demand for tea and rubber subject to diverse external factors including rising competition. According to World Bank's Commodity Markets Outlook report of April 2023, commodity prices are expected to fall by 21% in 2023 and remain mostly stable in 2024. The expected decline in prices for 2023 represents the sharpest drop since the pandemic.

With regard to tea, the report notes that slowing demand in key tea consumption regions, especially in Central Asia, due to the war in Ukraine, is expected to continue throughout 2023, causing prices to be around 11% lower in 2023 compared to 2022. Prices for agricultural raw materials, which include timber, and rubber, is expected to decline by about 6% in 2023, reflecting sluggish global industrial demand growth, and rebound by 2% in 2024 as China's demand picks up.

However, we are optimistic of an improved performance in the new financial year, as in the case of the year under review. As an industry that has survived for 150 years, the sector is extremely resilient and there is growing global demand for tea in the ready to drink form, in the emerging US market. Sri Lanka may also benefit from uncertainties in global supply and demand, including improved rubber prices due to crude oil price increases. Kotagala Plantations, also has ideal land conditions for oil palm cultivation and is ready to expand in this direction.

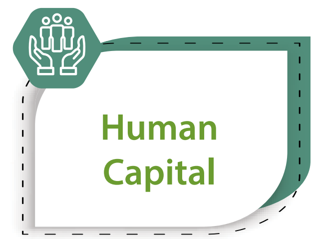
Our good agricultural practices have prepared the ground for sustained productivity, while our diversification strategy and our focus on debt management will rebalance the risk portfolio and enhance the Company's resilience against future shocks. We are also looking into diversifying into tourism services in the future, to take advantage of the revival of tourism.

We will also continue to allocate financial resources to introduce technologies and systems to enhance efficiency and productivity, while also investing in training and development and conforming to international quality and accreditation standards.

HUMAN CAPITAL

Nurturing talent through continuous learning and development

At Kotagala Plantations, we understand that our employees are the backbone of our business. They are the ones who ensure that our estates remain productive and sustainable year after year. That's why we view human resources as a vital component of our business model and overall sustainability. We believe that investing in our human capital not only benefits our employees but also ensures the long-term success of our company



Strengthening our human capital

As a plantation company, human resources remain a vital component of the Company's business model and sustainability. While the Company has been mechanising its manual field and manufacturing processes, employees continue to represent the largest component in the cost of production. During the current financial year, the Company experienced high levels of labour outmigration as many employees decided to migrate abroad, or change employments due to various reasons.

However, Kotagala Plantations has continued to develop its human capital base by fostering a performance culture of equal opportunities. In order to attract new talent and retain our labour force the Company also offers many benefits and rewards to our employees. In addition, the Company conducts many social welfare and community development activities at great expense, for families of estate workers that live in our estates. Please refer the Social Capital chapter in this report for details on our community services.

TRAINING ON MECHANISATION, AUTOMATION AND MODERNISATION

Mechanisation is a sensitive matter and needs to be expanded gradually and systematically to address fears of job losses. Kotagala Plantations introduced machine tea harvesting in mid-2019, against much opposition, not only from within the Company but from the industry in general.

However, training programmes at all levels of the hierarchy, from estate management to the workers, were introduced, initially for Assistant Managers, and then to other levels of employees. In addition, several training sessions were conducted, with assistance from TRI training staff.

In 2022, the TRI conducted an appraisal on 3 estates in the Kotagala region, namely Mayfield, Drayton and Craigie Lea, and after around 6 months of observation, issued a recommendation for machine harvesting. It is noteworthy that in addition to productivity gains, machine harvesting has also directly benefited employees through higher income opportunities and improved social status.

In addition to mechanised harvesting, Kotagala has experimented with the use of drones for foliar application of nutrients as well as fungicides for the control of Blister Blight. The plan is to automate estates operations as far as possible.

Factories are also being automated, to enhance quality, reduce processing manpower and utilise them for important agricultural work. Employee training is an ongoing and essential component to ensure the success of these plans.

HR POLICY

Kotagala Plantations PLC is an equal opportunity employer and provides equal employment, training and career growth opportunities for all employees regardless of race, gender or age.

Formal, Board approved, policies and processes that comply with applicable laws and industry best practices, have been deployed with regards to all key human resource management aspects such as recruitment, termination, industrial relations, grievance management, performance assessments and training and development.

Anti-child labour and forced labour policy :

Kotagala Plantations PLC is fully compliant with national laws and regulations preventing child labour and forced/ bonded labour. Although the Company has a large resident estate population, including children, in its estates, the Company does not use any form of child labour, or forced labour in any of its activities. The Company collaborated with the National Child Protection Authority and the Labour Department in preventing child abuse and to protect the rights of children in its estates.

On field training at Mayfield estate, Kotagala Plantations

1-man machine at Mayfield estate, Kotagala Plantations

2-man machine at Derryclare estate, Kotagala Plantations Average daily earning of a machine operator has exceeded Rs 2,000 during the cropping season, averaging well over Rs 1,000 over the season.

Female machine operators at Drayton estate, Kotagala Plantations.

Tea harvesting machines can be operated effectively by both genders. As machine operators, employment status will be enhanced and this could attract the younger generation back to estate employments.

Human Resources Profile

Kotagala Plantations has a total human capital base of 5,453 inclusive of its executive management, clerical and other staff and estate workers.

Employees by category

Employee category	Number of employees 2021/22	Number of employees 2022/23	% change
Executives	52	46	11%
Clerical, Technical & Other Staff	408	430	5%
Workers	5,276	4,977	6%
Total	5,736	5,453	5%

New recruitments and turnover 2022/23

The Company recruited 1,403 new employees during the year. However the attrition rate also increased.

		Recruitments	Resignations
Kotagala Up	Workers	193	672
	Staff	17	16
Kotagala Low	Workers	1,163	973
	Staff	25	39
Head Office		5	6
Total		1,403	1,706

		Workers	Clerical, Technical & Other Staff	Executives	Total
Region Wise	Kotagala	2,745	228	18	2,991
	Horana	2,232	194	17	2,443
	Head Office		8	11	19
Gender Wise	Male	2,122	321	39	2,482
	Female	2,855	109	7	2,971
Age Distribution	Below 30 Years	207	33	8	248
	30 - 45 Years	2,146	209	20	2,375
	Over 45 Years	2,624	188	18	2,830
Service Distribution	Below 5 Years	1,385	190	13	1,588
	5 - 15 Years	1,570	186	16	1,772
	Over 15 Years	2,022	54	17	2,093
Total		4,977	430	46	5,453

HUMAN CAPITAL

Industrial Relations

Kotagala Plantations is a signatory to the Plantation Industry Estate Staff Collective Agreement and 100% of the manual grade labour force is covered by the wages board ordinance. Unions and union members operating in our estates have the freedom of association and have access to the management to communicate any concerns or requests. The Company did not experience any serious industrial disputes during the Financial Year

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

Wages and benefits, the salaries and benefits of other employees are based primarily on the Shop and Office Employees Act of 1954, EPF Act, ETF Act and the Payment of Gratuity Act. Accordingly, the Company contributes 12% of an employees' basic salary to the Employees Provident Fund and a further 3% to the Employees Trust Fund as specified under the Act, and make provision for Gratuity Payments annually, for all employees who have been employed by the Company for over 60 months.

Benefits of employees

Type of benefits	Estate workers	Staff and Executives - (Estates and HO)
Medical insurance	No	Yes
Workmen Compensation	Yes	Yes
Maternity Benefits	Yes	Yes
Holiday Pay	Yes	No
Free name on statutory holidays for workers	Yes	No

GRIEVANCE MANAGEMENT

The purpose of this policy is to ensure that all employees have a fair and consistent process for reporting grievances and that these grievances are handled in a timely and effective manner.

This policy applies to all employees of the company.

- Employees who have a grievance related to their work should report it to their immediate supervisor. The grievance can be reported verbally or in writing.
- The immediate supervisor will investigate the grievance promptly and impartially, and all parties involved will be given an opportunity to provide their side of the story.
- The immediate supervisor will communicate the outcome of the investigation to the employee who reported the grievance. If appropriate, corrective action will be taken to address the issue and prevent it from recurring.
- Employees who report a grievance will not be subject to retaliation or adverse consequences as a result of making a report in good faith.
- All grievances and their resolutions will be documented in a centralised system. We will maintain confidentiality to the extent possible, except where disclosure is required by law.
- We will continuously review and evaluate the grievance management system to ensure that it is effective and meeting the needs of employees.
- Employees who are dissatisfied with the outcome of the grievance process may have the option to appeal to a higher-level manager or to an external dispute resolution process, such as mediation or arbitration.

We are committed to providing a respectful, safe, and fair workplace for all employees. We encourage employees to report any grievances they may have and to work with us to resolve these issues in a prompt and effective manner.

PERFORMANCE EVALUATION, REWARDS AND RECOGNITION

We encourage a performance based culture by recognising high performers and innovators. Performance appraisals are conducted annually. During the current financial year, performance evaluations were conducted for all monthly paid staff and executives.

OCCUPATIONAL HEALTH AND SAFETY

Kotagala Plantations has a formal health and safety system across all its operational locations including factories and estates, to safeguard all our employees. The system

"Where tea begins, a tribute to our dedicated work force"

conforms to industry best practices, the Factories Ordinance and in line with the guidelines provided for health and safety measures as stipulated in the ISO 9001:2015 , ISO 22000 & Rain Forest Alliance certifications.

- Personal Protective Equipment is provided to agrochemical sprayers free of charge.
- There is a dedicated bathing facility for chemical sprayers.
- Workers and Chemical Sprayers are provided regular, free medical checkups.

TRAINING AND DEVELOPMENT

Training on mechanisation, automation and digitisation has been given priority as a key component of the Company's strategy to enhance productivity and support growth. Kotagala Plantations provides training and development opportunities for all employee categories, including estate workers. Training events are organised based on an annual training calendar which is structured according to skill gaps identified during performance evaluations and the Company's strategic objectives.

Training programmes conducted during the year

	Training	Focused Group
1	TOT Training for Plucking	Managers
2	Plucking Operation training	Assistant Managers
3	Training on Machine Plucking	Machine Plucking operators
4	Training on Shear Plucking	Shear Pluckers
5	Training on Tea processing	Factory Staff
6	Training on Rain forest Alliance Standard	Executive, Staff, Workers
7	Training on Integrated Pests management	Workers and Staff
8	Training on safe handling of Agro chemicals storage and transporting	Storekeeper and Drivers
9	Productivity Committee training	Productivity Committee members
10	Celebrating Family programme training	100 Worker's family
11	Red Cross training on First Aid	Health & Safety Committee
12	Fire Drill training	Factory Workers and Staff
13	Training on usage of PPE	Chemical sprayers / Factory workers
14	Gender equity Committee training	Gender equity Committee members
15	Grievance Committee training	Grievance Committee members
16	Access and Address Committee training	Access and Address Committee members
17	M.O.G Programme training	Worker's families
18	Poultry and daily farming training	Beneficiaries
19	Conducting CEB Mobile service	Beneficiaries

EMPLOYEE ENGAGEMENT EVENTS DURING THE YEAR

Estate staff's participation in netball and cricket tournaments

MANUFACTURED CAPITAL

Investing in innovation and technology to enhance productivity.

Our primary assets are our cultivations, state-of-the-art factories and machinery that enable us to produce some of the world's finest tea , rubber and oil palm.

We are constantly striving to modernise our estates and factories to enhance production efficiencies and address labour shortages. We are proud to have introduced innovations such as machine plucking, pruning, and shear plucking in all our tea estates.-

Manufactured Capital

Strengthening our manufactured capital

Kotagala Plantations is a cultivator of mainly tea, rubber, oil palm and is also manufacturer of tea and rubber. Therefore, our primary manufactured asset base comprises, our biological assets which are our cultivations, and other assets, such as the manufactured products of tea, rubber and oil palm, as well as the physical assets of plant and machinery.

The Company's manufacturing base comprises 12 tea factories and 08 rubber factories. A significant market strength of Kotagala Plantations is that it is one of the few Sri Lankan companies with the manufacturing capabilities to produce all three types of tea - rotorvane, CTC and orthodox. Further we also have the capability of producing pale crepe, sole crepe and centrifuged latex.

Our factories are also equipped with effluent treatment plants that comply with national environmental regulations of waste water discharges. Wastewater filtering is conducted at all factories and greywater and sewage are not discharged into aquatic ecosystems.

OUR BIOLOGICAL ASSETS

Asset Type	Extent (Ha)	Net Carrying value Rs. '000 2021/22	**Net Carrying value Rs. '000 2022/23**	% Change
Tea Plantations	2,536.75	934,676	906,817	(3)
Rubber Plantations	2,557.53	1,771,770	1,846,176	4
Oil palm Plantations	525.88	415,580	387,191	(7)
Timber & Others Plantations	1,126.61	1,764,213	1,888,680	7

INVESTMENT IN BIOLOGICAL ASSETS 2021/22 VS 2022/23

During the year, we added value and maintained our biological assets, to ensure sustain productivity in the future. These investments are primarily good agricultural practices, replanting and fertilizing.

Type of activity	2021/22 Rs. '000	**2022/23 Rs. '000**	% Change
Good agricultural practices	346,435	500,037	44
Fertilizer	77,251	561,404	626
Tea replanting	2,531	4,715	86
Rubber replanting	45,187	102,169	126
Timber & other replanting	30,757	36,169	18

OTHER PHYSICAL ASSETS AT COST

Kotagala Plantations' physical assets (excluding biological assets) are essential to add value to our agricultural produce and are a core component of our value creation process.

During the current financial year, we invested in excess of Rs 80 Mn on maintenance and upgrading our physical assets including buildings, vehicles and plant and machinery.

Factories

Tea production	No of factories	Location	Capacity
Rotorvane tea factories	5	Nuwara Eliya	73,200
CTC tea factories	1	Nuwara Eliya	31,000
Orthodox tea factories	6	Nuwara Eliya/Kalutara	52,000
Rubber factories	8	Kalutara /Horana	16,300

Asset Type	2021/22 Rs. '000	2022/23 Rs. '000	% Change
Manufactured products inventory	168,612	295,698	75%
Buildings	1,152,155	1,152,937	0
Plant and Machinery	699,403	716,916	3%
Furniture & Fittings	9,798	9,798	0
Vehicles	246,056	248,106	1%
Other	194,909	210,621	8%

NEW TECHNOLOGIES

We are modernising our estates and factories to enhance production efficiencies and address labour shortages.

The Company is also in the process of procuring machinery for road maintenance, to ensure that the long-neglected road network is brought up to required standard.

Mechanising tea estates

Machine plucking, machine pruning and shear plucking have been implemented in all our tea Estates.

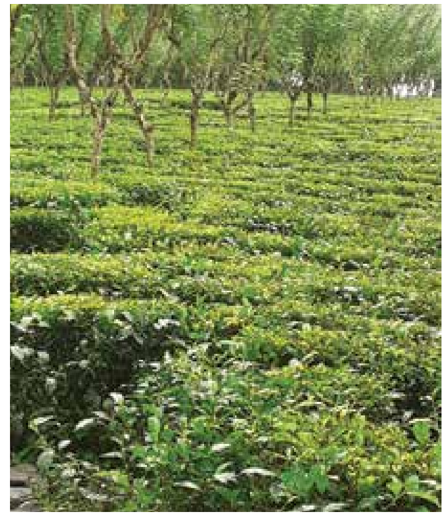
Currently, 386 hectares, 14% of the extent, are under machine harvesting, covering all estates in the Kotagala Region and two in Horana. The target in the short term is to expand to 30% of the extent. Considering current plucker availability, around 1,000 hectares, amounting to 44% of the extent, needs to be mechanised. At present 297 machines have been deployed with a view to reaching these targets. The Company uses the internationally renowned Ochiai tea harvesters which are manufactured in Japan.

Use of drones

In addition to mechanised harvesting, the Company has introduced drones for foliar application of nutrients as well as fungicides for the control of Blister Blight.

Factory automation

Factories are being automated to reduce processing manpower and utilise labour for important agricultural work. Spillage, especially in the rolling rooms, is a major problem in all of the factories, and it is planned to streamline the processing lines by using efficient hoppers and conveyors, aiming at zero tolerance towards spillage and to rehabilitate factory floors, keeping to modern techniques, and adhering to international food safety standards.



Machine harvested field at Rayigam estate

Machine harvested field at Gikiyanakanda estate

Other modernisation initiatives introduced during the year include:

- Introducing digital moisture tellers in the tea factories
- Conveyers have been fixed in rolling and sifting rooms in tea factories to curtail the cost and overcome labour shortages.
- Colour sorter machines have been fixed in factories
- Digital online drier thermometers have been installed
- Digital online Fermentation & Rotorvane thermometers have been installed
- A mechanised modern nursery was set up

MANUFACTURED CAPITAL

Mechanised nursery maintained at our estate

Investment in technology 2021/22 vs 2022/23

Type of activity	2021/22 Rs. '000	**2022/23 Rs. '000**	% Change
Mechanisation initiatives	-	34,812	-
Plant and machinery	-	17,513	-
Computers and digital devises	523	2,744	425

OUR PRODUCTS

Production 2021/22 vs 2022/23

Product	Output 2021/22 Kg 000	**Output 2022/23 Kg 000**	% Change
Made tea	4,139	2,897	(30)
Rubber	1,284	1,167	(9)
Oil Palm	3,731	3,724	(0.1)

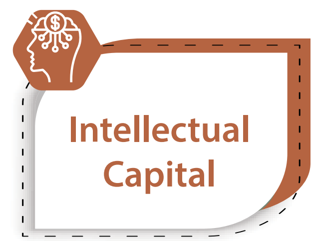
PLANS FOR THE FUTURE

Kotagala Plantations is committed to sustainability, and we're investing in renewable energy generation to reduce our carbon footprint. Our plans include the implementation of mini hydro plants and solar panels, which will help us not only contain our energy costs but also contribute to a cleaner environment. Additionally, we take pride in our Padukka factory's international reputation for supplying quality sole crepe. To continue to meet the growing demand for our products, we're investing Rs. 50 Mn to enhance production and expand our physical assets. We're also committed to producing FSC certified sole crepe for our overseas buyers, ensuring our product is sustainably sourced and responsibly produced. At Kotagala Plantations, we're dedicated to upholding our values of sustainability, quality, and innovation, and we're excited to continue moving forward with these initiatives.

INTELLECTUAL CAPITAL

Fostering a culture of innovation and creativity through ongoing knowledge management

Kotagala Plantations has a strong intellectual capital base, including extensive knowledge of plantation management and cultivation of tea, rubber, and oil palm, and estate trademarks that authenticate the quality and origins of its tea.



Strengthening our intellectual capital

Kotagala Plantations' intellectual capital base is the Company's organisational knowledge, including our extensive knowledge of plantation management and cultivation of tea, rubber and oil palm, and commodities markets. Estate trademarks are another unique intellectual property adding value to Kotagala tea. The Company's agro-expertise is now supported by a rapidly evolving technology system that includes mechanisation and digitisation of previously manual systems, resulting in a unique operational system. We enhance our organisational knowledge through research and development activities in partnership with specialised institutions to introduce scientific agricultural systems.

Organisational knowledge

Our organisational knowledge base is supported by an experienced and technically trained group of managers and personnel that represent years of agribusiness expertise. We are presently augmenting this human intellectual capital with the incorporation of modern ICT solutions and technologies.

Trade marks/signs

Trade marks of various Kotagala tea estates represents unique characteristics. The estate trade marks also authenticate the quality and origins of Kotagala tea.

Digitisation

Despite the external disruptions, during the current financial year, we made headway in our digitisation strategy by upgrading our ERP software and by extending digital connectivity deeper into the management of our estates.

We are currently experimenting with digital weighing of green leaf, which provides for greater accuracy. We have also commenced digitisation of field and factory operations that will result in a digitally interconnected field-to-factory process linked up with the ERP system to provide accurate and real time data for management decision making.

Mechanisation

Kotagala Plantations is one of the most modern tea manufacturers in the country and was a pioneer in experimenting with mechanised tea plucking. By now, almost 20% of our tea is harvested using machines. All our tea factories are also being increasingly modernised to reduce dependence on manual labour and to improve productivity and efficiency.

Expanding modern technology applications further afield, we are currently in the process of adopting drones for agrochemical spraying in our tea estates. Test runs have been concluded but full-scale adoption has been put on hold due to import restrictions and national security concerns.

Innovations

Kotagala Plantations' is introducing many modern innovations to enhance production efficiencies and overcome labour shortages. The Company has already tested the use of drones for areal chemical spraying and is ready to deploy this technology.

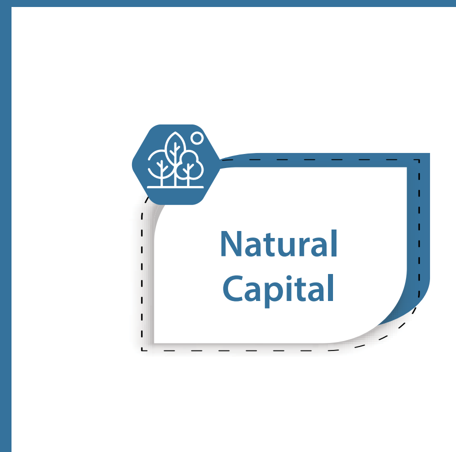
FUTURE PLANS

We will continue to focus on technical training for our employees to enhance our technical skill base and to drive efficiency gains. We will also continue to invest in further mechanisation of our production processes and field operations.

NATURAL CAPITAL

Protecting and preserving our natural resources through sustainable practices.

Our natural capital, including our land, water resources, trees, and the wildlife that inhabit our estates, is a valuable asset that we are committed to preserving for future generations. We recognise the importance of sustainable land management practices and have implemented various measures to minimise our environmental footprint while enhancing biodiversity. We are dedicated to maintaining the balance between our business and the environment, and we believe that by protecting our natural capital, we are ensuring the long-term sustainability of our business.



Strengthening our natural capital

Kotagala Plantations' natural capital is the 424.21 ha of land, and the water resources, trees and animals that inhabit these lands. While this natural environment is invaluable in terms of its beauty and contribution towards the climatic balance of the entire country.

However, we are deeply conscious that our lands are the last remaining habitats for many species of land and water creatures and also endemic plant species. Therefore, we consider, it is our duty to protect and preserve our natural resources for future generations.

OUR NATURAL CAPITALS

Land	
• Total land extent	11,421.72 Ha
• Cultivated extent (includes timber reserves with 5 year harvesting plan)	6,632.18 Ha
• Conservation Areas	424.21 Ha
o Mini jungles	103.13 Ha
o River reservation	123.56 Ha
o Slope reservation	68.38 Ha
o Wetland	72.53 Ha
o Railway reservations	3.10 Ha
o Land slide prone sites	53.85 Ha
Water sources	
• Lakes	2
• Rivers	3
• Streams	8
• Waterfalls	4
• Natural ponds	1
• Marsh land (wetland)	68.38 ha

OUR GEOGRAPHIC FOOTPRINT

KOTAGALA PLANTATIONS' ENVIRONMENTAL POLICIES

Our environmental policies are aimed at conserving, protecting and even enhancing the natural capital base within our estates.

- Continuous and full compliance with all applicable environment regulations in the country : We have obtained environmental protection licenses for all our estates, which are renewed annually following inspections by the Central Environmental Authority along with the Rain forest alliance certifications.
- Policy on adopting environmentally friendly agricultural practices
- Policy on chemical use
- Policy on effluent treatment
- Policy on harvesting commercial timber
- Policy on fire prevention in open areas:
- Policy on prevention of hunting, capturing, trapping and rearing of wild animals : this policy is specifically aimed at protecting the wildlife in our lands from trappers, poachers and hunters.
- Renewable energy policy: The company has introduced a policy towards adopting renewable energy

Investment on conservation FY 2022-23

Conservation activity	Investment LKR Mns 2021/22	**Investment LKR Mns 2022/23**	% Change
1. Complying with environmental regulations	1.75	2.85	63%
2. Complying with additional multiple environmental protection accreditations	9.3	8	(14%)
3. Sustainable agricultural practices	346	500	44%
4. Waste management	1.4	1.1	(21%)
5. Conducting environmental impact assessments	3.3	3.0	(9%)

A HEARTWARMING TALE OF REUNION

An unexpected guest was discovered nestled within the shadows of an abandoned building in Yulliefield estate in February 2023. A leopard cub, barely three months old, had somehow strayed away from its mother's protective gaze and found itself lost and alone, shivering in the cold, being hungry and frightened, desperately calling for the mother.

Kotagala Plantations and the Department of Wildlife Conservation join forces to reunite a lost leopard cub with its mother, marking a remarkable moment in Sri Lanka's wildlife history.

The circumstances that led to the tender cub's journey into the estate remained a mystery. However, it was clear that the cub needed to be swiftly reunited with its mother for its survival. The manager & the estate staff were extremely sympathetic towards the little animal and immediately informed the Department of Wildlife Conservation, while ensuring the cub remained under their protection. Wildlife officials immediately called over and found it necessary to treat the animal. They took the cub for treatment and returned to the estate, where the cub was fed and housed in a safe space in the same location the cub was found. A relentless search for the mother ensued, as the estate team spent four days of sleepless nights looking for her.

Their efforts bore fruit on the fifth night when the maternal instincts of the mother leopard guided her to the exact location of her cub. The sight of the reunion on the 1st of March 2023, marked a remarkable moment in the annals of Sri Lanka's wildlife history. It was the first documented case of a lost leopard cub being safely reunited with its mother, a testament to the successful wildlife protection policies of Kotagala Plantations.

Overwhelmed by this heartwarming incident, the Wildlife and Nature Protection Society of Sri Lanka celebrated the commitment and dedication of the individuals involved by presenting them with certificates of appreciation. A photograph immortalised the moment, capturing the proud faces of Team Yuillefield and the Department of Wildlife Conservation who had worked tirelessly to ensure the reunion of the leopard cub with its mother.

NATURAL CAPITAL

Regulatory compliance 2022-23

Kotagala Plantations PLC complied with all relevant environmental regulations, including environmental protection license (EPL) granted to each of our tea factories by the central environmental authority. We have complied with all relevant regulations.

Certifications related to environmental management

- Rainforest Alliance & Utz

Renewable energy

Kotagala Plantations has been gradually adopting renewable energy sources within its manufacturing process. The Company has already started using briquette and sawdust for firing of tea and is evaluating the adoption of hydro power and solar panels in selected tea factories.

Natural Lighting and Ventilation

Energy conservation initiatives

Kotagala Plantations has commenced the use of LED bulbs for factories, bungalows and staff quarters etc... with the objective of conserving energy. We also encourage the use of LP gas in staff and estate workers' houses.

ENVIRONMENTALLY FRIENDLY AGRICULTURAL PRACTICES

Kotagala Plantations has adopted the widespread use of environmentally friendly agricultural practices that are aimed at protecting the soil and water resources. These include:

- Producing and applying compost made from solid waste

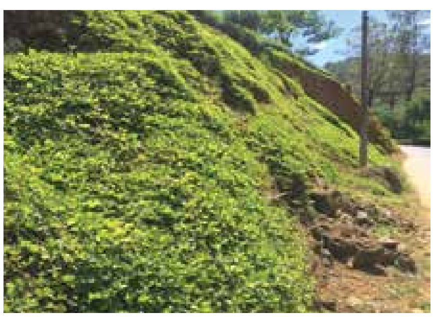
- Rainwater Harvesting in Fields and at Factories

- Establishing riparian buffer zones in all estates to protect drinking water and prohibit the use of pesticides.

- Establishing buffer zones in all ecosystems and areas of human activity.

- Planting Bamboo along the all Aquatic Eco Systems

Soil Conservation Practices



WASTE MANAGEMENT

Our waste management practices extend to the disposal of biodegradable and other solid waste and also waste water treatment.

- Establishing garbage Collecting Point

- Wastewater Filtering at the Factory
- Greywater and Sewage are not discharged into Aquatic Ecosystems

BIODIVERSITY PROTECTION INITIATIVES

Our biodiversity protection efforts are mainly focused on conservation areas. These forest lands are home to many land and aquatic animals and endemic plant species. Our initiatives include but are not limited to:

- Protecting mini jungles

- Demarcating and maintain 'no chemical spray zones'

- Preventing Hunting, Capturing, Trapping & Rearing of Wild Animals

- Fire belts have been established

PLANS FOR THE FUTURE

Kotagala Plantations will continue its stewardship of the habitats under its care and will invest in maintaining its natural environment.

As part of our commitment to sustainability, the company plans to commence hydro power projects and install solar panels on selected tea factories in the near future. By exploring these renewable energy options, we aim to reduce our carbon footprint and contribute to a cleaner environment.

The company is improving its Padukka Rubber factory to meet Forest Stewardship Council (FSC) standards, which aim to promote sustainable forestry and environmental conservation. The upgrade will transform the estate into a natural jungle-like environment, which will enhance soil health, promote biodiversity, and reduce the carbon footprint. Adhering to FSC standards will ensure that rubber products are produced in an ethical and socially responsible manner. The company is committed to sustainable practices and will continue to invest in the development of its factories and estates.

Panoramic Splendor: Siripada Mountain's Majestic View from Eduaragala Managers Bungalow.

THESE STUNNING VIEWS ARE A TESTAMENT TO THE HARMONY BETWEEN AGRICULTURE AND THE ENVIRONMENT, WHICH WE STRIVE TO MAINTAIN THROUGHOUT OUR PLANTATION.

SOCIAL CAPITAL

Fostering strong relationships with communities through active engagement

The report highlights Kotagala Plantations' commitment to social capital and sustainable growth through interactions with stakeholders, regulatory compliance, and adherence to ethical practices. The company's investment in community welfare and maintenance of its credibility and reputation are emphasised in the report.

Social Capital

Strengthening our social capital

As a plantation company, Kotagala Plantations' social capital base comprise a network of stakeholders with whom we interact regularly. The outcomes of these interactions result in the creation of economic and social value for all parties, and also contributes towards the goodwill of the company. A key aspect of our social license is our credibility and reputation as an ethical and responsible business, which we maintain through uncompromising regulatory compliance and compliance with international quality standards and ethical practices.

Our core stakeholders are our estate communities, employees and shareholders and during the current financial year, we invested in excess of Rs 46 Mn on many different community welfare activities. However, we maintain continuous interactions with many different stakeholder groups who are vital for business continuity.

Regulatory compliance

Kotagala Plantations did not face any fines or penalties for delays or non-compliance with any laws and regulations pertaining to human right, customer health and safety, labelling and marketing, or any other applicable regulations.

Our social credibility

We maintain our social credibility by investing in international quality standards to maintain the quality of our products and production processes. We have expanded our social responsibility to incorporate globally recognised ethical business practices, into our supply chain and value chain, by complying with international ethical accreditations.

QUALITY CERTIFICATIONS

ESTATE	ISO 22000:2018	ISO 9001:2015
01. BOGAHAWATTE	✓	
02. CHRYSTLERS' FARM	✓	✓
03. CRAIGIE LEA	✓	✓
04. DRAYTON	✓	✓
05. KELLIEWATTE	✓	
06. MOUNT VERNON	✓	✓
07. MAYFIELD	✓	
08. STONYCLIFF	✓	
09. YUILLIFIELD	✓	✓
10. RAYIGAM	✓	✓

ETHICAL CERTIFICATIONS

UTZ & RAINFOREST ALLIANCE CERTIFICATES

Estate	Farm	Site
01. BOGAHAWATTE	✓	✓
02. CHRYSTLER'S FARM	✓	✓
03. CRAIGIE LEA	✓	✓
04. DRAYTON	✓	✓
05. DERRYCLARE	✓	
06. KELLIEWATTE	✓	✓
07. MOUNT VERNON	✓	✓
08. MAYFIELD	✓	✓
09. STONYCLIFF	✓	✓
10. YUILLIFIELD	✓	✓

ENGAGING WITH OUR STAKEHOLDERS

Our key stakeholders are those that are important for business continuity and have a significant influence on the company, such as regulators, our parent company, employees, shareholders and buyers /buyers.

We also identify stakeholders that add value to our business and contribute towards our growth strategy such as, accreditation agencies and non-governmental organisations. How we engaged with all our major these stakeholders is described below.

Stakeholder category	How we ensure meaningful engagement
Regulators	We maintain meaningful engagements with various regulatory bodies by ensuring timely regulatory reporting and statutory payments.
The Management Agent: Lankem Tea and Rubber Plantations (Private) Ltd (LT&RP)	Regular meetings are conducted to update our parent regarding the Company's status
Golden shareholder	We communicate through the Plantation Management & Monitoring Division coming under the purview of ministry of plantation industries
Ultimate parent – The Colombo Fort Land & Building PLC	We communicate through the Chairman and the Board of Directors
Other shareholders	We utilise a range of statutory and public relations communications to engage with shareholders. These include: • The annual report, • Quarterly Financial Statements • Annual General Meeting • Disclosures to the Colombo Stock Exchange • We also accommodate shareholder inquiries through our company secretaries • The Company website
Subsidiary company Rubber & Allied Products (Colombo) Ltd	Regular management meetings are conducted
Banks	We maintain a close relationship with our Banking contacts over the phone, email and physical meetings.
Buyers and Brokers	Buyers and brokers do the marketing for us and promote our produce across the world. Therefore, we maintain close relationships with these B2B customers.
Retail customers	We are maintaining a close relationship with our local and direct export buyers
Employees Direct employment to 5,453 persons	We maintain top-down and bottom-up communications with our employees through a range of mechanisms including meetings, worker committees, internal memos and emails, performance evaluations, performance based incentives, training events, grievance managements systems and an open door policy, and also through many informal sporting and social events. Please refer the Human Capital chapter for details on how we engaged with our employees during the year
Trade Unions We have eleven unions and 66% of our /estate employees are union members.	We allow union meetings and the management also conducts regular meetings with the unions.
Resident Communities (Kotagala estates are home to a resident estate population of over 44,061)	We conduct many welfare programs for estate communities and estate children including health and welfare programs as well as educational support for children

SOCIAL CAPITAL

Stakeholder category	How we ensure meaningful engagement
Suppliers • Agrochemical Suppliers • Fuel & Electricity Suppliers • Firewood Suppliers • Packing Material Suppliers • Machinery and Spare Parts suppliers • Hardware Items Suppliers • Transporters	We ensure meaningful engagement with suppliers by having regular communications with them. We do supplier evaluations and constant monitoring of supplier products and also do negotiations to arrive at the optimum price for the best quality.
Certification/ Accreditation Bodies	We are subjected to annual audits by accrediting agencies to verify that we comply with the relevant accreditation standards.
Government and non-governmental organisations engaged in social welfare (PHDT, Ministry of Plantation Industries, SLTB,CEA,Divisional secretariat,Pradeshiya sabha, Rubber Development Department, World Vision Lanka, Berendina, Apedco)	We allocate company resources, company personnel, time and buildings for welfare projects.
Industry associations	• We ensure meaningful engagement by representing the Company at the highest level, during industry discussions. • We also provide data to support industry lobbying and public relations. • Support negotiations of the industry by collective bargaining with trade unions in consultation with the Employers Federation of Ceylon

Membership in associations

Kotagala has membership in the following trade associations

- The Planters Association of Ceylon
- Ceylon Tea Traders Association
- Employers' Federation of Ceylon
- Tea Research Institute
- Rubber Research Institute

Customer engagements

We have regular sessions of Tea tasting with our brokers to evaluate and maintain product consistency.

Consumer engagements

Kotagala Plantations is in the process of developing a retail consumer base for local communities as well as tourists. During the year, we launched a mobile tea sales unit which operates in Kotagala region,and we are also developing a dedicated tea centre for visitors to sample our tea. We also hope to set up tea stalls and tea boutiques along popular tourist routes to target the resurgence in tourism.

Community welfare activities

Kotagala Plantations' estates have many ongoing programs aimed at community welfare. Some of these activities are listed below.

Investments in community welfare

Mn.	2018/19	2019/20	2020/21	2021/22	2022/23
Worker Housing (green gold/Indian)	93	-	68	52	420
Sanitation Facilities	0	-	1	1	-
Water Facilities	1	8	-	4	
Child Care (new crèche)	1	-	11	-	19
Re-Roofing	-	-	-	-	-
Other Investment	2	26	3	6	-
Total	98	34	83	63	439

Health and wellness initiatives

- Conducted TB Awareness Programs in collaboration with PHDT.
- Oral Cancer Programs in collaboration with PHDT.
- Providing of Spectacles in collaboration with the PHDT.
- HIV Programs in collaboration with the PHDT.
- Drinking Water facilities, constructions of Tube Wells in collaboration with various NGOs, i.e., Berendina, Palm Foundation & World Vision Lanka

- Mid-day meal Programme for the children registered in the Child Development Centres
- Free food for CDC children
- Non-communicable Disease Programme in collaboration with PHDT.
- Selected Estates Co-operative Shops to purchase workers' day-to-day food requirements
- Eye Clinics in collaboration with PHDT.

Education support

- Provide fully equipped Child Development Centres free of charge with qualified Child Development Officers.
- Distributing Stationery to School going children

SOCIAL CAPITAL

Housing support

- Provide ten perch land to the workers to build shelters under Indian Housing Programme.

Training and development

- Conduct Plucking Awareness Programme for Pluckers in collaboration with TRI., Talawakelle.
- Home Gardening Programme in collaboration with the PHDT Social Mobilisation Programme in collaboration with PHDT.
- House Hold Cash Management Programs for the workers in collaboration with the Plantation Human Development Trust (PHDT)

Other community social engagement activities

- We celebrated Children's Day in all of our estates with fun-filled activities and games for the children of our employees.
- Our estates have proper reading rooms equipped with books and study materials for our employees.
- Our child development Centres provide a safe and nurturing environment for the children of our employees, which allows them to focus on their work without worrying about the well-being of their children.
- Women's Day was celebrated in all of our estates to honour the contributions of our female employees, with events and activities that focused on women's empowerment and gender equality.
- We organised various sports activities for the estate communities, These activities not only provided a platform for our employees to showcase their sporting skills but also helped promote teamwork and community building.

PLANS FOR THE FUTURE

Despite the rising costs, Kotagala Plantations will continue to invest in the advancement of its estate communities by contributing towards the health and education and living facilities of estate communities and their children. We will also continue to invest in ethical and quality accreditations to provide the highest quality of products, manufactured under ethical conditions.

As part of the Company's growth strategy, Kotagala Plantations plans to diversify into the retail consumer market by setting up tea retail outlets targeting tourists in the hill country.

Futuristic integrity

Our business practices are a symbol of integrity and unification of awe-inspiring dimensions as we are focused on reaching pinnacles of brilliance, inspired by the way cells unite and merge together to achieve set objectives successfully.

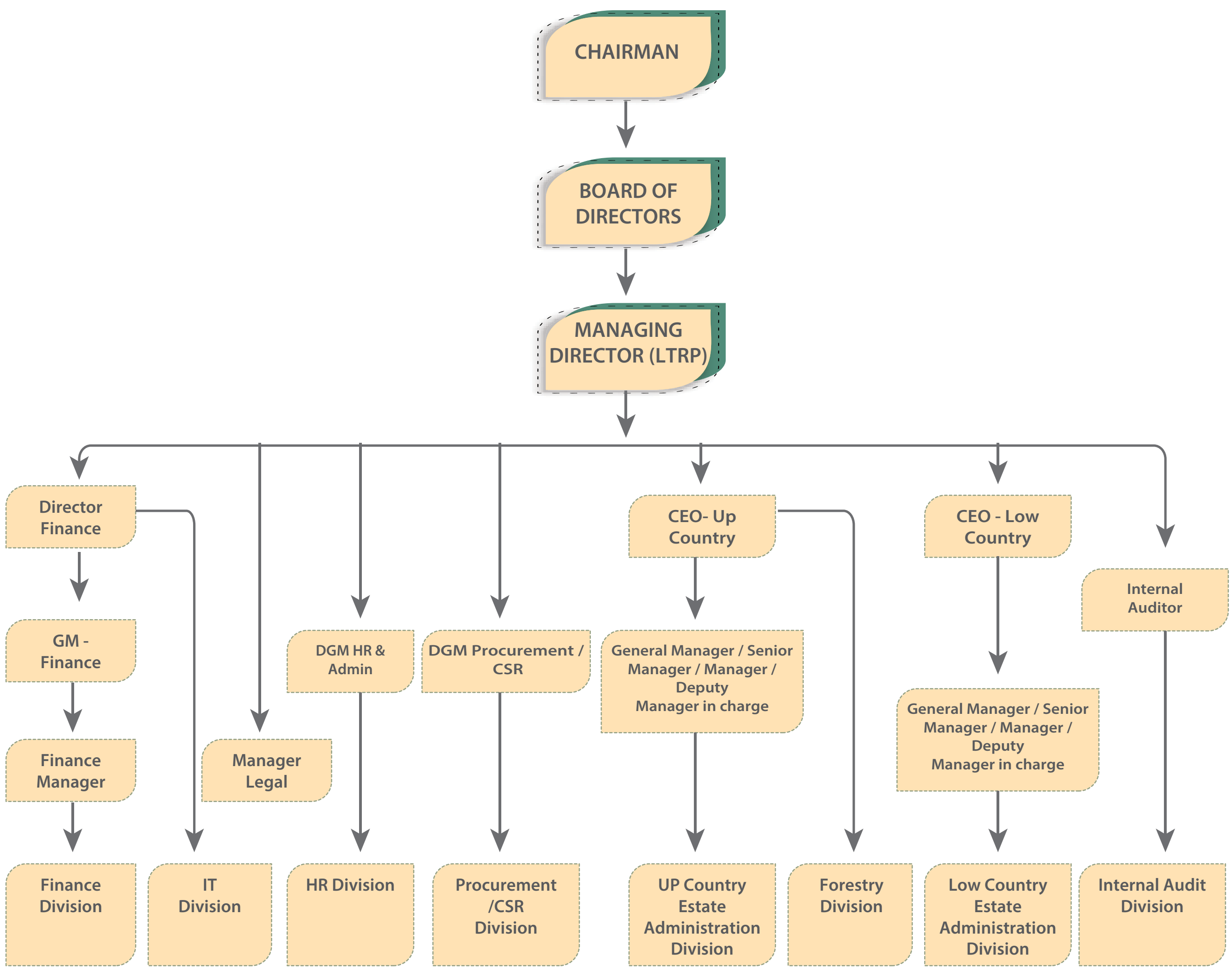
GOVERNANCE SYSTEM

Kotagala Plantations maintains a stringent enterprise governance system which is the combination of Business Governance and Corporate Governance. It is the set of responsibilities and practices exercised by the Board and Executive Management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organisation's resources are used responsibly.

Enterprise Governance is such an important framework, it encapsulates Corporate Governance, Performance Management, Internal Control and Risk Management, and it strives to achieve a balance between conformance and performance

Kotagala Plantations' enterprise governance system incorporates all applicable laws and regulations, as well as internal codes of conduct and corporate policies. The governance system operates through clear reporting lines and responsibilities have been allocated within the governance hierarchy to enable accurate and fast policy and strategy communications from top-down, and to receive feedback from the bottom-up.

ORGANIZATION STRUCTURE OF KOTAGALA PLANTATIONS PLC



BOARD OF DIRECTORS

The Board is committed to adhere to various business practices in order to further establish our Company as a good corporate citizen that values responsibility.

The strategic options, implementation and risk control strategies are closely monitored in order to deliver better results.

The profiles of the Board of Directors is given in page 32.

COMPLIANCE STATUS

The Company is in compliance with the majority of the good corporate governance practices recommended by The Institute of Chartered Accountants of Sri Lanka and the listing rules of the Colombo Stock Exchange. Given below is a demonstration as to how we adhere to good Corporate Governance practices.

Corporate Governance Principle	Company's adherence Directors
Composition of the Board	As at the end of the financial year the Board consists of two Executive Directors and six Non-Executive Directors four of whom are Independent. The Directors possess a strong balanced blend of skills, experience to offer guidance in core areas important to KPPLC. The names of the Directors who held office during the financial year and who are currently in office are given below. Brief profiles of the Directors currently in office appear on page 32. S.D.R. Arudpragasam - Non-Executive (Chairman) C.P.R. Perera - Independent Non- Executive (Deputy Chairman) S.S. Poholiyadde - Executive M.S. Madugalle - Executive (Chief Executive Officer) (Retired on 31.12.2022) A.M. de S. Jayaratne - Independent Non-Executive Anushman Rajaratnam - Non-Executive P.M.A. Sirimane - Independent Non Executive Director (Appointed w.e.f. 20.09.2022) G.K.B. Dasanayaka - Independent Non Executive Director (Appointed w.e.f.20.09.2022) K. Mohideen - Executive (Director Finance) Appointed w.e.f. 20.09.2022 Each Non-Executive Director has submitted a declaration of independence/non-independence for the year. The Board makes a determination annually as to the independence/non-independence of each Non-Executive Director Mr. C.P.R. Perera has served on the Board for more than nine years. He is a Director on the Boards of other Companies in which a majority of the Directors of the Company are Directors and also has significant shareholdings in another. He serves on the Board of the Ultimate Parent Company, The Colombo Fort Land and Building PLC (CFLB) and holds Directorships on certain subsidiaries of CFLB and has served on some of those subsidiaries for a period exceeding nine years. The Board however having considered the fact that Mr. C.P.R. Perera is not involved in the operational matters of the Company and having taken into consideration all other circumstances listed in the Rules pertaining to the Criteria for Defining Independence is of the opinion that Mr. C.P.R. Perera is nevertheless Independent. Mr. A.M. de S. Jayaratne is a Director of the Ultimate Parent Company, The Colombo Fort Land and Building PLC (CFLB) and serves on the Boards of several subsidiaries of CFLB. He has served on the Board of the Ultimate Parent and on several of its subsidiaries for over a period of nine years. He is a Director of certain such subsidiary companies of which a majority of the Directors serve on another and also has significant shareholdings in another. The Board however having considered the fact that Mr. A.M. de S. Jayaratne is not involved in the Operational matters of the Company and having taken into consideration all other circumstances listed in the Rules pertaining to the Criteria for Defining Independence is of the opinion that Mr. A.M. de S. Jayaratne is nevertheless Independent.

GOVERNANCE SYSTEM

<table>
<tr><th>Corporate Governance Principle</th><th>Company's adherence
Directors</th></tr>
<tr><td></td><td>Mr. P.M.A. Sirimane is a Director of the Ultimate Parent Company, The Colombo Fort Land and Building PLC (CFLB) and serves on the Boards of several subsidiaries of CFLB. He has served on the Boards of several such subsidiaries for over a period of nine years. He is a Director of certain such subsidiary companies of which a majority of the Directors serve on the Board of another and is on the Boards of certain Companies within the CFLB Group which have a significant shareholdings in another. The Board however having considered the fact that Mr. P.M.A. Sirimane is not involved in the Operational matters of the Company and having taken into consideration all other circumstances listed in the Rules pertaining to the criteria for defining independence is of the opinion that Mr. Sirimane is nevertheless independent.

Mr. G.K.B. Dasanayaka serves on the Boards of certain subsidiaries of The Colombo Fort Land & Building PLC (CFLB) . He is a Director of certain such Subsidiary Companies of which majority of the Directors serve on the Board of another and is on the Boards of certain Companies within the CFLB Group which have significant share holdings in another.

The Board however having considered the fact that Mr. G.K.B. Dasanayaka is not involved in the Operational matters of the Company and having taken into consideration all other circumstances listed in the Rules pertaining to the criteria for defining Independence is of the opinion that Mr. G.K.B. Dasanayaka is nevertheless indepenent.</td></tr>
<tr><td>Decision making of the Board

Mr. Yaddehige Udara Sampath Premathilake and Mr. Channa Janaka De Costa were appointed as Joint Chief Executive Officers of Kotagala Plantations PLC for low country estates and up country estates respectively with effect from 1st January 2023.</td><td>In addition to Board Meetings, matters are referred to the Board and decided by Resolutions in writing. The Board has met on Six occasions during the year under review.

The number of meetings of the Board and the individual attendance by members is shown below:
<table>
<tr><td>Name of Director</td><td>No. of Meetings attended</td></tr>
<tr><td>Mr. S.D.R. Arudpragasam</td><td>6/6</td></tr>
<tr><td>Mr. C.P.R. Perera</td><td>6/6</td></tr>
<tr><td>Mr. S.S. Poholiyadde</td><td>6/6</td></tr>
<tr><td>Mr. M.S. Madugalle</td><td>5/5 (Retired on 31.12.2022)</td></tr>
<tr><td>Mr. Anushman Rajaratnam</td><td>4/6</td></tr>
<tr><td>Mr. A.M.De.S. Jayaratne</td><td>5/6</td></tr>
<tr><td>Mr. P.M.A. Sirimane</td><td>3/3 - (Appointed w.e.f. 20.09.2022)</td></tr>
<tr><td>Mr. G.K.B. Dasanayaka</td><td>2/3 - (Appointed w.e.f.20.09.2022)</td></tr>
<tr><td>Mr. K. Mohideen</td><td>3/3 - (Appointed w.e.f. 20.09.2022)</td></tr>
</table>
The Board is responsible for:-

Ensuring the conduct of the Company's affairs in the best interest of its stakeholders.
Identifying Strategic options implementation and monitoring their success.
Appointment of the Directors, ensuring staff succession and determining remuneration of senior executives and staff in consultation with the respective Committees.
Ensuring an effective internal control system.
Ensuring a proactive risk management system.
Ensuring compliance with highest ethical standards and legal standards.
Approval of major capital investments acquisition expansions and Budgets
Approval of interim and annual financial statements for publication.
</td></tr>
</table>

Corporate Governance Principle	Company's adherence Directors
Company Secretaries	The Company and all Directors may seek advice from Corporate Managers & Secretaries (Pvt) Ltd who are qualified to act as Secretaries as per the provisions of the Companies Act No. 7 of 2007.
Independent Judgement	The Board of Directors at all times exhibit high standards of integrity, commitment and independence of judgement.
Obtaining independent professional advice	Advice is sought from independent experts whenever the Board deems it necessary. The Directors are updated on the changes in the plantation industry as well as on the general aspects which may affect the Company's operations.
Managing Agents	The Board of Directors has delegated the management of Plantation and the task of achieving the strategic objectives set out by the Board to the managing agents, Lankem Tea & Rubber Plantations (Pvt) Ltd (LT &RP). The Board of LT&RP meets frequently and review the progress towards achieving the budgets and discuss the operational issues. The successful implementation of the Capital Expenditure programmes and focusing on the development strategies are also key priorities.
Finance Acumen	The Board comprises of five finance professionals who possess the knowledge and the competence to offer the Board the necessary guidance on matters relating to finance.
Supply of Information on a timely manner	Prior to each meeting all Directors are given a file of Board Papers which includes summarised Financial Statements, operational statistics, performance reviews, sales reports, Schedules of Capital Expenditure and a Progress Report, covering all significant issues with the comparatives of prior year and budget. This information is provided at least 7 days prior to the meeting which gives Directors adequate time for qualitative deliberation and analysis.
Nomination Committee/ Appointments to The Board	New Directors are proposed for appointment by the Nomination Committee in consultation with the Chairman of the Company in keeping with the provisions of the Articles of Association of the Company in relation to same and in compliance with the Rules on Corporate Governance. The Company's Nomination Committee comprises of Mr. A.M. de S. Jayaratne - Chairman, Mr. C.P.R. Perera, Independent Non- Executive Directors and Mr. S.D.R. Arudpragasam, Non-Executive Director.
Disclosure of appointments of New Directors to the Shareholders.	The new appointments are made available to shareholders by making announcements to the Colombo Stock Exchange.
Re-election of Directors	In terms of the Articles of Association of the Company a Director appointed to the Board holds office until the next Annual General Meeting, at which he seeks re-election by the shareholders. The Articles require one-third of the Directors in office (excluding the Managing Director and the Appointed Directors) to retire by rotation at each Annual General Meeting. The Directors who retire are those who have been

Corporate Governance Principle	Company's adherence Relations with Shareholders
Annual General Meeting	The Company always welcomes the active participation of the shareholders at the Annual General Meeting. Questions put up by the shareholders are answered thus promoting a healthy dialogue. The required number of days notice has been given to the shareholders in terms of the Companies Act No.7 of 2007 and the Articles of Association of the Company.
Communication with Stakeholders	The Company publishes the Annual Report together with the interim reports in order to communicate information to the shareholders in a timely manner.
Major Transactions	There have been no transactions during the year under review which fall within the definition of "Major Transactions" as set out in the Companies Act.
Price Sensitive Information	Due care is exercised with respect to share price sensitive information.
Others	The Company maintains a website under the name www.lankemplantations.lk which offers any individual or corporate, information on the Company and its affairs. The Company's principal communicator with all its stakeholders are its Annual Report and Quarterly Financial Statements. The shareholders are free communicate with the Company. Whenever possible, the Company implements their suggestions.

GOVERNANCE SYSTEM

Corporate Governance Principle	Company's adherence Relations with Shareholders
	Accountability and Audit
Financial Reporting	The Board attaches high priority to timely publication of quarterly and annual results with comprehensive details (both financial &non-financial) going beyond statutory requirements. This enables both existing and prospective shareholders to make fair assessments on the Company's performance and future prospects. The financial statements are prepared in accordance with Sri Lanka Accounting Standards. The Company's accounting formats and procedures are in compliance with the procedures laid down by the regulatory authorities.
Disclosures	The Annual Report of the Board of Directors is on pages 76 to 79 of this report. The Statement of Directors responsibilities for the financial reporting is on page 83 and the Auditors' Report on the financial statements is on the pages 87 to 89 of this annual report.
Going Concern	The Board of Directors after reviewing the financial position and the cash flow of the Company are of the opinion that the Company has adequate resources to continue operations well in the foreseeable future. Therefore, the Board adopts the going concern basis in preparing Financial Statements.
Internal Control	The Directors are responsible for maintaining an effective internal control system and proactive risk management strategy. Internal controls cover both financial and operational matters and risk management to safeguard the assets of the Company. The risk management strategy of the Company is on pages 71 to 75 of this report. The Company also ensures that effective internal and external audit procedures are followed and the Board reviews the reports in order to maintain the progress of the systems and results.
Internal & External Audits	The Internal Audit division comprises of the Internal Audit Manager and Assistants who report directly to the Executive Directors. They are empowered to examine and review the financial reporting systems, internal control procedures, accounting policies and compliance with accounting standards. It also reviews the adequacy of systems for compliance with legal, regulatory and ethical requirement and company policies. The Company maintains a professional relationship with the external auditors, KPMG. This ensures their objectivity, independence and compliance with regulatory and ethical requirements.
Audit Committee	The Audit Committee Report is set out on page 81 of this Report.

Corporate Governance Principle	Company's adherence Directors' Remuneration
Remuneration Committee	The Remuneration Committee Report is set out on page 80.
Disclosure of Remuneration	Aggregate remuneration paid to Directors is disclosed in Note 7 to the Financial Statements.
	Related Party Transactions
Related Party Transactions Review Committee	The Related Party Transactions are disclosed in Note 31 to the Financial Statements. The Report of the Related Party Transactions Review Committee appears on page 82.
	Others
Management Committees	The Management Committee comprises of Directors, Consultants, General Managers and Deputy General Managers. Meetings are held once a month where a review in detail is carried out on the performance of each individual estate based on both financial and relevant non-financial indicators.
Compliance with Legal Requirements	The Board of Directors through the Company's Legal & Finance divisions makes every endeavour to ensure that the business complies with all laws and regulations.
Social & Environmental Matters	The Company has for many years recognised the benefits that accrue from responsible employment, environmental and community policies which are dealt with in detail in the Chairman's Review and CEO's Review.
Rights of Employees /Other Stakeholders	The Company identifies the rights of employees. Several employee performance enhancing mechanisms such as performance appraisals and training initiatives are in place for the career building of our employees. A series of best practices and techniques are now embedded in the business and applied intelligently within the organisation. Constant responsiveness to all stakeholder interests and an effective risk management process are critical success factors to ensure that the governance process will continue to add value in the future. The Extent to which the good Corporate Governance practices are adopted in the Company is given as above in this report.

RISK MANAGEMENT SYSTEM

The Kotagala risk management system is integrated into the overall governance, internal controls and strategy planning and implementation process across the entire organisation and all activities. The Board is directly involved in the risk identification, assessment and management process, with the senior management. Stringent internal controls are operational coupled with continuous monitoring of external market and economic factors to monitor existing risks and identify emerging risks.

Risk management framework

- Culture
- Internal controls - internal audits, budgets
- Growth strategy
- Risk management process - identify risks, monitor, assess the impact, take action

THE 3 LINES OF DEFENSE

We have adopted the 3-lines of defense model to manage our risks

First Line of Defense – Management

- Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis.

Second Line of Defense

- This refers to risk management and compliance functions to help build and/or monitor the first line-of-defense controls.

Third Line of Defense – Internal Audit

- Internal Audit provides advice and recommendations regarding processes.
- External Auditors

External auditors are responsible for expressing an opinion on the fairness (accuracy within a degree of materiality) of the financial statements in conformity with certain accounting standards

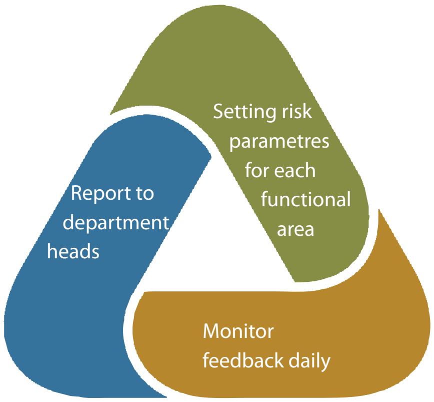
RISK REVIEW PROCESS AND REPORTING STRUCTURE

The risk management system at Kotagala is strengthened by emphasising the importance of having a strong working culture within the organisation that strengthens internal processes. Risk Management is no longer an additional set of processes but embedded in the business process itself .The risks could influence the achievement of the strategy of business, operational and financial objectives therefore the Directors have taken the initiative to identify the organisations major risks and introduced several measures to mitigate the risks faced by the Company.

Kotagala Plantations has developed a robust risk management system through continuous training of all grades of employees on job responsibilities and by establishing clear reporting pathways.

RISK MANAGEMENT SYSTEM

The formal risk review and reporting process comprises:



AT KOTAGALA PLANTATIONS, WE HAVE A FORMAL RISK REVIEW AND REPORTING PROCESS TO PROACTIVELY IDENTIFY AND MANAGE POTENTIAL RISKS. THIS HELPS US MAINTAIN A SAFE AND STABLE ENVIRONMENT FOR STAKEHOLDERS AND PROTECT OUR ORGANISATION'S FUTURE.

Risk	Risk description	Potential impact	Response to risk	Risk rating
SOCIAL CAPITAL				
Taxation	Increased tax payments and impact of deferred tax expenses	High	Planning cash flows for future tax payments	High
Socio-political unrest	Can disrupt company operations and disrupt operations of suppliers	High	The Company possesses synergistic benefits from being in a group which includes a chemical supplier and another Company in plantation business. Healthy relationships are maintained with our suppliers In order to minimise the dependence on a single distribution channel (brokers) the Company has continued to establish its export operations	Decreasing risk
Import restrictions	Import restrictions on fertilizer and agrochemicals, impacted crop outputs, quality	High	By switching to inputs available in the market to sustain the operations	Decreasing risk
Governance/compliance risk	Regulatory compliance	High	The Company addresses this area with great concern in order to protect its corporate image. Quality assurance standards in factories have been established over a period of time (Rain Forest Alliance /ISO) and continuous reviews are conducted to ensure they are maintained. The Company's legal division ensures full compliance with all regulatory requirements including labour regulations ,adherence to laws of governing authorities and Colombo Stock Exchange requirements. The Company also obtains expert advise from its Auditors. Tax consultants, actuaries , TRI, RRI as and when required. As a public listed Company we also strive for high standard of corporate governance in the conduct of our business.	Low

Risk	Risk description	Potential impact	Response to risk	Risk rating
Government policy uncertainty on oil palm cultivation	Cannot cultivate new oil palm crops	Low	Adopt a diversification strategy for alternative revenues such as cinnamon	Low
Fuel shortages	Shortages of petrol and diesel	High	We are considering renewable energy	Decreasing risk
Electricity cuts	Extended power cuts	High	We are considering renewable energy	Decreasing risk
FINANCIAL CAPITAL				
Interest rate risk	Sharp increase in interest rates	High	Negotiating with lending institutes for fixed term contracts Monitoring debt levels continuously	High
Debt payments	Repayment of loans	High	We restructured our loans for longer tenures	Low
Foreign exchange risk	Significant increase in cost of fertilizer , fuel and other chemicals	Medium	Developing cost control mechanisms	Decreasing risk
Liquidity risk	Shortage of funds		We strive to maintain sufficient liquidity is available to meet our debt commitments and provide for our operational capital requirements. Loans and overdraft facilities are arranged with banks to meet planned cash flow commitments	
NATURAL CAPITAL				
Extreme weather	Caused quality and productivity losses to all crops	High	The Company's product portfolio being tea and rubber, helps to minimise the impact tea requires wet and rubber requires drier weather conditions. The location of our estates in the high grown and low grown elevation categories also help in this regard. The Company has the option of increasing or decreasing bought crop according to weather patterns Prudent agri culture practices such as rain guards for rubber trees and planting of TRI recommended clones and other agri cultural practices to minimise drought effects and proactive planning has helped the Company to minimise the risk of adverse weather conditions.	High
Pests and diseases	Rubber leaf disease caused losses to rubber plantations	Medium	We are in liaison with RRI to come up with a solution.	Decreasing risk

RISK MANAGEMENT SYSTEM

Risk	Risk description	Potential impact	Response to risk	Risk rating
MANUFACTURED CAPITAL				
Commodity market risk	Commodity price volatility for tea, rubber and oil palm	High	Tea/rubber auctions are influenced by global demand and supply and foreign currency exchange rates. This risk is mitigated by producing high quality tea and rubber. The direct export of rubber facilitates price stability and entering into forward contracts with rubber buyers helps reduce market risk We have a full range of high grown and low grown tea and different types of rubber which helps the market instability. Initiatives have been taken for diversification into other crops such as cinnamon	High
ICT risks	Loss of data and breakdown of systems due to cyber attacks	Low	Proper internal controls have been established in order to secure the information system. Routing and surprise audit checks are carried out to detect any deficiencies and improvements are suggested. The Company has sound back up systems and procedures and has also entered into maintenance contracts with established agents and uses licensed software.	Low
Plant and equipment risk	Risk of machinery breakdowns	Low	Tangible assets are insured against identifiable risks and the associated insurance policies are reviewed and evaluated annually. Provision is also made for assets defects and malfunctions and for obsolescence due to advance in technology. We go to the best suppliers to ensure that defect free products are purchased. The factories in the estates and other infrastructure are continuously upgraded when required. Further through product quality controls and a comprehensive quality management process which includes upgrading our factories to adhere to Rain forest alliance/ ISO standards.	Low

Risk	Risk description	Potential impact	Response to risk	Risk rating
HUMAN CAPITAL				
Employee related risks	Industrial action by trade unions/ frauds, negligence ,judgemental errors	Low	The Company has set up a competent internal audit department which carries out exhaustive checks on a routine basis in order to eliminate such risks. The internal audit department functions independently and reports directly to the Managing Director. Suitable delegated authority levels have been set up and succession plans are formulated. We maintain a conducive working environment for all staff.	Low
Labour losses	Outmigration of estate labour	High	Introduction of plucking machines, drone spraying to mitigate this risk	High

EFFECTIVENESS OF INTERNAL CONTROLS

Kotagala Plantations has strict internal controls that are reviewed regularly by the Board to ensure effectiveness. Internal audits are conducted regularly and the findings are reported to the Board.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Kotagala Plantations PLC present their Report together with the Audited Financial Statements for the year ended 31st March, 2023. The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW/FUTURE DEVELOPMENTS

The principal activities of the Company are cultivation, manufacture and sale of Tea, Rubber and cultivation and sale of Oil Palm. Chairman's message , Managing Director's review , operational review of the CEOs and review on financial capital describes the performance of the Company during the year with comments on financial results and future developments.

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

FINANCIAL STATEMENTS

The Financial Statements of the Group are given on pages 90 to 155.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 87 to 89.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 95 to 107.

INTEREST REGISTER

DIRECTORS' INTEREST IN TRANSACTIONS

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 7 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 31 to the Financial Statements on pages 143 to 145.

DIRECTORS' INTEREST IN SHARES

The Directors of the Company who have an interest in the shares have disclosed their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act No. 07 of 2007.

Details pertaining to Directors direct shareholdings are set out herein.

Name of Director	No. of Shares as at 31.03.2023	No. of Shares as at 31.03.2022
Mr. S.D.R. Arudpragasam	0	0
Mr. C.P.R. Perera	506,250	506,250
Mr. M.S. Madugalle (Retired on 31.12.2022)	N/A	23,222
Mr. S.S. Poholiyadde	7972	7972
Mr. Anushman Rajaratnam	0	0
Mr. A.M.DeS Jayaratne	50,000	50,000
Mr. P.M.A. Sirimane (Appointed w.e.f.20.09.2022)		
Mr. G.K.B. Dasanayaka(Appointed w.e.f.20.09.2022)		
Mr. K. Mohideen(Appointed w.e.f.20.09.2022)		

DIRECTORS' REMUNERATION

The Directors' remuneration in respect of the Group for the Financial Year 2022/2023 is disclosed in Note 7 to the Financial Statements.

CORPORATE DONATIONS

No donations were made during the year.

DIRECTORATE

The names of the Directors who held office during the financial year are given below. Brief profiles of the Directors currently in office appear on page 32.

Mr. S.D.R. Arudpragasam - Chairman

Mr. C.P.R. Perera - Deputy Chairman

Mr. S.S. Poholiyadde

Mr. M.S. Madugalle - Chief Executive Officer (Retired on 31.12.2022)

Mr. A.M. de S. Jayaratne

Mr. Anushman Rajaratnam

Mr. P.M.A. Sirimane - (Appointed w.e.f. 20.09.2022)

Mr. G.K.B. Dasanayaka - (Appointed w.e.f.20.09.2022)

Mr. K. Mohideen - Director Finance (Appointed w.e.f. 20.09.2022)

In terms of Articles 92 and 93 of the Articles of Association Mr. Anushaman Rajaratnam retires by rotation and being eligible offers himself for re-election.

In terms of Article 98 of the Articles of Association Messrs. P.M.A. Sirimane, G.K.B. Dasanayaka and K. Mohideen Directors appointed during the year retire and being eligible offer themselves for re-election.

Mr. Mahen S. Madugalle, Executive Director, has retired from the office of Chief Executive Officer and from the Board of Directors of Kotagala Plantations PLC with effect from 31st December 2022. Mr. A.M. de S. Jayaratne being over seventy years of age retires and offers himself for reappointment under and by virtue of the Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. C.P.R. Perera being over seventy years of age retires and offers himself for reappointment under and by virtue of the Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. S.D.R. Arudpragasam being over seventy years of age retires and offers himself for reappointment under and by virtue of the Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

ENTERPRISE GOVERNANCE

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company are given in the Enterprise Governance Statement on pages 66 to 70.

AUDITORS

The Financial Statements of the Company for the year have been audited by KPMG, Chartered Accountants, the retiring Auditors who have expressed their willingness to continue as Auditors of the Company and are recommended for reappointment. A resolution to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, KPMG was paid Rs.6.7Mn ((2021/22 – Rs.5.9Mn) as audit fees and fees for audit related services by the Company. In addition they were paid Rs. 0.3 Mn(2021/22 – Rs.0.2 Mn) by the Company as fees for non-audit related work. As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interests in the Company.

REVENUE

The revenue of the Group for the year was Rs. 5.0Bn. (2021/22-Rs.3.5Bn) The revenue of the Company for the year was Rs.4.9Bn. (2021/22 – Rs.3.5Bn)

RESULTS

The Group made a Profit before Tax of Rs.786.5Mn (2021/22- Rs.14.5Mn)

The Company made a Profit before Tax of Rs.770.5Mn. (2021/22- Rs. 104.1Mn). The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 90.

The utilisation of proceeds as at 22nd August 2023 is as follows;

Objective Number	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilisation as per circular	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of proceeds utilised against allocation (B/A)	Clarification if not fully Utilised including where funds are invested (eg. Whether lent to related party etc)
1	To Settle funds amounting to Rs.564,369,834/- already advanced and arranged by the major shareholders to support the working capital requirements of the Company.	Rs.564,36 9,834/-	immediately after the conclusion and finalisation of the Rights Issue	Rs.564,369,834/-	71.5%	Rs.564,369,834/-	100%	Fully utilised for the purpose
2	Funds amounting to Rs.225,492,666/- to be utilized to further support the working capital needs of the ongoing operations of the Company.	Rs.225,492,666/-	will be deposited into a Call Deposit Account for periodic utilisation as and when required over a period of approximately 12 months depending on the monthly deficit.	Rs.225,492,666/-	28.5%	Rs.225,492,666/-	100%	Fully utilised for the purpose

Subsequent to the Rights Issue of shares the Company's Stated Capital amounts to Rs.1,571,362,510/- represented by 338,512,500 Ordinary Shares and One Golden Share.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DIVIDENDS

The Board of Directors have not recommended the payment of a dividend on the Ordinary Shares of the Company for the year ended 31st March, 2023.

MANAGING AGENTS & MANAGEMENT FEE

Lankem Tea & Rubber Plantations (Pvt) Limited (LT & RP), a subsidiary of Consolidated Tea Plantations Ltd. (formerly known as Lankem Plantation Holdings Limited,) continue to manage the affairs of the Company. LT & RP did not charge Managing Agent's Fees in the year under review.

INVESTMENTS

Investments made by the Group and the Company are given in Note 15 to the Financial Statements on pages 124 to 128.

PROPERTY, PLANT & EQUIPMENT

During 2022/23 the Group invested 80.4Mn. in Property, Plant & Equipment. 2021/22-Rs.13.2Mn) Further your Directors are of the opinion that the net amounts at which land and other Property, Plant & Equipment appear in the Statement of Financial Position are not greater than their market value as at 31st March, 2023.

CAPITAL EXPENDITURE - COMPANY

The capital expenditure of the Company during the year amounted to Rs.223.5Mn (2021/22- Rs.91.7Mn) which includes Rs.143.1Mn in replanting expenditure (2021/22-Rs.78.5Mn) Information relating to movements in Property, Plant & Equipment are given in Notes 13 and 14 on pages 116 to 123 to the Financial Statements.

STATED CAPITAL

The Stated Capital of the Company of Rs. 1,571,362,510/- is represented by 338,512,500 Ordinary shares. and 01 Golden Share.

RESERVES

The total reserves of the Group as at 31st March 2023 amounted to Rs. 228.2Mn (31st March 2022- Rs. 31.3Mn) comprising General Reserve of Rs. 240.0 Mn. and Retained Earnings of Rs. (572.6). (31st March 2022– General Reserve- Rs. 240.0 Mn. and Retained Earnings of (Rs. 887.4Mn), Fair Value Reserve of Rs. 65.5Mn (31st March 2022 – Rs. 48.4Mn) Foreign Currency translation Reserve - Rs. (11.5) Mn. (31st March, 2022- Rs. (11.4) Mn. Revaluation Reserve -Rs. 506.9Mn (31st March, 2022- Rs. 641.7 Mn.) The movements are shown in the Statement of Changes in Equity in the financial Statements.

RELATED PARTY TRANSACTIONS

During the financial year there were no non-recurrent related party transaction which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. The recurrent related party transactions entered into with related parties are exempt in terms of the Colombo Stock Exchange Listing Rules. The Company has complied with the requirements of Listing Rules on Related Party Transactions.

The Related Party Transactions presented in the financial statements are disclosed in Note 31 from pages 143 to 145.

TAXATION

Income Tax expense comprising current and deferred tax. Income tax expense is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The Group 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.

The Inland Revenue (Amendment) Act No. 45 of 2022 was certified by the speaker on 19th December 2022. As per the Amendment Act, the Company is liable to pay tax at the rate of 30% on its taxable profits (2022:14%). Prior to 7th July 2022, profit from the business of "Agro processing" and "investment income taxed at the rate of 14% and 24% respectively as per Inland Revenue (Amendment) Act No 10 of 2021. 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.".

SHARE INFORMATION

Information relating to earnings, dividends, net assets and share trading is given on pages 6,90,91,113,158,162.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No circumstances have arisen since the Reporting Period that would require adjustment other than those disclosed in Note 30 to the Financial Statements on page 142.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital Commitments and Contingent Liabilities as at the Reporting date are disclosed in Notes 28 and 29 to the Financial Statements on page 142.

EMPLOYMENT POLICY

The Company's recruitment and employment policy is non-discriminatory. The occupational health and safety standards receive substantial attention. Appraisals of individual employees are carried out in order to evaluate their performance and realise their potential. This process benefits the company and the employees. The number of persons employed by the Company at the year end was 5,453 (2021/ 22 – 5,736)

There were no material issues relating to employees and industrial relations during the year ended 31st March 2023.

SHAREHOLDERS

It is the Company's policy to endeavour to ensure equitable treatment of its shareholders.

STATUTORY PAYMENTS

The statutory payments due in relation to employees and the Government are being made or where relevant provided for under Other Payables in Note No. 26 to the Financial Statements.

ENVIRONMENTAL PROTECTION

The Company's business activities can have direct and indirect effects on the environment. It is the Company's policy to minimise any adverse effects its activities have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.
We confirm that the Company has not undertaken any activities which have caused or are likely to cause detriment to the environment.

INTERNAL CONTROL

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

GOING CONCERN

As noted in the Statement of Directors' Responsibilities on page 83 the Directors have adopted the going concern basis in preparing Financial Statements.

For and on behalf of the Board,

S. S. Poholiyadde
Director

K. Mohideen
Director

By Order of the Board,

Corporate Managers & Secretaries (Private) Ltd.
Secretaries

22nd August 2023

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Company consists of the following members;

Mr. A.M. de S. Jayaratne	-Chairman – Independent Non-Executive Director
Mr. C.P.R. Perera	-Member – Independent Non-Executive Director
Mr. S.D.R. Arudpragasam	-Member – Non-Executive Director

The Remuneration Committee met during the financial year and all the Members were present at that meeting.
The Committee analyses and reviews the remuneration packages of the key management personnel prior to the determination of such packages and guidelines are set for the compensation structures of the Management Staff.

Some members of the Board participate in the deliberations where appropriate.

It is ensured that the remuneration of executives at each level of management is competitive and they are rewarded in a fair manner based on their performance.

A.M. de S. Jayaratne
Chairman
Remuneration Committee

22nd August 2023

REPORT OF THE AUDIT COMMITTEE

The Committee assists the Board of Directors in fulfilling its oversight responsibility to the Shareholders and other Stakeholders relating to the Company's financial statements and the financial reporting process to ensure that the financial reporting system is in adherence with the Sri Lanka Accounting Standards and other regulatory and statutory requirements. It also reviews the adequacy of internal controls and the business risks. The Committee peruses the operational reviews and assesses the future prospects of the business operations and the fact that the going concern assumption used in the preparation of the Financial Statements is appropriate.

COMPOSITION

The Audit Committee for the financial year ended 31st March, 2023 comprised of three Independent Non-Executive Directors of Kotagala Plantations PLC.

The names of the members are set out below:

Mr. A.M. de S. Jayaratne – Chairman (Independent Non-Executive Director - KPPLC)

Mr. C.P.R. Perera -Member (Independent Non- Executive Director- KPPLC)

Mr. S.D.R. Arudpragasam ceased to be a Member of the Audit Committee with effect from 15th December 2022 and Mr. P.M.A. Sirimane was appointed as a member of the Committee with effect from 15th December 2022.

Mr. P.M.A. Sirimane (Independent Non- Executive Director- KPPLC).

The members have varied experience and financial expertise with a high standing of integrity and business acumen to carry out their role effectively and efficiently. Two of the members are finance professionals including the Chairman.

The Company's Secretaries, Corporate Managers & Secretaries (Private) Limited function as the Secretaries to the Audit Committee.

MEETINGS AND ATTENDANCE

The Audit Committee has met on five occasions during the financial year ended 31st March, 2023 and the attendance was as follows;

Mr. A.M. de S. Jayaratne 5/5

Mr. S.D.R. Arudpragasam 3/3

(Ceased to be a Member w.e.f. 15.12.2022)

Mr. C.P.R. Perera 5/5

Mr. P.M.A. Sirimane 2/2

(Appointed w.e.f. 15.12.2022)

Other members of the Board and Senior Management Personnel of the Company are invited to the meetings regularly. External Auditors were present at discussions where appropriate. The Proceedings of the Audit Committee are reported to the Board of Directors.

TERMS OF REFERENCE

The role of the Committee which has specific terms of reference is set out in the Audit Committee Charter and addresses the Purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.

COMPLIANCE

The Committee has scrutinised the quarterly accounts and the accounts for the year ended 31st March, 2023 and has taken necessary measures to ensure that the Interim Financial Statements and the Annual Report are timely published and they are prepared and presented in accordance with Sri Lanka Accounting Standards.

EXTERNAL AUDIT

The Company has appointed KPMG as its External Auditors and the services provided by them are segregated between audit/ assurance services and other advisory services.

The Committee after evaluating the independence and performance of the External Auditors has recommended to the Board the reappointment of KPMG as Auditors for the financial year ending 31st March, 2024 subject to the approval of the Shareholders at the Annual General Meeting.

CONCLUSION

The Audit Committee is satisfied that the accounting policies and operational controls provide reasonable assurance that the Company is managed in accordance with the Group policies and adequate controls are in place to safeguards the Company's Assets.

A.M. de S. Jayaratne
Chairman
Audit Committee

22nd August 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTRC) is entrusted with the responsibility of ensuring compliance with the rules and regulations governing Related Party Transactions for Listed Entities. It focuses on ensuring that the Stakeholders' interests are protected in all related party transactions.

COMPOSITION

The Related Party Transactions Review Committee of Kotagala Plantations PLC comprises of the following members:

Mr. A.M. de S. Jayaratne - Chairman - Independent / Non-Executive

Mr. C.P.R. Perera - Member - Independent / Non-Executive

Mr. P.M.A. Sirimane - Member - Independent / Non Executive.

Mr. S.D.R. Arudpragasam ceased to be a Member of the Related Party Transactions Review Committee with effect from 15th December 2022 and Mr. P.M.A. Sirimane was appointed as a member of the said Committee with effect from 15th December 2022.

The Company's Secretaries, Corporate Managers & Secretaries (Private) Ltd. function as the Secretaries to the Related Party Transactions Review Committee.

MEETINGS AND ATTENDANCE

The Related Party Transactions Review Committee has met on four occasions and a Meeting had been held in each quarter during the financial year ended 31st March, 2023 and the attendance was as follows;

Mr. A.M. de S. Jayaratne- Chairman	3/4
Mr. C.P.R. Perera	4/4
Mr. S.D.R. Arudpragasam	3/3
Mr. P.M.A. Sirimane	1/1

In addition to these meetings certain related party transactions were referred to the Members of the RPTRC and were reviewed and recommended by Resolutions in Writing.

POLICIES, PROCEDURES AND FUNCTIONS OF THE COMMITTEE

The Policies and Procedures adopted by the Related Party Transactions Review Committee when reviewing and recommending transactions are consistent with Section 9 of the Listing Rules of the Colombo Stock Exchange.

The Functions of the Committee are as follows;

- Review all proposed Related Party Transactions (Except for exempted transactions)
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of the Company and its stakeholders.
- Obtain updates on previously reviewed Related Party Transactions from Senior Management and approve any material changes.
- Establish guidelines for Senior Management to follow in ongoing dealings with related parties.
- Direct the transactions for Board approval / Shareholder approval as deemed appropriate.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules and regulations are made in a timely and detailed manner.

CONCLUSION

The Related Party Transactions Review Committee has reviewed the Related Party Transactions entered into during the financial year under review and has communicated its comments and observations to the Board of Directors.

The Committee is free to seek external professional advice on matters within their purview when necessary.

The Board of Directors have also declared in the Annual Report that there were no non- recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. The recurrent related party transactions entered into with related parties are exempt in terms of the Colombo Stock Exchange Listing Rules and are duly disclosed on pages 143 to 145 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

A.M. de S. Jayaratne
Chairman
Related Party Transactions Review Committee

22nd August 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements of the Company are detailed below. The responsibility of the Auditors' in relation to the Financial statements is set out in the Independent Auditors' Report appearing on page 87 to 89.

The Directors are responsible under the provisions of the Companies Act to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit & Loss of the Company for the financial year. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements and estimates have been made and Sri Lanka Accounting Standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 07 of 2007 and the Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to undertake whatever inspections they consider appropriate to enable them to submit their audit report.

The Directors confirm that they have complied with these requirements. They have a reasonable expectation, after making enquiries and following a review of the Company's budget for the ensuing year, including cash flows and borrowing facilities, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore have continued to adopt the going concern basis in preparing the accounts.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge all statutory payments relating to employees and the Government that were due in respect of the Company as at the reporting date have been provided for but not fully paid.

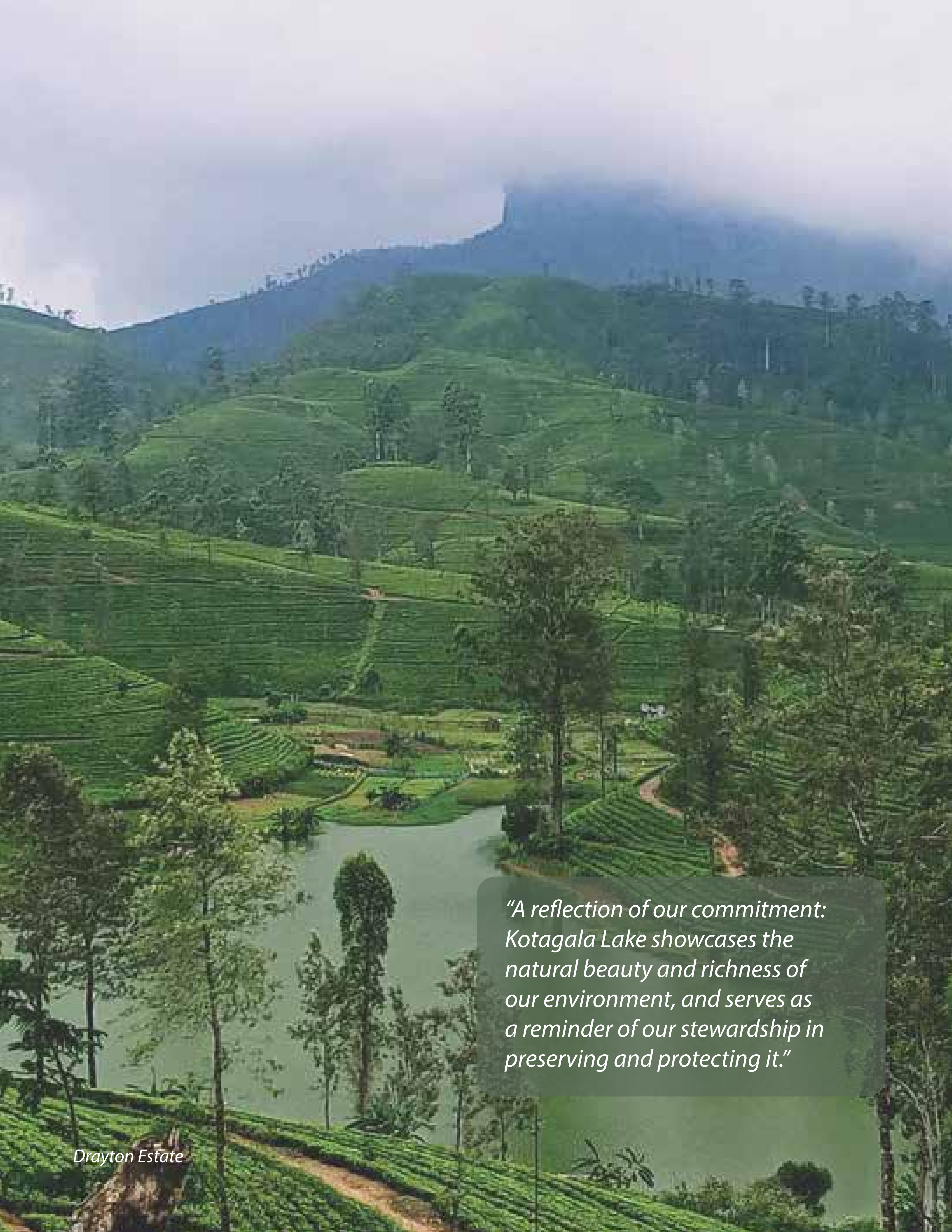
On behalf of the Board

S. S. Poholiyadde
Director

K. Mohideen
Director

Colombo

22nd August 2023



"A reflection of our commitment: Kotagala Lake showcases the natural beauty and richness of our environment, and serves as a reminder of our stewardship in preserving and protecting it."

Drayton Estate

Futuristic performance

We are powered by our traits of exemplar endurance and expertise enabling us to perform and fulfill our goals, motivated by the extraordinary and powerful Mitosis process of cells.

FINANCIAL CALENDAR

Quarterly Financial Statements	
03 Months ended 30th June 2022	12th August 2022
06 Months ended 30th September 2022	08th November 2022
09 Months ended 31st December 2022	09th February 2023
12 Months ended 31st March 2023	26th May 2023
Annual Report 2022/2023	22nd August 2023
30th Annual General Meeting	26th September 2023

INDEPENDENT AUDITOR'S REPORT

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

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

TO THE SHAREHOLDERS OF KOTAGALA PLANTATIONS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kotagalala Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2023, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 90 to 155.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

01. Measurement of Consumable Biological Assets

Refer to the significant accounting policy in Note 3.3.6 and explanatory Note 14 to the financial statements

The Company has reported consumable biological assets carried at fair value less estimated cost to sell at harvest, amounting to LKR 1,785 Million as at 31st March 2023.

Risk Description	Our Response
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, estimation of height/girth of trees used to arrive volume of timber and value per cubic meter used for the valuation of consumable biological assets, could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumable biological assets of the Company as at reporting date. 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.	Our audit procedures included, • Obtaining an understanding of the process of valuation and testing the design, implementation and operating effectiveness of the management key controls in relation to the valuation of consumable biological assets. • Assessing the objectivity, independence, competence, qualifications and experience in the biological assets being valued by the subject matter expert. • Obtaining estate wise census books of timber trees and comparing the number of timber trees recorded in the census book with the valuation report to ensure the completeness and accuracy of the data. • 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. • Assessing the key assumptions and methodology used in the valuation, in particular the discount rate, estimated height and average market price by comparing with industry norms that are generally accepted in determining volume of timber. • Assessing the mathematical accuracy of the consumable biological asset valuation. • 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.

INDEPENDENT AUDITOR'S REPORT

02. Recoverability of Deferred Tax Assets

Refer to the significant accounting policy in Note 3.4.2.1.2 and explanatory Note 25 to the financial statements

The Company has recognized deferred tax liability of LKR 1,053 Million on temporary differences which includes accumulated tax losses of LKR 1,500 Million as at 31st March 2023 and that Company believes recoverable.

Risk Description	Our Response
The recoverability of recognized deferred tax assets is dependent on the Company's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before the latter expire). We considered this as a key audit matter because of its significance to the financial statements and significant management judgments and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.	Our audit procedures included, • Comparing the consistency of the management profit forecasts with those included in the financial budget approved by the Board of Directors. • Assessing the management key assumptions by comparing forecasted result against actual result to deferment the probability that deferred tax asset will be recovered through taxable income in future • Reconciling tax losses and expiry dates to tax statements • Evaluating the adequacy of the financial statement disclosure, including disclosures of key assumptions, judgements and sensitivities.

03. Retirement Benefit Obligation

Refer to the significant accounting policy in Note 3.5.1 and explanatory Note 23 to the financial statements

The Company has recognized retirement benefit obligation of Rs. 597.7 Million as at 31st March 2023.

Risk Description	Our Response
The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases, staff turnover rate, retirement age and discount rate. Small 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 retirement benefit obligation. 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.	Our audit procedures included, • Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company. • Testing the samples of the employees' details used in the computation to the human resource records. • Assessing the other key assumptions used in the valuation, in particular the discount rate, mortality rates, retirement age and future salary increases. • Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation. • Assessing the adequacy of the disclosures in financial statements

OTHER INFORMATION

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Group's and 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

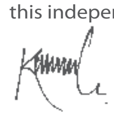
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.



CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

22nd August 2023

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Group		Company	
		2023	2022	**2023**	2022
		Rs`000	Rs`000	**Rs`000**	Rs`000
Revenue	5	5,019,404	3,496,784	4,946,087	3,472,020
Cost of Sales		(3,737,858)	(3,120,619)	(3,682,338)	(3,103,695)
Gross Profit		1,281,546	376,165	1,263,749	368,325
Fair Value Gain on Biological Assets	14.2.1	100,471	35,349	100,471	35,349
Other Operating Income	6	150,270	172,548	151,708	173,855
Administrative Expenses		(371,749)	(202,422)	(365,544)	(159,655)
Finance Income	8	29,615	4,874	29,615	4,874
Finance Cost	8	(409,973)	(318,589)	(409,496)	(318,589)
Share of Profit / (Loss) of equity accounted investee	15.2.1 & 15.2.2	6,348	(53,384)	-	-
Profit before Income Tax Expense	7	786,528	14,541	770,503	104,159
Income Tax (Expense) / Reversal	9	(533,638)	83,937	(533,638)	83,937
Profit for the year		252,890	98,478	236,865	188,096
Other Comprehensive Income / (Expense)					
Items that will not be reclassified to profit or loss					
Actuarial Gain on Retirement Benefit Obligation	23.1	88,492	290,419	88,492	290,419
Tax effect on Actuarial Gain on Retirement Benefit Obligation		(26,548)	(30,494)	(26,548)	(30,494)
Fair value through OCI Investments - Net Change in Fair Value	15.3.1	17,025	4,787	17,025	4,787
Share of other comprehensive income of equity accounted investees	15.2.1 & 15.2.2	-	43,622	-	-
Tax effect on prior year revaluation gain		(134,787)	-	(134,787)	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign Currency Translation Loss		(163)	(578)	-	-
Other Comprehensive Income / (Expense) for the Year, net of tax		(55,981)	307,756	(55,818)	264,712
Total Comprehensive Income for the Year		196,909	406,234	181,047	452,808
Earnings per Share	10.	0.75	0.29	0.70	0.56

The Accounting Policies and Notes on pages 95 to 155 form an integral part of these Financial Statements

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
ASSETS					
Non Current Assets					
Leasehold Right to Bare Land of JEDB/SLSPC Estates	11	632,019	608,865	632,019	608,865
Immovable Leased Assets of JEDB/SLSPC Estates (Other than Bare Land)	12	6,174	14,191	6,174	14,191
Tangible Assets (Other than Mature/Immature Plantations)	13	1,207,030	1,233,983	1,206,782	1,235,939
Biological Assets	14	5,028,865	4,886,239	5,028,865	4,886,239
Investment in Subsidiary	15.1	-	-	27,485	29,030
Investment in Associates	15.2	97,832	91,484	91,442	91,442
Fair value through OCI Investments	15.3	122,881	327,442	122,881	327,442
Total Non Current Assets		7,094,801	7,162,204	7,115,648	7,193,148
Current Assets					
Inventories	16	527,168	295,610	508,369	290,874
Trade & Other Receivables	17	420,065	320,509	400,259	308,630
Fair value gain on growing produce of bearer Biological assets	14.1.2	20,014	7,841	20,014	7,841
Amounts Due from Related Parties	18	67,624	40,879	102,122	55,338
Cash and Cash Equivalents	19	156,512	132,731	148,684	131,854
Total Current Assets		1,191,383	797,570	1,179,448	794,537
Total Assets		8,286,184	7,959,774	8,295,096	7,987,685
EQUITY AND LIABILITIES					
EQUITY					
Capital and Reserves					
Stated Capital	20	1,571,362	1,571,362	1,571,362	1,571,362
General Reserve	20.3	240,000	240,000	240,000	240,000
Foreign currency Translation Reserve	20.4	(11,540)	(11,377)	-	-
Fair value through Other Comprehensive Income Reserve	20.5	65,480	48,455	68,394	51,369
Revaluation Reserve	20.6	506,903	641,690	459,656	594,443
Retained Earnings		(572,622)	(887,456)	(523,172)	(821,981)
Total Equity		1,799,583	1,602,674	1,816,240	1,635,193
LIABILITIES					
Non Current Liabilities					
Interest Bearing Borrowings	22.1	1,392,787	954,413	1,392,787	954,413
Retirement Benefit Obligations	23	598,546	659,181	597,732	658,471
Deferred Income	21	316,081	328,132	316,081	328,132
Net Obligation to Lessor of JEDB/SLSPC	24	720,953	672,689	720,953	672,689
Deferred Taxation	25	1,053,074	358,102	1,053,074	358,102
Total Non Current Liabilities		4,081,441	2,972,517	4,080,627	2,971,807
Current Liabilities					
Interest Bearing Borrowings	22.2	321,941	602,796	321,941	602,796
Net Obligation to Lessor of JEDB/SLSPC	24	4,878	4,162	4,878	4,162
Income tax payable		7,664	7,664	7,664	7,664
Trade & Other Payables	26	1,903,500	2,084,310	1,896,569	2,080,412
Amounts Due to Related Parties	27	80,795	70,348	80,795	70,348
Bank Overdraft	19	86,382	615,303	86,382	615,303
Total Current Liabilities		2,405,160	3,384,583	2,398,229	3,380,685
Total Liabilities		6,486,601	6,357,100	6,478,856	6,352,492
Total Equity and Liabilities		8,286,184	7,959,774	8,295,096	7,987,685
Net Asset per Share (Rs)		5.32	4.73	5.37	4.83

Figures in brackets indicate deductions.

I certify 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 95 to155 form an integral part of these Financial Statements

G R N Perera
General Manager - Finance

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

S S Poholiyadde
Director

K. Mohideen
Director

Colombo
22nd August 2023

STATEMENT OF CHANGES IN EQUITY

Group	Notes	Stated Capital Rs. `000	General Reserve Rs. `000	Fair value through Other Comprehensive Income Reserves Rs. `000	Foreign currency translation Reserve Rs. `000	Revaluation Reserve Rs. `000	Retained Earnings Rs. `000	Total Equity Rs. `000
Balance as at 1st April 2021		781,500	240,000	46,833	(10,799)	594,443	(1,245,399)	406,579
Total comprehensive income for the Year								
Profit for the Year		-	-	-	-	-	98,478	98,478
Other comprehensive income / (expense)								
Share of other comprehensive income of equity accounted investees	15.2.1	-	-	(3,165)	-	47,247	(460)	43,622
Fair value through OCI Investments - Net Change in Fair Value	15.3.1 &15.3.2	-	-	4,787	-	-	-	4,787
Translation differences arising on Foreign operations		-	-	-	(578)	-	-	(578)
Actuarial Gain on Retirement Benefit Obligation	23	-	-	-	-	-	290,419	290,419
Tax effect on Actuarial Loss on Retirement Benefit Obligation	9.1	-	-	-	-	-	(30,494)	(30,494)
Total comprehensive income/(expense) for the Year		-	-	1,622	(578)	47,247	357,943	406,234
Transactions with owners of the Company, recognized directly in equity								
Issue of right shares		789,862	-	-	-	-	-	789,862
Balance as at 31st March 2022		1,571,362	240,000	48,455	(11,377)	641,690	(887,456)	1,602,674
Balance as at 1st April 2022		1,571,362	240,000	48,455	(11,377)	641,690	(887,456)	1,602,674
Total comprehensive income for the Year								
Profit for the Year		-	-	-	-		252,890	252,890
Other comprehensive income / (expense)								
Share of other comprehensive income of equity accounted investees	15.2.1	-	-	-	-	-	-	-
Fair value through OCI Investments - Net Change in Fair Value	15.3.1	-	-	17,025	-	-	-	17,025
Tax effect on Revaluation Gain		-	-	-	-	(134,787)	-	(134,787)
Translation differences arising on Foreign operations		-	-	-	(163)	-	-	(163)
Actuarial Gain on Retirement Benefit Obligation	23	-	-	-	-	-	88,492	88,492
Tax effect on Actuarial Gain on Retirement Benefit Obligation	9.1	-	-	-	-		(26,548)	(26,548)
Total comprehensive income/(expense) for the Year		-	-	17,025	(163)	(134,787)	314,834	196,909
Balance as at 31st March 2023		1,571,362	240,000	65,480	(11,540)	506,903	(572,622)	1,799,583

The Accounting Policies and Notes on pages 95 to 155 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Company	Notes	Stated Capital Rs. `000	General Reserve Rs. `000	Fair value through Other Comprehensive Income Reserves Rs. `000	Revaluation Reserve Rs. `000	Retained Earnings Rs. `000	Total Equity Rs. `000
Balance as at 1st April 2021		781,500	240,000	46,582	594,443	(1,270,002)	392,524
Total comprehensive income for the Year							
Profit for the Year						188,096	188,096
Other comprehensive income / (expense)							
Net changes in fair value of fair value through OCI investments	15.3.1 & 15.3.2			4,787			4,787
Actuarial gain on Retirement Benefit Obligation	23					290,419	290,419
Tax effect on Actuarial gain on Retirement Benefit Obligation	9.1					(30,494)	(30,494)
Total comprehensive income for the Year		-	-	4,787	-	448,021	452,808
Transactions with owners of the Company, recognized directly in equity							
Issue of right shares		789,862	-		-	-	789,862
Balance as at 31st March 2022		1,571,362	240,000	51,369	594,443	(821,981)	1,635,193
Balance as at 1st April 2022		1,571,362	240,000	51,369	594,443	(821,981)	1,635,193
Total comprehensive income for the Year							
Profit for the Year		-	-	-		236,865	236,865
Other comprehensive income / (expense)							
Net changes in fair value of fair value through OCI investments	15.3.1 & 15.3.2	-	-	17,025	-	-	17,025
Tax effect on prior year revaluation gain adjustment		-	-		(134,787)		(134,787)
Actuarial Gain on Retirement Benefit Obligation	23	-	-	-	-	88,492	88,492
Tax effect on Actuarial Gain on Retirement Benefit Obligation	9.1	-	-	-	-	(26,548)	(26,548)
Total comprehensive income/(expense) for the Year		-	-	17,025	(134,787)	298,809	181,047
Balance as at 31st March 2023		1,571,362	240,000	68,394	459,656	(523,172)	1,816,240

The Accounting Policies and Notes on pages 95 to 155 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before Income Tax Expense		786,528	14,541	770,503	104,159
Adjustments for :					
Depreciation/Amortisation	11/12/13/14	287,492	290,490	289,695	288,128
Fair Value Gain of Biological Assets	14.2.1	(100,471)	(35,349)	(100,471)	(35,349)
Profit on Disposal of Property, Plant and Equipment	6	(14,650)	(2,900)	(14,650)	(2,900)
Write off on Inventories	7	2,951	-	2,951	-
Interest Income	8	(19,862)	(4,874)	(19,862)	(4,874)
Interest Expense	8	397,663	286,715	397,186	286,716
Exchange (gain) / Loss	8	12,310	31,875	12,310	31,875
Exchange gain		(9,753)	-	(9,753)	-
Provision for impairment of amounts due from related parties	18	2,369	3,345	3,041	3,739
Reversal for impairment of amounts due from related parties	18.1	(7,700)	(871)	(7,700)	(44,984)
Provision for impairment of Investment in Subsidiaries	15.1.1	-	-	1,545	970
Provision for impairment of Investment in Associates	15.2	-	-	-	9,772
Write-off on CWIP	13	29,732	-	29,732	-
Provision for Retirement Benefit Obligation	23.1	139,037	106,610	138,933	106,480
Share of Profit of Equity Accounted Investee	15.2	(6,348)	53,384	-	-
Amortization of Grants	21	(14,406)	(14,337)	(14,406)	(14,337)
Operating Profit before working capital changes		1,484,892	728,629	1,479,054	729,393
(Increase)/Decrease in Inventories	16	(234,509)	(34,794)	(220,445)	(35,783)
(Increase)/Decrease in Trade & Other Receivables	17	(99,556)	(25,394)	(91,627)	(23,933)
(Increase)/Decrease in Amounts Due from Related Parties	18	(21,414)	(20,393)	(42,125)	11,970
Increase/(Decrease) in Trade & Other Payables	26	(141,151)	(190,648)	(144,183)	(197,475)
Increase/(Decrease) in Amounts Due to Related Parties	27	10,447	(584,062)	10,447	(584,061)
Cash Generated from Operations		998,709	(126,662)	991,121	(99,889)
Interest Paid		(372,179)	(195,954)	(371,705)	(195,954)
Tax paid		-	(4,717)	-	-
Gratuity Paid	23	(111,180)	(44,383)	(111,180)	(44,204)
Net Cash from/ (Used in) Operating Activities		515,350	(371,716)	508,236	(340,047)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	8	19,862	4,874	19,862	4,874
Purchase of Property, Plant and Equipment	13	(80,440)	(13,163)	(80,440)	(13,163)
Investment in Immature Plantations	14.1.1	(143,054)	(78,475)	(143,054)	(78,476)
Proceeds from Disposal of Property, Plant & Equipment	6	14,650	2,900	14,650	2,900
Investment in subsidiary		-	-	-	(30,000)
Investment in Fair value through OCI Investments	15.3.1	-	(17,117)	-	(17,117)
Net cash used in Investing Activities		(188,982)	(100,981)	(188,982)	(130,982)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of Finance Lease Rental	24	(143,749)	(13,229)	(143,749)	(13,229)
Proceeds from Long Term Borrowings	22.4	170,467	92,500	170,467	92,500
Grant received	21	2,355	19,066	2,355	19,066
Transferred from Overdraft	22.4	676,752	-	676,752	-
Repayments of Long Term Borrowings	22.4	(408,622)	(329,806)	(408,622)	(329,806)
Repayment of Debenture	22.3	(73,997)	(73,994)	(73,997)	(73,994)
Proceed from issue of right shares	20	-	789,862	-	789,862
Net Cash from/(used in) Financing Activities		223,206	484,398	223,206	484,398
Net Increase/(Decrease) in Cash and Cash Equivalents		549,574	11,701	542,460	13,369
Cash and cash equivalents at the beginning of the year		(482,572)	(493,695)	(483,449)	(498,875)
Effect of exchange rate changes		3,128	(578)	3,291	2,057
Cash and Cash Equivalents at the end of the year	19	70,130	(482,572)	62,302	(483,449)
Note A - Analysis of cash and cash equivalents					
Cash at Bank and Cash in Hand		156,512	132,731	148,684	131,854
Bank Overdraft		(86,382)	(615,303)	(86,382)	(615,303)
		70,130	(482,572)	62,302	(483,449)

The Accounting Policies and Notes on pages 95 to 155 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. Domicile and Legal Form

Kotagala Plantations PLC is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (reregistered under the Companies Act No. 7 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government Owned Business Undertaking into Public Companies Act No. 23 of 1987. The registered office of the Company is located at No 53-1/1, Sir Baron Jayathilaka Mawatha, Colombo 01 and Plantations are situated in the planting districts of Nuwara Eliya and Kalutara.

1.2. Historical Background

The Company was formed on 22nd June 1992 under the Companies Act No. 17 of 1982 (reregistered under the Companies Act No. 7 of 2007) in terms of the provisions of the conversion of Corporations and Government Owned Business Undertakings in to Public Companies Act No. 23 of 1987, to take over the plantations which were owned and Managed by Janatha Estate Development Board (JEDB) and the Sri Lanka Estate Plantation Corporation (SLSPC) both of which owned and managed a number of plantations and estates.

1.3. Parent and Ultimate Parent Company

The Group's immediate parent undertaking is Consolidated Tea Plantations Limited (previously known as Lankem Plantation Holdings Limited) which is incorporated in Sri Lanka as a limited liability Company, and the ultimate parent of the group is The Colombo Fort Land and Building PLC.

1.4. Principal Activities and Nature of Operations

The principal activity of the Group was the cultivation, manufacture and sale of Tea, Rubber and cultivation and sale of Oil Palm.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

1.5. Number of Employees

The number of employees at the end of the year was 5,456 (2021/22- 5,736). There were no material issues pertaining to employees and industrial relations for the year ended 31st March 2023.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The financial statements of the Group comprise of Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and Notes to the Financial Statements.

The Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of Companies Act No. 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

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

2.2. Responsibilities for financial statements and approval of financial statements

The Board of Directors are responsible for preparation and presentation of these financial statements. The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the financial statements.

The Directors' responsibility over financial statements for the year ended 31 March 2023 is set out in detail in the Statement of Directors' Responsibility.

The financial statements of the Group for the year ended 31st March 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 22nd August 2023.

2.3 Basis of Measurement

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

- Consumable Mature Biological Assets are measured at fair value less costs to sell per - (LKAS 41 - Agriculture) - Note 14.1.3
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation per (LKAS 19 - Employee Benefits) - Note 23
- Agriculture produce harvested from biological assets are measured at fair value per (LKAS 41 - Agriculture) - Note 14.1.2
- Fair value through OCI investments are measured at fair value per (SLFRS 09 – Financial Instruments) - Note 15.3
- Class of Buildings under Property, Plant and Equipment is valued under Revaluation model per (LKAS 16 - Property, Plant and Equipment) - Note 13.5

2.4. Functional and Presentation Currency

Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.5. Presentation of Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS

2.6. Materiality and aggregation

Each material class of similar items are 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 which was effective from 1st January 2020.

Financial assets and financial liabilities are offset and the net amount report in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously. Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements are not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.7. Use of Estimates and Judgements

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

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

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

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

Note 13 – Tangible assets other than biological assets

Note 14.1.3 – Consumable biological assets

Note 14.1.2 - Produce on bearer Biological Assets

Note 3.3.8 - Impairment on non-financial assets.

Note 3.5.2/3.5.3 - Provisions for liabilities, commitments, and contingencies

Note 24 – Lease liability to SLSPC/JEDB

Note 3.5.1/23 – Retirement benefit obligations

Note 3.4.2.1.2/25 – Deferred tax assets

2.8. Going Concern

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

In preparing these financial statements, the management has assessed the existing and anticipated effect of volatile and uncertain economic conditions and on the Company and appropriateness of the use of the going concern basis.

2.9. Measurement of fair values

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

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

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

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

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

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

Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

2.9.1 Fair value of non-financial assets

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Changes in Accounting Policies

The Company and the Group have consistently applied the following accounting policies to all periods presented in these financial statements.

3.1.1 Basis of Consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its Subsidiaries for the year ended 31st March 2023.

3.1.1.1 Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment

Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards). then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination, This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3.1.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The consolidated financial statements are prepared to a common financial year end of 31st March.

3.1.1.3 Non-Controlling Interests (NCI)

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

3.1.1.4 Loss of control

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

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

3.1.1.5 Transactions eliminated on Consolidation

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

3.1.1.6 Investment In Associates

An Associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not have any control or joint control over those policies

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognized as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the Consolidated Financial Statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Consolidated Statement of Financial Position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of the investment.

The Group's share of profit or losses after tax are recognized in the consolidated income statement. Loss of an associate in excess of the Group's interest in that associate are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3.2. 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 amortised 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. Foreign exchange differences arising on translation are recognized in Comprehensive Income.

3.3. Assets and Bases of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are Cash and Bank balances and those which are expected to be realized in cash during, the normal operating cycle of the Company's business, or within one year from the reporting date whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.3.1 Financial Instruments

3.3.1.1 Recognition and Initial Measurement

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

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

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

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

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

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

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

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

Financial Assets – Business Model Assessment

The Group 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:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group'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 Group 's continuing recognition of the assets.

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

Financial assets - 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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

Additionally, for a financial asset acquired at a discount or premium to its contractual 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.

3.3.1.2 Financial liabilities

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

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

Financial assets - Subsequent measurement and gains and losses:

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

3.3.1.3 Derecognition

Financial assets

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

Financial liabilities

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

3.3.1.4 Offsetting

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

3.3.1.5 Impairment – Financial assets

Non-derivative Financial Assets

The Group and the Company recognise loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

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 Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group 's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing 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 Group 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 Group expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset 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 180 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market tor 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is

180 days past due based on historical experience of recoveries of similar assets.

For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group 's procedures to recovery of amounts due.

3.3.2 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in their fair value, and are used by the Group and the Company in the management of its short term commitments

Bank overdrafts are shown under current liabilities. For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in Groups net of outstanding Group overdrafts. Interests paid and received are classified as operating cash flows for the purpose of presentation of Cash Flow Statement. The cash flow Statement reported is based on indirect method.

3.3.3 Right of Use Asset

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

Group 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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.

Depreciation Expenses

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

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 Group's incremental borrowing rate.

Generally, the Group uses its incremental borrowing rate as the discount rate. The Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment

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.

Presentation of ROU asset and lease liabilities

The Group presents right-of-use assets that do not meet the definition of investment property in separate line as Leasehold Right to Bare Land of JEDB/SLSPC Estates and Immovable Leased Assets of JEDB/SLSPC Estates (Other than Bare Land) lease liabilities within Net Obligation to Lessor of JEDB/SLSPC in the Statement of Financial Position

Short term leases and leases of low-value assets

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

3.3.4 Property Plant and Equipment

3.3.4.1 Recognition and Measurement

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

The cost of Property, Plant and Equipment is the cost of purchase or construction together with any expenses incurred in 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 cost of property, plant and equipment is the cash price equivalent at the recognition date.

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.

A revaluation of buildings is done when there is a substantial difference between the fair value and the carrying amount of the Buildings, and is undertaken by professionally qualified valuers every 5 years.

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.

Subsequent Costs/ Replacement of Parts.

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 benefit embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Derecognition

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

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

3.3.4.2 Depreciation and Amortization

Depreciation

Provision for depreciation is calculated by using a straight-line method on the cost or valuation 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.

Owned Assets	**Useful Life (Years)**
Buildings & Land Improvements	40
Plant & Machinery	13 1/3
CTC Machinery	20
Furniture & Fittings	10
Motor Vehicles	5
Equipment	8
Water Projects & Sanitation	20

Leasehold Assets	**Useful Life (Years)**
Plant & Machinery	13 1/3
Motor Vehicles	5

Mature Plantations	**Useful Life (Years)**
Tea	33 1/3
Rubber	20
Oil Palm	20

Assets of JEDB/ SLSPC Estates	**Useful Life (Years)**
Bare Land	53
Buildings	25
Plant & Machinery	15
Land Development Cost	30
Water Supply Scheme	30
Mature Plantations	
Tea & Rubber	33
Others	25

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 derecognised.

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.

3.3.4.3 Leased Assets

Property, Plant and Equipment on finance leases, (which effectively transfer substantial risks and benefits incidental to ownership of the leased item) are capitalized at their cash price, and depreciated/amortized over the period the Group is expected to benefit from the use of the leased assets. The corresponding principal amount payable to the lessor is shown as a liability. The interest element of the rental obligation applicable to each financial year is charged to the Statement of Comprehensive Income over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The cost of improvements to the leased property is capitalized and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements whichever is shorter.

3.3.4.3.1 Assets Held for Sale

Non-current assets, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are measured at lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gain or losses on re-measurement are recognized in profit and loss. Gains are not recognized in excess of any cumulative impairment loss.

3.3.4.3.2 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 capitalized and amortized over the remaining lease period. Permanent impairments to land development costs 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.

3.3.4.3.3 Capital work-in-progress

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

3.3.4.3.4 Limited Life Land Development Costs (Immature and Mature Plantations)

The cost of new planting, replanting, inter-planting 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 the labor days spent on respective replanting and new planting and capitalized on the immature areas. 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 perennial crops (Tea and Rubber) which come into bearing during the year have been transferred to mature plantations and depreciated over its useful lifetime.

No depreciation has been charged on mature plantations in the year of transfer. Permanent impairments to land development costs 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.

3.3.4.3.5 Infilling Cost

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 at rates applicable to mature plantations. Infilling costs that are not capitalized have been charged to the Statement of Comprehensive Income in the year in which they are incurred.

3.3.6 Biological Assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea, rubber, oil palm and other bearer trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets.

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

The Group 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 assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated Impairment losses, if any, in terms of LKAS 16- Property Plant and Equipment as per the ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timber is measured on initial recognition and at the end of each reporting periods at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the Impact on biological transformation of such plants to price during this period is immaterial. Timber trees are measured at fair value at date of reporting by the management or by an independent professionally qualified valuer if the board of directors determines necessary. All details of the valuation and the assumptions are given in note 14.1.3 to the financial statements.

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

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

The Group recognizes its agricultural produce prior to harvest separately from its bearer plants. In accordance with LKAS 41, Company recognize agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period. For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows:- Tea -three days crop (50% of 6 days cycle), Oil Palm -five days crop (50% of 10 days cycle) and Rubber - one day crop (50% of 2 days cycle). Produce that grows on mature bearer plantations are measured at fair value less cost of harvesting and transport. The fair value of the un-harvested green leaves is measured using the using the bought leaf formula recommended by the Sri Lanka Tea Board, the fair value of the un-harvested fresh fruit bunches (FFB) of Oil Palm is measured using the Bought Mill Price and the Rubber crop is fair valued using 95% of RSS 1 Price.

3.3.7 Inventories

Inventories other than produce stocks are valued at the lower of cost and estimated net realizable value, after making do allowance for obsolete and slow-moving items.

Net realisable 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. Cost is arrived as follows, Input Material At actual cost on FIFO basis. Growing Crop Nurseries At the cost of direct materials, direct labour, and an appropriate proportion of directly attributable overheads less provision for overgrown plants. Spares and Consumables At actual cost on FIFO basis. Produce Stocks Valued on the basis of estimated realisable price/since realised price or cost.

3.3.8 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs to sell and its value in use.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3.4 Revenue and Expenditure Recognition

3.4.1 Revenue Recognition

The Group generates revenue primarily from the sale of tea, rubber and other agricultural produce. The revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. The Group recognises revenue when it transfers control over good or service to a customer.

The Group considers sale of tea, rubber and other agricultural produce as one performance obligation and recognises revenue when it transfers control to the customer.

Disaggregation of Revenue

The entity disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group's revenue comprises of sale of tea, rubber and other agricultural produce and no disaggregation is required.

The following specific criteria are used for recognition of revenue:

a) In keeping with the practice in the Plantation Industry, revenue on Perennial crops are recognized in the financial period of harvesting. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.

b) Gains or losses of a revenue nature have been accounted for in the Statement of Profit or Loss.

c) Interest income is recognised on accrual basis.

d) Other income is recognised on accrual basis.

3.4.2 Expenditure Recognition

a) 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 the Statement of Comprehensive Income in arriving at the profit/(loss) for the year.

b) For the purpose of presentation of Statement of Comprehensive Income, 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.

3.4.2.1 Income Tax

Income tax expense comprises current 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 group has determined that interest and penalties related to income taxes including uncertain tax treatments do not meet the definition of income tax and therefore accounted for them under LKAS 37 provisions, contingent liabilities, and contingent assets.

3.4.2.1.1 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. Relevant details are disclosed in note 9 to the Financial Statements.

3.4.2.1.2 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.

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 utilized. Unrecognised deferred tax assets are reassessed at each reporting 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 and tax laws that have been enacted or substantively enacted as at the Reporting date. Income tax relating to items recognized directly in equity is recognised in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4.2.2 Borrowing Cost

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 capitalized as part of the specific asset. Borrowing Costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Comprehensive Income. Borrowing costs incurred in respect of loans that are utilised for field development activities have been capitalized as a part of the cost of the relevant Immature Plantation. The capitalisation will cease when the crops are ready for commercial harvest. The amount so capitalised and the capitalisation rates are disclosed in the notes to the financial statements.

3.4.2.3 Earnings/ (Loss) Per Share (EPS)

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

3.5 Liabilities and Provision

3.5.1 Retirement Benefits to Employees

3.5.1.1 Defined Benefit Plans

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

Retiring Gratuity

The Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983. This item is grouped under Retirement Benefit Obligation in the Statement of Financial Position.

Provision for Gratuity on the employees of the Group is on an actuarial basis using the Projected Unit Credit Method (PUC Method) as recommended by Sri Lanka Accounting Standard 16 (Revised 2006), "Employee Benefits" which became effective from the financial year commencing after 1st July 2007. The Company continues to use actuarial method under Sri Lanka Accounting Standard 19, "Employee Benefits" effective from the financial year commencing on 1st January 2012.

A provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group adopted LKAS 19 "Employee Benefits"(Revised in 2013) with effect from 1st January 2013 in accordance with the transitional provisions in the standard and changed its basis for determining the income or expense related to defined benefit plans;

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

The liability is not externally funded. However according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The Board of Directors of the Group confirm that, only the following number of permanent employees are entitled for retiring gratuity as at 31st March 2023 as per the provisions set out in the Payment of Gratuity Act No. 12 of 1983.

Description	Nos
Staff	476
Workers	4,977
Total	5,453

Defined Contribution Plans – EPF, ESPS, CPPS, ETF

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

3.5.2 Provisions

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

3.5.3 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by occurrence or non-occurrence uncertain future events not wholly within the control of the Group or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not accounted in the Statement of Financial Position but are disclosed unless they are remote.

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes to the Financial Statements.

3.5.4 Non-derivative Financial Liabilities

3.5.4.1 Classification, Subsequent measurement and Gain and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for- trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. 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.

3.5.4.2 Derecognition

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

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

3.5.4.3 Other Liabilities

Other Liabilities are stated at their cost

3.5.5 Deferred Income

Grants and subsidies are credited to the Statement of Comprehensive Income over the periods necessary to match them with the related costs, which they are intended to be compensated on a systematic basis. Grants related to Property, Plant and Equipment, including non-monetary grants at fair value is deferred in the Statement of Financial Statement and credited to the Statement of Comprehensive Income over the useful life of the related assets. Grants related to income are recognised in the Statement of Comprehensive Income in the period in which it is receivable.

3.6 Segmental reporting

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

The Group's core business is manufacturing and sale of Tea and this line of business accounts for the entire operation of the Group.

The Group'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.

3.7 Statement of Cash Flows

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

3.8 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether or not a price is being charged. A detailed Related Party Transaction analysis is presented in Note 31.

3.9 Comparative Information

The Accounting Policies have been consistently applied by the Group with those used in the previous year. Previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

3.10 Events Occurring After the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, 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.

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

A number of new standards are effective for annual periods beginning on or after 01st April 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Group's consolidated financial statements.

- Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

The amendments, as issued on 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 01st 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 01st January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Group is closely monitoring the developments.

- Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies.
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the Consolidated financial statements of the Group and the separated financial statements of the Company. The Group does not anticipate this amendment to have a significant impact.

- Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

For the year ended 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
5 REVENUE				
Revenue from Contracts with customers				
Tea	3,707,438	2,389,302	3,707,438	2,389,302
Rubber	917,846	799,789	844,529	775,025
Oil Palm	394,120	307,693	394,120	307,693
	5,019,404	3,496,784	4,946,087	3,472,020

5.1 Performance Obligations

Type of product	Nature and timing of satisfaction of performance obligation	Revenue recognition under SLFRS 15
Tea/Rubber	The Company is selling made tea and rubber to customers through brokers at the Colombo Tea Auction.	Revenue from tea and rubber is recognised at the time of confirmation of sale at the auction.
Other agricultural produce	The Company is selling Tea (local sales), rubber latex and Oil Palm to customers at the plantation.	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.

5.2 Segmental analysis of Principal crops

5.2.1 Operating segments - Group

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

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Tea	Cultivation, Manufacture and sale of tea
Rubber	Cultivation, Manufacture and sale of rubber
Oil Palm	Cultivation, and sale of oil palm

		Tea		Rubber		Oil Palm		Total	
	For the year ended 31st March	**2023 Rs. `000**	2022 Rs. `000	**2023 Rs. `000**	2022 Rs. `000	**2023 Rs. `000**	2022 Rs. `000	**2023 Rs. `000**	2022 Rs. `000
a)	**Segmental Result**								
	Revenue	3,707,438	2,389,302	917,846	799,789	394,120	307,693	5,019,404	3,496,784
	Less: Cost of Sales	(2,663,028)	(2,272,529)	(918,833)	(750,763)	(155,997)	(97,327)	(3,737,858)	(3,120,619)
	Gross Profit	1,044,410	116,773	(987)	49,026	238,123	210,366	1,281,546	376,165
	Less: Unallocated Expenses							(752,107)	(516,137)
	Add: Other Income							250,741	207,897
	Share of Loss from Associate Companies							6,348	(53,384)
	Profit before Income Tax Expenses							786,528	14,541
	Income Tax (Expenses) /reversal							(533,638)	83,937
	Profit for the year							252,890	98,478
	Other Comprehensive Income / (Expense)							(55,981)	307,756
	Total comprehensive income for the year							196,909	406,234
b)	**Segmental Assets**								
	Non current assets	3,555,652	1,905,983	2,807,640	2,656,484	387,191	415,581	6,750,483	4,978,048
	Current assets	498,984	353,671	423,222	119,987	5,791	2,146	927,997	475,804
		4,054,636	2,259,654	3,230,862	2,776,471	392,982	417,727	7,678,480	5,453,852
	Unallocated							607,704	2,505,922
	Total Assets							8,286,184	7,959,774
c)	**Segmental Liabilities**								
	Non current liabilities	500,733	552,591	385,059	321,745	-	-	885,792	874,336
	Current liabilities	1,160,891	857,290	392,473	(355,379)	1,099	7,056	1,554,463	508,967
		1,661,624	1,409,881	777,532	(33,634)	1,099	7,056	2,440,255	1,383,303
	Unallocated							4,046,346	4,973,797
	Total Liabilities							6,486,601	6,357,100
d)	**Segmental Capital Expenditure**								
	Capital Expenditure	47,328	15,233	120,639	45,203	-	-	167,967	60,436
	Unallocated		-		-	-	-	55,527	31,204
	Total Capital Expenditure	47,328	15,233	120,639	45,203	-	-	223,494	91,640
e)	**Segmental Depreciation**								
	Depreciation / amortisation	108,811	100,603	149,406	158,728	28,389	28,389	286,606	287,720
	Unallocated		-		-		-	886	2,770
	Total Depreciation	108,811	100,603	149,406	158,728	28,389	28,389	287,492	290,490

NOTES TO THE FINANCIAL STATEMENTS

5.2.2 Operating segments - Company

Segmental analysis of Principal crops

		Tea		Rubber		Oil Palm		Total	
	For the year ended 31st March	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
		Rs. `000	Rs. `000	**Rs. `000**	Rs. `000	**Rs. `000**	Rs. `000	**Rs. `000**	Rs. `000
a)	**Segmental Result**								
	Revenue	3,707,438	2,389,302	844,529	775,025	394,120	307,693	4,946,087	3,472,020
	Less: Cost of Sales	(2,663,028)	(2,272,529)	(863,313)	(733,839)	(155,997)	(97,327)	(3,682,338)	(3,103,695)
	Gross Profit	1,044,410	116,773	(18,784)	41,186	238,123	210,366	1,263,749	368,325
	Less: Unallocated Expenses							(745,425)	(473,370)
	Add: Other Income							252,179	209,204
	Profit before Income Tax Expenses							770,503	104,159
	Income Tax (Expenses) /reversal							(533,638)	83,937
	Profit for the year							236,865	188,096
	Other Comprehensive Income / (Expense)							(55,818)	264,712
	Total comprehensive income for the year							181,047	452,808
b)	**Segmental Assets**								
	Non current assets	3,555,652	1,905,983	2,807,640	2,658,283	387,191	415,581	6,750,483	4,979,847
	Current assets	498,984	353,671	410,946	116,955	5,791	2,146	915,721	472,772
		4,054,636	2,259,654	3,218,586	2,775,238	392,982	417,727	7,666,204	5,452,619
	Unallocated							628,892	2,535,066
	Total Assets							8,295,096	7,987,685
c)	**Segmental Liabilities**								
	Non current liabilities	500,733	551,603	385,059	413,540	-	-	885,792	965,143
	Current liabilities	1,160,891	1,049,477	384,722	436,915	1,099	5,862	1,546,712	1,492,253
		1,661,624	1,601,080	769,781	850,455	1,099	5,862	2,432,504	2,457,396
	Unallocated							4,046,352	3,895,096
	Total Liabilities							6,478,856	6,352,492
d)	**Segmental Capital Expenditure**								
	Capital Expenditure	47,328	15,233	120,639	45,203	-	-	167,967	60,436
	Unallocated							55,527	31,204
	Total Capital Expenditure	47,328	15,233	120,639	45,203	-	-	223,494	91,640
e)	**Segmental Depreciation**								
	Depreciation / amortisation	108,811	100,603	151,609	156,364	28,389	28,389	288,809	285,358
	Unallocated							886	2,770
	Total Depreciation	108,811	100,603	151,609	156,364	28,389	28,389	289,695	288,128

For the year ended 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
6. NET OTHER OPERATING INCOME				
Amortization of Capital Grants	14,406	14,337	14,406	14,337
Profit on Disposal of Property, Plant and Equipment	14,650	2,900	14,650	2,900
Sale of Rubber and Other Trees	5,286	91,687	5,286	91,687
Rent Income	11,984	11,944	13,422	13,251
Sale of Refuse Tea	71,253	37,869	71,253	37,869
Write back of other payables	20,048	-	20,048	-
Sundry Income	12,643	13,811	12,643	13,811
	150,270	172,548	151,708	173,855

For the year ended 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
7. PROFIT/ (LOSS) BEFORE INCOME TAX				
Is stated after charging all expenses including the following;				
Directors' Emoluments	34,750	12,150	34,750	12,150
Auditor's Remuneration - Statutory Audit fees - KPMG Auditors	6,750	5,870	6,750	5,870
- Statutory Audit fees - Non KPMG Auditors	1,058	330	-	-
- Non Audit Related Services	300	200	300	200
Provision for impairment in investment in subsidiaries	-	-	1,545	970
Provision for impairment on Investment in Associate	-	-		9,772
Provision for impairment on amounts due from related parties	2,369	3,345	3,041	3,739
Reversal for impairment on amounts due from related parties	(7,700)	(871)	(7,700)	(44,984)
Impairment of inventoires	2,951	-	2,951	-
Write off of PPE	29,732	-	29,732	-
Depreciation/Amortization;				
- Leasehold rights to Bare Land	28,405	26,188	28,405	26,188
- Immovable Leased Assets	8,017	8,417	8,017	8,417
- Tangible Property, Plant and Equipment	77,662	84,429	79,865	82,067
- Mature Plantations	173,408	171,456	173,408	171,456
Personnel Cost Includes;				
- Salaries and Wages	1,948,878	1,452,981	1,943,900	1,449,656
- Defined Benefit Plan Cost - Retiring Gratuity	139,036	106,610	138,933	106,481
- Defined Contribution Plans - EPF, ETF,CPPS and ESPS	120,182	224,333	119,668	223,883

For the year ended 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
8. NET FINANCING COSTS				
Finance Income				
Interest Income	19,862	4,874	19,862	4,874
Exchange Gain	9,753	-	9,753	-
	29,615	4,874	29,615	4,874
Finance Cost on				
Bank Overdraft	(79,515)	(50,643)	(79,515)	(50,643)
Net Obligation to Lessor	(102,358)	(95,430)	(102,358)	(95,430)
Debentures	(20,656)	(25,628)	(20,656)	(25,628)
Bank Loans	(142,058)	(61,100)	(142,058)	(61,100)
Broker Advances	(48,491)	(30,505)	(48,014)	(30,505)
Related Company Loans	-	(17,736)	-	(17,736)
Exchange Loss	(12,310)	(31,875)	(12,310)	(31,875)
Other interest	(4,585)	(5,672)	(4,585)	(5,672)
	(409,973)	(318,589)	(409,496)	(318,589)
Net finance cost	(380,358)	(313,715)	(379,881)	(313,715)

9. INCOME TAX EXPENSE

9.1 Current Taxation

For the year ended 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
Recognized in the Profit or Loss				
Income tax on Profits for the Year **(Note 9.2)**	-	7,664	-	7,664
Prior year under/(Over) Provision	-	-	-	-
Tax paid on Assessment	-	-	-	-
Provision for Deferred Taxation **(Note 25)**	533,638	(91,601)	533,638	(91,601)
	533,638	(83,937)	533,638	(83,937)
Recognized in the Other Comprehensive Income				
Income tax on Profits for the Year	-	-	-	-
Provision for Deferred Taxation	161,334	30,494	161,334	30,494
	161,334	30,494	161,334	30,494

The Inland Revenue (Amendment) Act No. 45 of 2022 was certified by the speaker on 19th December 2022. As per the Amendment Act, the Company is liable to pay tax at the rate of 30% on its taxable profits (2022:14%). Prior to 7th July 2022, profit from the business of "Agro processing" and "investment income taxed at the rate of 14% and 24% respectively as per Inland Revenue (Amendment) Act No 10 of 2021. Profit from the business of "Agro Farming" will continued to be exempt from income tax upto 2023/24 under the Inland Revenue (Amendment) Act No.45 of 2022."

For the year ended 31st March	Group		Company	
	2023	2022	**2023**	2022
	Rs`000	Rs`000	**Rs`000**	Rs`000
9.2 Reconciliation between accounting profit and Income tax				
Accounting Profit/(loss) before Income Tax Expense	786,528	14,541	770,503	104,159
Deduct: Non Business Income	(29,614)	(31,933)	(29,614)	(31,933)
Add: Aggregate disallowable items	572,745	550,087	588,770	459,162
Deduct: Aggregate allowable expenses	(647,455)	(287,292)	(647,455)	(285,985)
Exempt Income	(527,056)	(232,188)	(527,056)	(232,188)
Statutory Loss from Business	155,148	13,215	155,148	13,215
Other Sources of Income	29,614	31,933	29,614	31,933
Total Statutory Income / (Loss)	184,762	45,148	184,762	45,148
Tax Losses set off during the Year (Note 9.3)	(184,762)	(13,215)	(184,762)	(13,215)
Total Assessable / Taxable Income or Loss	-	31,933	-	31,933
Income Tax at the rate of 10%	-	-	-	-
Income Tax at the rate of 14%	-	-	-	-
Income Tax at the rate of 24%	-	7,664		7,664
Current Income Tax Expense	-	7,664	-	7,664

For the year ended 31st March	Group		Company	
	2023	2022	**2023**	2022
	Rs`000	Rs`000	**Rs`000**	Rs`000
9.3 Accumulated Tax Losses				
Tax Loss Brought Forward	3,706,577	3,714,334	3,705,809	3,714,334
Adjustment in respect of prior years	(111,641)	4,690	(111,641)	4,690
Business loss for the year	-	768	-	-
Tax Losses set off during the year	(184,762)	(13,215)	(184,762)	(13,215)
Tax Loss Carried Forward	3,410,174	3,706,577	3,409,406	3,705,809

10. EARNINGS PER SHARE

10.1 Basic Earnings Per Share

The computation of Earnings/ (Loss) per Share is based on Profit/(loss) attributable to ordinary shareholders after tax for the year divided by the weighted average number of ordinary shares outstanding during the year and calculated as follows;

For the year ended 31st March	Group		Company	
	2023	2022	**2023**	2022
Amount used as the Numerator				
Profit attributable to Ordinary Shareholders (Rs.'000)	252,890	98,478	236,865	188,096
Amount used as the Denominator				
Weighted average number of Ordinary Shares ('000)	338,513	337,453	338,513	337,453
Earnings per Share (Rs.)	0.75	0.29	0.70	0.56

10.2 Diluted Earnings Per Share

There were no potential diluted ordinary shares outstanding at any time during the year. Therefore, diluted Earnings Per Share is the same as Basic Earnings/(Loss) per Share shown above.

11. LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

The leases of all the 23 estates have been executed and will be retroactive from 22nd June, 1992. The leasehold rights to land on all these estates have been taken into the books of the Company as at 22nd 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 8th 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.

Millewa estate was acquired by the Urban Development Authority of Sri Lanka on the 26th of October 2017. During the financial year 2018/19 Leasehold right to bare land was written off since the company no longer has control of the said estate.

The Group has applied SLFRS-16 from 1 April 2019 (Leases) for leasehold assets recorded in the financial statements.

Company / Group	Life of the Asset Rs. `000	As at 22.06.1992 Rs. `000	Balance as at 31.03.2023 Rs. `000	Balance as at 31.03.2022 Rs. `000
Capitalized value	53 years	358,928	852,408	830,828
Remeasurement During the Year			51,560	21,580
		358,928	903,968	852,408

Amortisation	Balance as at 01.04.2022 Rs. `000	Charge for the year Rs. `000	Balance as at 31.03.2023 Rs. `000
	243,543	28,406	271,949

Carrying Value	As at 31.03.2023 Rs. `000	As at 31.03.2022 Rs. `000
	632,019	608,865

12. IMMOVABLE LEASED ASSETS OF JEDB/SLSPC ESTATES (OTHER THAN BARE LAND)

The leases of all the 23 estates have been executed and will be retroactive from 22nd June 1992. The leasehold rights to land on all these estates have been taken into the books of the Company as at 22nd June 1992 immediately after formation of the Company,in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka based on then existing accounting standards. For this purpose, the Board decided at its meeting held on 8th 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 22nd June, 1992, statement of Financial Position and the amortisation of leasehold rights up to 31st March 2023 are as follows,

Millewa estate was acquired by the Urban Development Authority of Sri Lanka on the 26th of October 2017. During the financial year 2018/19 Leasehold right to Immovable Leased Assets was written off since the company no longer has control of the said estate.

Company / Group Cost	Life of the Asset Rs. `000	As at 22.06.1992 Rs. `000	Balance as at 31.03.2023 Rs. `000	Balance as at 31.03.2022 Rs. `000
Land Development Cost	30 years	6,712	6,360	6,360
Buildings other than worker housing	25 years	26,519	25,174	25,174
Plant & Machinery	15 years	8,757	8,757	8,757
Water Projects and Sanitations	30 years	8,688	8,688	8,688
Mature Plantations				
- Tea	33 years	69,767	227,655	227,655
- Rubber	30 years	61,138	163,548	163,548
- Others	25-33 years	-	8,140	8,140
Immature Plantations				
- Tea		158,960	-	-
- Rubber		126,898	-	-
- Others		8,140	-	-
		475,579	448,322	448,322

Amortisation	Balance as at 01.04.2022 Rs`000	Charge for the year Rs. `000	Balance as at 31.03.2023 Rs. `000	Carrying Value As at 31.03.2023 Rs. `000	Carrying Value As at 31.03.2022 Rs. `000
Land Development Cost	6,318	42	6,360	-	42
Buildings other than Worker Housing	25,174		25,174	-	-
Plant & Machinery	8,757		8,757	-	-
Water Projects and Sanitations	8,623	65	8,688	-	65
Mature Plantations					
- Tea	214,872	7,587	222,459	5,196	12,783
- Rubber	163,548		163,548	-	-
- Others	6,839	323	7,162	978	1,301
Immature Plantations					
- Tea			-	-	-
- Rubber			-	-	-
- Others			-	-	-
	434,131	8,017	442,148	6,174	14,191

Investment in Immature Plantations at the time of handing over to the Company by way of estate leases are shown under Immature Plantations as at 22.06.1992. Further investment in such plantations to bring them to maturity are shown under Note 14.

13. TANGIBLE ASSETS (OTHER THAN MATURE / IMMATURE PLANTATIONS)

13.1 Group

Description	Buildings and Land Improvements	Water Projects and Sanitations	Plant and Machinery		Motor Vehicles		Equipment	Furniture and Fittings	Work-in Progress	Total
			Freehold	Leasehold	Freehold	Leasehold				
	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000
Cost										
As at 1st April 2021	1,145,983	60,937	630,617	69,177	235,205	12,100	89,760	9,798	37,900	2,291,477
Additions/Transfer in	6,172	-	-	-	-	-	4,259	-	2,732	13,163
Disposals	-	-	-	-	(1,249)	-	-	-	-	(1,249)
Transfer out	-	-	69,177	(69,177)	12,100	(12,100)	-	-	-	-
As at 31st March 2022	1,152,155	60,937	699,794	-	246,056	-	94,019	9,798	40,632	2,303,391
As at 1st April 2022	1,152,155	60,937	699,794	-	246,056	-	94,019	9,798	40,632	2,303,391
Additions/Transfer in	782	-	17,513	-	16,700	-	27,267	-	18,178	80,440
Disposals	-	-	-	-	(14,650)	-	-	-	-	(14,650)
Write off	-	-	-	-	-	-	-	-	(29,732)	(29,732)
As at 31st March 2023	1,152,937	60,937	717,307	-	248,106	-	121,286	9,798	29,078	2,339,449
Depreciation										
As at 1st April 2021	66,016	47,121	498,717	41,940	233,229	12,100	77,488	9,617	-	986,228
Charge for the year	44,788	2,113	28,814	4,625	1,026	-	2,999	64	-	84,429
Disposals	-	-	-	-	(1,249)	-	-	-	-	(1,249)
Transfer Out	-	-	46,565	(46,565)	12,100	(12,100)	-	-	-	-
As at 31st March 2022	110,804	49,234	574,096	-	245,106	-	80,487	9,681	-	1,069,408
As at 1st April 2022	110,804	49,234	574,096	-	245,106	-	80,487	9,681	-	1,069,408
Charge for the year	44,839	1,957	25,066	-	1,454	-	4,274	71	-	77,661
Disposals	-	-	-	-	(14,650)	-	-	-	-	(14,650)
As at 31st March 2023	155,643	51,191	599,162	-	231,910	-	84,761	9,752	-	1,132,419
Net Carrying Value										
As at 31st March 2023	997,294	9,746	118,145	-	16,196	-	36,525	46	29,078	1,207,030
As at 31st March 2022	1,041,351	11,703	125,698	-	950	-	13,532	117	40,632	1,233,983

13. TANGIBLE ASSETS (OTHER THAN MATURE / IMMATURE PLANTATIONS)

13.2 Company

Description	Buildings and Land Improvements	Water Projects and Sanitations	Plant and Machinery		Motor Vehicles		Equipment	Furniture and Fittings	Work-in Progress	Total
			Freehold	Leasehold	Freehold	Leasehold				
	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000
Cost										
As at 1st April 2021	1,145,983	60,937	630,226	69,177	235,205	12,100	89,081	9,798	37,900	2,290,407
Additions/Transfer in	6,172	-	-	-	-	-	4,259	-	2,732	13,163
Disposals	-	-	-	-	(1,249)	-	-	-	-	(1,249)
Transfer out	-	-	69,177	(69,177)	12,100	(12,100)	-	-	-	-
As at 31st March 2022	1,152,155	60,937	699,403	-	246,056	-	93,340	9,798	40,632	2,302,321
As at 1st April 2022	1,152,155	60,937	699,403	-	246,056	-	93,340	9,798	40,632	2,302,321
Additions/Transfer in	782	-	17,513	-	16,700	-	27,267	-	18,178	80,440
Disposals	-	-	-	-	(14,650)	-	-	-	-	(14,650)
Write off	-	-	-	-	-	-	-	-	(29,732)	(29,732)
As at 31st March 2023	1,152,937	60,937	716,916	-	248,106	-	120,607	9,798	29,078	2,338,379
Depreciation										
As at 1st April 2021	66,016	47,121	498,527	41,940	233,229	12,100	77,014	9,617	-	985,564
Charge for the year	44,788	2,113	26,744	4,625	1,026	-	2,707	64	-	82,067
Disposals during the year	-	-	-	-	(1,249)	-	-	-	-	(1,249)
Transfer out during the year	-	-	46,565	(46,565)	12,100	(12,100)	-	-	-	-
As at 31st March 2022	110,804	49,234	571,836	-	245,106	-	79,721	9,681	-	1,066,382
As at 1st April 2022	110,804	49,234	571,836	-	245,106	-	79,721	9,681	-	1,066,382
Charge for the year	44,839	1,957	27,581	-	1,170	-	4,274	44	-	79,865
Disposals	-	-	-	-	(14,650)	-	-	-	-	(14,650)
As at 31st March 2023	155,643	51,191	599,417	-	231,626	-	83,995	9,725	-	1,131,597
Net Carrying Value										
As at 31st March 2023	**997,294**	**9,746**	**117,499**	**-**	**16,480**	**-**	**36,612**	**73**	**29,078**	**1,206,782**
As at 31st March 2022	1,041,351	11,703	127,567	-	950	-	13,619	117	40,632	1,235,939

13.2.1 The cost of the fully depreciated items of Property, Plant & equipment which are still in use as at 31st March are as follows;

Asset Category	2023 Rs. `000	2022 Rs. `000
Water Projects and Sanitations	25,465	21,795
Plant and Machinery	331,355	315,303
Motor Vehicles	234,175	240,946
Equipment	72,983	71,012
Furniture and Fittings	9,404	9,330
	673,382	658,386

13.3 Capital Work-in-Progress

Capital Work-in-Progress include the Work-in-Progress pertaining to Improvements to Land & Buildings, Water Projects & Sanitations and Plant & Machinery.

13.4 Property, plant and equipment pledged as security for liabilities

The Property, Plant and Equipment which are pledged as securities as at 31st March 2023 disclosed under note 22.4.1.

13.5 The Company has revalued its Buildings and Land Improvements as at 30th September 2019. The fair value of the buildings are determined by Mr. Fathihu A A M (FIV), an external independent property valuer, having appropriate recognised professional qualifications, experience in the category of the property being valued and the location of the asset as explained under note 13.5.1

The details of carrying amounts of revalued assets and the carrying value, if such assets were carried at historical cost less deprecations are as follows;

Property, plant and equipment category	Method of revaluation	Carrying value of revalued assets if carried at historical cost as at 31st March 2023 Rs'0 00	Carrying value of assets under Revaluation Model Rs'000
Buildings and Land Improvements	Gross replacement cost	388,399	970,177

Fair Value Hierarchy

The fair value measurement for all of Buildings and Land Improvements has been categorized as level 03 fair based on the input to the valuation technique used.

Valuation technique and significant unobservable techniques

The following table shows the valuation technique used in measuring the fair value of property plant & equipment, as well as the significant unobservable inputs used;

Valuation Method	Significant unobservable input	Interrelationship Between Key Unobservable Inputs and Fair Value	Total Floor Area (Sq. Ft.)
Cost approach	Gross replacement cost	Positively correlated sensitivity	6,156,485

Valuation Technique	Significant unobservable Inputs	Interrelationship Between Key Unobservable Inputs and Fair Value Measurements
Gross Replacement Cost	The cost to rebuild/replace the property as new after taking into consideration, depreciation due to use, age and obsolesce through market changes Rs.2,500- Rs.33Mn	The estimated fair value would increase (decrease) if: - Gross replacement cost is higher/ (lower) - Remaining useful life of the asset is higher/ (lower)

13.5.1 The details of Buildings and Land Improvements, which were revalued indicated below:

Name of Estate	Location	Number of Buildings	Floor Area (Sq. Ft.)
Kotagala Region			
Bogahawatte	Bogahawatta	36	215,725
Chrystler's Farm	Kotagala	38	231,628
Craigie Lea	Kotagala	49	301,948
Drayton	Kotagala	39	367,921
Kelliewatte	Patana	28	169,604
Mayfield	Hatton	48	565,391
Mount Vernon	Pattana	49	513,785
Stonycliff	Kotagala	63	518,371
Yulliefield	Hatton	61	486,668
Derryclare	Kotagala	35	279,168
Horana/ Kalutara Region			
Eduragala	Ingiriya	25	117,824
Hedigalla	Badureliya	16	37,639
Gikiyanakanda	Neboda	36	460,689
Rayigam	Ingiriya	53	413,297
Vogan	Matugama	46	307,441
Arapolakanda	Thebuwana	26	236,712
Dalkeith	Lathpandura	50	347,407
Padukka	Padukka	32	110,363
Paiyagala	Dodangoda	34	131,480
Sorana	Horana	38	197,359
Usk Valley	Badureliya	23	146,065
Total		825	6,156,485

13.6 Impairment

The Company does not foresee any indications of impairment as at the reporting date due to the volatile economic conditions, and business unit functions under the business continuity plans as per the Group risk management strategy.

14. BIOLOGICAL ASSETS

14.1 Group/ Company

AS AT 31ST MARCH 2023	2023 Rs. `000	2022 Rs. `000
Bearer Biological assets **(Note 14.1.1)**	3,243,893	3,192,054
Consumable Biological assets **(Note 14.1.3)**	1,784,972	1,694,185
Total Biological Assets - Non Current Assets	5,028,865	4,886,239
Fair value of growing produce bearer biological assets - Current Assets **(Note 14.1.2)**	20,014	7,841
Total Biological Assets	5,048,879	4,894,080

14.1.1 Bearer Biological assets

	Mature Plantations			Immature Plantations				Total
	Tea Rs. `000	Rubber Rs. `000	Oil palm Rs. `000	Tea Rs. `000	Rubber Rs. `000	Oil Palm Rs. `000	Other Rs. `000	Rs. `000
Cost								
As at 1st April 2022	1,221,705	2,244,120	567,769	174,567	567,673	-	70,028	4,845,862
Additions during the year	-	87,905	-	10,808	180,759	-	36,169	315,641
Transfer out during the year	-	-	-	-	(87,905)	-	(2,489)	(90,394)
As at 31st March 2023	1,221,705	2,332,025	567,769	185,375	660,527	-	103,708	5,071,109
Depreciation								
As at 1st April 2022	461,596	1,040,023	152,189	-	-	-	-	1,653,808
Charge for the year	38,666	106,353	28,389	-	-	-	-	173,408
As at 31st March 2023	500,262	1,146,376	180,578	-	-	-	-	1,827,216
Carrying Value as at 31.03.2023	721,443	1,185,649	387,191	185,375	660,527	-	103,708	3,243,893
Carrying Value as at 31.03.2022	760,109	1,204,097	415,580	174,567	567,673	-	70,028	3,192,054

a) These are investments in mature/immature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 11 and 12. Further investment in Immature Plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature under this note. A corresponding movement, from Immature to Mature, in respect of the investment undertaken by JEDB/ SLSPC on the same plantation prior to the leases are shown under Note 12.

b) Borrowing costs amounting Rs. 6.0 million (2021/22-Rs.4.9Mn) on Tea, and Rs. 78.6 million (2021/22-Rs.45Mn) on Rubber incurred on term loans and overdrafts utilised to finance replanting expenditure of tea and rubber have been capitalised. The average rate of interest for capitalisation was 22.78% (2021/22-11.98%) The capitalisation will cease when crops are ready for harvest.

c) Other immature plantations includes other crops such as Cinnamon. Coconut etc. and are carried at cost less impairment.

14.1.2 Produce on bearer Biological Assets

	2023 Rs. `000	2022 Rs. `000
Balances as at 1st April	7,841	6,526
Change in fair value less cost to sell	12,173	1,315
As at 31st March	20,014	7,841

14.1.3 Consumable Biological Assets

	2023 Rs. `000	2022 Rs. `000
Consumable Biological assets - Mature		
Balance as at 1st April	1,694,185	1,660,151
Transfer from consumable biological assets - immature	2,489	-
Fair value gain for the year	88,298	34,034
Balance as at 31st March	1,784,972	1,694,185

Managed tress include commercial timber plantations cultivated on estates. The cost of immature trees upto 5 years from planting are treated as approximate fair value particularly on the grounds of little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The fair value of managed trees was valued by Mr.Fathihu A A M (FIV), Incorporated Valuers by using following assumptions

Key assumptions used in valuation are as follows,

Timber Content	Estimated based on the girth,height and considering the growth and present age of the trees of each species in different geographical regions, factoring all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company approved by the Forestry Department. Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size
Economic Useful Life	Estimated based on normal life span of each species by factoring the forestry plan of the Company approved by the Forestry Department.
Selling Price	Estimated based on prevailing Sri Lankan market prices factoring all the conditions to be fulfilled in bringing the trees in to saleable condition. (price range per cu ft is Rs. 386 - 1,188)
Discount rate	Future cash flows are discounted at the rate of 21.5% , 22.5% & 23.5% (2021/22-18%,19% & 20%)

The Board of directors established that the fair value of consumable biological assets of the Company is comprised of only managed trees which fall under the purview of the forestry management plan of the company, since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka.

During the year ended 31st March 2019, a physical verification of timber was carried out by the management covering all the estates and the actual number of trees available in the estates was ascertained. The actual number of commercially cultivated managed timber trees available as per the physical verification is included within the fair value of timber (consumable biological assets) for the year ended 31st March 2023.

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

Regulatory and environmental risks

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

Supply and demand risk

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

Climate and other risks

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

14.2.1 Measurement of Fair Value

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

a) The fair value measurement for the consumable biological assets has been categorized as level 3 fair value based on inputs to the valuations used. Breakdown of the total gains recognized in respect of level 3 fair values of consumable biologicl assets namely, managed timber plantation, are given below.

	Group/Company	
As as 31st March	**2023**	2022
	Rs. `000	Rs. `000
Change in fair value of consumable biological assets **(Note 14.1.3)**	88,298	34,034
Change in fair value of growing produce of bearer biological assets **(Note 14.1.2)**	12,173	1,315
Total Gain for the year	100,471	35,349

b) Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring level 3 fair value of consumable biological assets as well as significant unobservable inputs used.

Type	Valuation techniques used	Significant unobservable Inputs	Inter relationship between key unobservable inputs and fair value measurements
Mature Timber	**Discounted Cashflows**	**Determination of Timber Content**	
Mature timber older than 5 years	The valuation model considers present value of future net cashflows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per tree basis. Expected cashflows are discounted using a high risk adjusted rates of ; 21.5% - Trees age to harvest 5 years or below 22.5% - Trees age to harvest 6 -14 years 23.5% - Trees age to harvest 15 years or above comprising a risk free rate of of 18.5%	Species planted in separate blocks as at the reporting date have been identified by a qualified forestry officer of the company and the timber content has been estimated based on the age and current cubic content. Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size **Determination of Price of Timber** Price range per cu ft. is Rs. 386 - 1,188 Trees have been valued as per the current timber prices per cubic meter which is the recent selling price of a cubic meter of the specific species.	The estimated fair value at the time of harvesting each specific species is sensitive to the following variables, - The estimated timber content - The estimated timber prices per cubic meter - The estimated selling related costs - The estimated maturity age - The risk adjusted discount rate

14.2.2 Sensitivity Analysis

Sensitivity Variation on Sales Price and Discount Rate

The future cashflows are determined by reference to current timber prices

Increase/(Decrease) in the Discount Rate	Increase/(Decrease) in the Selling price of specific species	Sensitivity effect on the carrying value of Biological Assets As at 31st Match 2023 Rs.000	Sensitivity effect on the carrying value of Biological Assets Assets As at 31st Match 2022 Rs.000
1%		(39,718)	(48,579)
-1%		39,718	48,579
	10%	178,767	169,391
	-10%	(178,767)	(169,391)

As at 31st March	Holding %	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
15. INVESTMENTS					
15.1 Investments in Subsidiaries	Holding %				
Consolidated Rubber Plantations PTE Ltd	100%	-	-	115	115
Cambodia Rubber Plantation Industries PTE Ltd	100%	-	-	115	115
Lanka Agro Plantations PTE Ltd	100%	-	-	115	115
Rubber & Allied Products (Colombo) Ltd	100%	-	-	30,060	30,060
		-	-	30,405	30,405
Less- provision for impairment of Investments in Subsidiaries (Note 15.1.1)		-	-	(2,920)	(1,375)
		-	-	27,485	29,030
15.1.1 Provision for impairment of Investments in Subsidiaries					
Balance as at 1st April		-	-	(1,375)	(405)
Charge for the year		-	-	(1,545)	(970)
Balance as at 31st March		-	-	(2,920)	(1,375)

Name of the Company	Nature of Business	Location	Ownership Percentage Rs.000	Carrying value Rs.000
Rubber & Allied Products (Colombo) Ltd	Manufacturing Centrifuged Latex	Colombo/ Horana	100%	27,485
Consolidated Rubber Plantations PTE Ltd	Cultivation of Rubber	Cambodia	100%	-
Cambodia Rubber Plantation Industries PTE Ltd	Cultivation of Rubber	Cambodia	100%	-
Lanka Agro Plantations PTE Ltd	Cultivation of Rubber	Cambodia	100%	-
Total				27,485

15.1.2 Summarized financial information for Subsidiary Companies of the Group

Summary of the Statement of Comprehensive income of Subsiadiary Companies

	Rubber & Allied Products (Colombo) Ltd Rs. `000	Consolidated Rubber Plantations PTE Ltd. Rs. `000	Cambodia Rubber Plantation Industries PTE Ltd. Rs.000	Lanka Agro Plantations PTE Ltd. Rs.000
Revenue	102,726	-	-	-
Profit /(Loss) after tax	(1,416)	-	-	-
Other comprehensive Income	-	45,370	(12,046)	(33,487)
Total Comprehensive Income /(Expense)	(1,416)	45,370	(12,046)	(33,487)
Summary of the Statement of financial position of Subsidiary Companies				
Non Current Assets	21,712	-	-	-
Current Assets	46,434	525,905	32,565	-
Total Assets	68,146	525,905	32,565	-
Non Current Liabilities	994	-	-	-
Current Liabilities	39,538	944	171,948	387,467
Total Liabilities	40,532	944	171,948	387,467
Net Assets - Attributable to Non Controlling interests	-	-	-	-
Attributable to the Group	27,614	524,961	(139,383)	(387,467)
Summary of the Statement of Cash flows of Subsidiary Companies				
Net Cash inflow/(outflow) from Operating Activities	8,389	-	-	-
Net Cash inflow/(outflow) from Investing Activities	-	-	-	-
Net Cash inflow/(outflow) from Financing Activities	(1,438)	-	-	-
Net increase /(decrease) of cash and cash equivalents	6,951	-	-	-

	As at 31st March		Group		Company	
			2023	2022	2023	2022
			Rs`000	Rs`000	Rs`000	Rs`000
15.2	**Investments in Associates**	Holding %				
	Union Commodities (Private) Limited **(15.2.1)**	15%	-	-	-	-
	Imperial Hotels Ltd **(15.2.2)**	31.15%	97,832	91,484	91,442	91,442
			97,832	91,484	91,442	91,442
15.2.1	**Investment in Union commodities (Pvt) Ltd**					
	Balance as at beginning of the year		36,745	47,737	236,250	236,250
	Share of Loss for the year		-	(54,614)	-	-
	Share of OCI for the year		-	43,622	-	-
	Equity accounted investee before impairment		36,745	36,745	236,250	236,250
	Provision for Impairment of Investments in Associates **(Note 15.2.1.1)**		(36,745)	(36,745)	(236,250)	(236,250)
	Balance at the end of the year		-	-	-	-
15.2.1.1	***Provision for impairment of investment in Union commodities (Pvt) Ltd***					
	Balance as at 1st April		36,745	36,745	236,250	225,258
	Charge for the year		-	-	-	10,992
	Balance as at 31st March		36,745	36,745	236,250	236,250
15.2.2	**Investments in Imperial Hotels Limited**					
	Balance as at beginning of the year		91,484	90,254	94,753	94,753
	Share of Profit for the year		6,348	1,230	-	-
	(Provision)/Reversal for impairments in Associates (Note 15.2.2.1)		-	-	(3,311)	(3,311)
	Balance at the year end		97,832	91,484	91,442	91,442
15.2.2.1	***Provision for impairment of investment in Imperial Hotels Limited***					
	Balance as at 1st April		-	-	3,311	4,531
	Charge / (Reversal) for the year		-	-	-	(1,220)
	Balance as at 31st March		-	-	3,311	3,311

Name of the Company	Nature of Business	Location	Ownership Percentage Rs.000	Carrying value Rs.000
Union Commodities (Private) Limited	Tea Exports	Kelaniya	15%	-
Imperial Hotels Limited	Hospitality	Kandy	31.15%	91,442

As at 31st March	2023		2022	
	Union Commodities (Private) Limited Rs. `000	Imperial Hotels Limited Rs. `000	Union Commodities (Private) Limited Rs. `000	Imperial Hotels Limited Rs. `000
15.2.3 Summarized financial information of Associate Company				
Summary of the statement of Profit or Loss and Comprehensive Income of the Associate Company				
Percentage of Ownership interest	15%	31.15%	15%	31.15%
Revenue	7,063,823	-	5,146,019	-
Profit/ (Loss) After Tax	(571,308)	20,152	(884,740)	3,916
Other Comprehensive Income	(11,410)	-	290,812	-
Total Comprehensive Income /(expense)	(582,718)	20,537	(593,928)	3,916
Group's share of Profit and Total Other Comprehensive income /(expense)	(87,407)	6,348	(89,089)	1,230
Non Current Assets	2,816,705	157,807	2,861,734	158,040
Current Assets	2,550,824	180,448	2,241,842	154,761
Total Assets	5,367,529	338,255	5,103,576	312,801
Non Current Liabilities	(2,488,097)	-	(2,439,404)	-
Current Liabilities	(3,985,092)	(24,323)	(3,184,823)	(19,247)
Total Liabilities	(6,473,189)	(24,323)	(5,624,227)	(19,247)
Net assets (100%)	(1,105,660)	313,932	(520,651)	293,554
Group share of Net assets	(165,849)	97,790	(78,098)	91,442
Goodwill	-	42	-	42
Unallocated share of loss	165,849	-	78,098	-
Carrying Amount of Interest in Associate	-	97,832	-	91,484

As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
15.3 Fair value through OCI Investment				
Investments in unquoted securities **(Note 15.3.1)**	122,881	105,856	122,881	105,856
Investments in Unit Trusts **(Note 15.3.2)**	-	221,586	-	221,586
	122,881	327,442	122,881	327,442
15.3.1 Investments in Unquoted Securities				
Agarapatana Plantations Limited	105,856	83,952	105,856	83,952
Investment made during the year	-	17,117	-	17,117
Change in fair value of Investment in unquoted securities during the year	17,025	4,787	17,025	4,787
	122,881	105,856	122,881	105,856

15.3.1.1 Investments in Unquoted Securities- Agarapatana Plantations Limited

		Group 2023	Group 2022	Company 2023	Company 2022
No of Shares	Nos`000	20,757	20,757	20,757	20,757
% Holding	%	4.98%	4.98%	4.98%	4.98%
Carrying Value as at 1 April	Rs. `000	105,856	83,952	105,856	83,952
Equity Value Per Share as at 31 March	Rs.	5.92	5.10	5.92	5.10
Gain/(Loss) on FVTOCI Financial Asset	Rs. `000	17,025	21,904	17,025	21,904
Carrying Value as at 31 March	Rs. `000	122,881	105,856	122,881	105,856

15.3.1.2 Information about Fair Value Measurements using Significant observable Inputs (Level 2)

Financial Asset	Valuation Methodology	Observable Inputs	Range of Observable Inputs 2023
Investment in unquoted Ordinary Shares of Agarapathana Plantations Limited	Market Multiplier methodology	Price to Sales (P/S Ratio)	Price to Sales (P/S) ratio range of 0.25 - 0.82

Key assumptions used in valuation;

1 Screening was conducted on similar Companies listed on the Colombo Stock Exchange based on similarities in market capitalization and total revenue.

2 Results of screening based on publicly available information as at the latest practicable date

3 Valuation exercise was concluded on Price-to-sales (P/S) ratio of identified similar Companies

As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
15.3.2 Investment in Unit trusts				
NSB 0 /A Cey Bank Savings Plus Money Market Fund	221,586	221,586	221,586	221,586
Setting-off against Ceybank Loan Liability	(221,586)	-	(221,586)	-
Change in fair value of Invesment in Unit Trusts	-	-	-	-
	-	221,586	-	221,586

As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
16. INVENTORIES				
Input Materials	145,596	108,174	145,215	107,554
Growing Crop Nurseries	7,990	6,854	7,990	6,854
Produce Stock (Tea and Rubber)	295,698	168,612	295,698	168,612
Spares and Consumables	80,892	14,978	62,474	10,862
Provision for impairment	(3,008)	(3,008)	(3,008)	(3,008)
	527,168	295,610	508,369	290,874

16.1 Rs.2.9Mn worth of inventories have been written off during the year

As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
17. TRADE & OTHER RECEIVABLES				
Trade Receivables	123,979	101,402	105,532	91,858
Other Receivables				
Advances, Deposits, Prepayments & Other Receivables	253,134	182,739	251,775	180,404
Employee Advances	47,637	41,053	47,637	41,053
Less : Provision for bad and doubtful receivables (Note 17.1)	(4,685)	(4,685)	(4,685)	(4,685)
Total other receivables	296,086	219,107	294,727	216,772
Total trade and other receivables	420,065	320,509	400,259	308,630
17.1 Provision for bad and doubtful receivables				
Balance as at 1st April	(4,685)	(42,372)	(4,685)	(42,372)
Write-off during the year **(Note 17.1.1)**	-	37,687	-	37,687
Balance as at 31st March	(4,685)	(4,685)	(4,685)	(4,685)

17.1.1 Trade receivable balances written off during the year 2022 are not subjected to any enforcement activity

17.2 Advances, deposits, prepayments and other receivables consists of a receivable from Urban Development Authority (UDA) related to Millewa estate amounting to Rs.134.9Mn.

Millewa estate was acquired by the Urban Development Authority (UDA) of Sri Lanka on the 26th of October 2017. All assets pertaining to Millewa estate were written off from the financial statements of the Company, since the Company no longer has control of the said estate and assets. Subject to the take of Millewa estate by the Government Kotagala Plantations PLC have, lodged a rightful compensation claim amounting to Rs. 660 Mn with UDA. Therefore the assets have been re-classified under other receivable balance due from Urban development authority of Sri Lanka. The liabilities pertaining to Millewa estate as at 26th of October 2017 have been retained within the financial statements of the Company, since the Company has an obligation that may arise during the course of business operations.

Description	Rs. `000
Property Plant and equipment	10,334
Leasehold Right to Bare Land	5,713
Immovable leased assets	48
Bearer Biological assets	118,807
	134,902

17.3 No Advance over Rs. 20,000/- have been granted to employees and workers of the Company.

		Group		Company	
As at 31st March	Relationship	2023 Rs`000	2022 Rs`000	2023 Rs`000	2022 Rs`000
18. AMOUNTS DUE FROM RELATED PARTIES					
	Relationship				
Lankem Tea & Rubber Plantations (Private) Limited	Sub Subsidiary	694	694	694	694
Agarapatana Plantations Ltd	Sub Subsidiary	8,605	-	8,605	-
Sherwood Holidays Limited	Sub Subsidiary	-	7,700	-	7,700
Lankem Ceylon PLC	Intermediate Parent	12,012	44,927	12,012	44,927
Horton Plains Resorts & Spa Limited	Sub Subsidiary	107	107	107	107
Colombo Fort Group Services (Pvt) Ltd	Sub Subsidiary	1,340	1,698	1,340	1,698
Rubber & Allied Products (Colombo) Ltd	Subsidiary	-	-	32,583	11,750
Marawila Resorts PLC	Sub Subsidiary	320	-	320	-
Far Eastern Extports (Colombo) Ltd	Sub Subsidiary	393	378	393	378
Lanka Agro Plantations Pte Ltd	Subsidiary	-	-	122	122
Union Commodities (Pvt) Ltd	Associate	53,436	-	53,314	-
Lankem Plantations Services Ltd	Sub Subsidiary	22	11	22	11
		76,929	55,515	109,512	67,387
Less - Provision for impairment of amounts due from related parties **(Note 18.1)**		(9,305)	(14,636)	(7,390)	(12,049)
		67,624	40,879	102,122	55,338
18.1 Provision for Impairment of amounts Due from Related Parties					
Balance as at 1st April		(14,636)	(12,162)	(12,049)	(53,294)
Reversal during the year		7,700	871	7,700	44,984
Charge for the year		(2,369)	(3,345)	(3,041)	(3,739)
Balance as at 31st March		(9,305)	(14,636)	(7,390)	(12,049)

As at 31st March	Relationship	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
19. CASH AND CASH EQUIVALENTS					
Cash at Bank and Cash in Hand		156,512	132,731	148,684	131,854
Bank Overdraft **(Note 19.1)**		(86,382)	(615,303)	(86,382)	(615,303)
Cash and cash equivalents for the purpose of the Cash Flow Statement		70,130	(482,572)	62,302	(483,449)

19.1 Bank Overdraft

Bank	:	**Seylan Bank**
Purpose	:	To finance working capital requirements.
Facility		Rs. 50,000,000/-
Securities Pledged	:	Primary mortgage over leasehold rights of the estate lands and buildings, fixed and floating assets of Yuilliefield and Chrystlers Farm Estates.
		Primary mortgage over leasehold rights of the estate lands and buildings of Sorana Estates.
Bank		**Standard Chartered Bank**
Purpose		To finance working capital requirements.
Facility		Rs. 250,000,000/-
Securities Pledged		Primary mortgage over leasehold rights of the estate lands and buildings, fixed and floating assets of Hedigalle and Eduragala Estates.

20. STATED CAPITAL

As at 31st March	2023 Rs.	2022 Rs.
Issued and Fully Paid		
75,225,000 Ordinary Shares	1,571,362,500	781,500,000
Rights Issue **(Note 20.1)**	-	789,862,500
01 Golden Share **(Note 20.2)**	10	10
	1,571,362,510	1,571,362,510

As at 31st March	No. of Shares 2023	No. of Shares 2022
Balance Ordinary Shares at the beginning of the year	338,512,500	75,225,000
Rights Issue During the year	-	263,287,500
Golden Share as at the end of the year	1	1
	338,512,501	338,512,501

20.1 Rights Issue

The Company made a Rights Issue of 263,287,500 Ordinary Shares at a price of Rs. 3/- per Share to the holders of the Issued Ordinary Shares of the Company as at the end of trading on 19th July 2021, in the proportion of Seven (7) new Ordinary Shares for every Two (2) existing issued Ordinary Shares held in the Capital of the Company. The Issue closed on 17th August 2021. The issue was fully subscribed and the consideration received was Rs.789,862,500/-.

Subsequent to the Rights Issue of shares the Company's Stated Capital amounts to Rs.1,571,362,510/- represented by 338,512,500 Ordinary Shares and One Golden Share (Note 20.2).

20.2 Golden Shareholder

The total amount received by the Company in respect of issue of shares are referred to as Stated Capital. The Golden share is currently held by Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public Company. In addition to the rights of the normal ordinary shareholders, in terms of the Articles of the Company, following special rights are vested with the Golden Shareholder.

a) 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 the Company by the JEDB/SLSPC.

b) The Golden Shareholder shall be entitled to call upon the Board of Directors once in three months to meet him or his nominee to discuss matters of the Company of interest to the estate.

c) The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.

d) The company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre- specified format agreed to by the Golden Shareholder and the Company

e) The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information related to the company in a pre-specified format agreed to by the Golden Shareholder and the Company.

20.3 General Reserve

General Reserve represents amounts set-aside from time to time by the Directors of the Company for the purpose of general application. These have been appropriated by the Board in compliance with the Articles, which provides for such amounts being set-aside for future and utilized after appropriate Board Approvals.

As at 31st March	Group		Company	
	2023 Rs`000	2022 Rs`000	**2023 Rs`000**	2022 Rs`000
Balance as at 1st April	240,000	240,000	240,000	240,000
Balance as at 31st March	240,000	240,000	240,000	240,000

20.4 Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve represents the differences between translated values of assets and liabilities of foreign operations at the exchange rate as at reporting date and hitorical rate.

As at 31st March	Group		Company	
	2023 Rs`000	2022 Rs`000	**2023 Rs`000**	2022 Rs`000
Balance as at 1st April	(11,377)	(10,799)	-	-
Translation differences arising on Foreign operations	(163)	(578)	-	-
Balance as at 31st March	(11,540)	(11,377)	-	-

20.5 Fair Value Through Other Comprehensive Income Reserve

Fair Value Through Other Comprehensive Income Reserve represents the change in fair value of Investemnt in Agarapathana Plantations Limited and Investment in unit trust.

As at 31st March	Group		Company	
	2023 Rs`000	2022 Rs`000	2023 Rs`000	2022 Rs`000
Balance as at 1st April	48,455	46,834	51,369	46,582
Share of other comprehensive income of equity accounted investees	-	(3,165)	-	-
Fair value through OCI Investments - Net Change in Fair Value	17,025	4,787	17,025	4,787
Balance as at 31st March	65,480	48,455	68,394	51,369

20.6 Revaluation Reserve

The revaluation reserve relates to leasehold and freehold buildings which have been revalued by the Company.

As at 31st March	Group		Company	
	2023 Rs`000	2022 Rs`000	2023 Rs`000	2022 Rs`000
Balance as at 1st April	641,690	594,443	594,443	594,443
Revaluation Gain net of tax	-	47,247	-	-
Deferred tax impact on revaluation reserve	(134,787)	-	(134,787)	-
Balance as at 31st March	506,903	641,690	459,656	594,443

21. DEFERRED INCOME

Grants and Subsidies

Group/ Company

As at 31st March	ADB-PRP Rs. `000	PDSP Rs. `000	PHDT Rs. `000	Others Rs. `000	2023 Rs. `000	2022 Rs. `000
As at 31st March	28,816	132,224	7,234	159,858	328,132	323,403
Received during the year	-	-	-	2,355	2,355	19,066
Amortisation for the year	(1,166)	(5,781)	(499)	(6,960)	(14,406)	(14,337)
As at 31st March	27,650	126,443	6,735	155,253	316,081	328,132

(i) Asian Development Bank - Plantation Reform Project (ADB - PRP)

The funds received are utilised for construction of Staff Quarters, Water Projects, Latrines, Farm Roads and purchase of Forestry Equipment.

(ii) Plantation Development Support Programme (PDSP)

The funds received are utilised for construction of Dispensaries, Staff Quarters, Water Projects and upgrading Creches.

(iii) Plantation Human Development Trust (PHDT)

The funds received are utilised for construction of Worker Housing, Water Projects and purchase of Ambulance.

(iv) Others

a) **Ministry of Livestock Development and Estate Infrastructure**
The funds received are utilised for construction of Community Centers, Agency Post Offices and Upgrading Farm Roads and Creches.

b) **Sri Lanka Tea Board**
Funds received are utilised for the construction of the CTC Tea Factory at Mount Vernon Estate.

c) **Rubber Development Department**
Funds received are utilised for replanting.

The amounts spent are capitalised 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 asset.

As at 31st March	Note	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
22. INTEREST BEARING BORROWINGS					
22.1 Payable after one year					
Debentures	22.3	259,133	333,133	259,133	333,133
Term Loans	22.4	1,133,654	621,280	1,133,654	621,280
		1,392,787	954,413	1,392,787	954,413
22.2 Payable within one year					
Debentures	22.3	73,996	73,996	73,996	73,996
Term Loans	22.4	247,945	528,800	247,945	528,800
		321,941	602,796	321,941	602,796
Total		1,714,728	1,557,209	1,714,728	1,557,209

22.3 Rated Secured Redeemable Listed Debentures

Debenture Type	Year of Issue	Original Year of Redemption	Restructured Period (Capital Repayment)	Colombo Stock Exchange Listing	Issued Value	Interest Payable Frequency	Interest Rate %	Outstanding Balance as at 31st March 2023 Rs`000	Outstanding Balance as at 31st March 2022 Rs`000
C	2014	2020	From 2020 to 2025	Unlisted	Rs.250Mn	Monthly	7.50%	166,400	198,764
D1-D6	2014	2021	From 2021 to 2026	Listed	Rs.250Mn	Monthly	7.50%	166,729	208,365
								333,129	407,129

22.3.1 Trading at Colombo Stock Exchange

Debenture Type	Highest Value (Rs.)	Lowest Value (Rs.)	Last Traded Value (Rs.)
C	Not Traded	Not Traded	Not Traded
D1-D6	Not Traded	Not Traded	Not Traded

22.3.2 Comparable Interest Rate on Government Securities

1 year - 24.31%

2 years - 29.99%

22.3.3 The rating of listed debentures - C (lka) by Fitch Ratings

22.4 Group /Company

Term Loans	NDB	Sampath Bank	Peoples Bank	Peoples Bank Interest Loan (39 Mn)	Standard Chartered	Seylan Bank	Seylan Bank Moratorium Loan Capital 6 Mn	Seylan Bank Moratorium Loan Capital 4 Mn	Seylan Bank Moratorium Loan Capital 5.5 Mn	AEN	F & W	John Kells	CeyBank Commercial Papers	**Total 31.03.2023**	Total 31.03.2022
	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000		Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	Rs`000	**Rs`000**	Rs`000
At the beginning of the year	164,439	334,120	250,001	6,136	71,341	68,500	2,878	3,000	5,500	3,333	4,200	5,999	230,633	1,150,080	1,308,198
Loans Obtained during the year	-	-	-	-	-	-	-	-	-	22,500	26,521	121,446	-	170,467	92,500
Transfer from Overdraft Balance	-	-	-	-	676,752	-	-	-	-	-	-	-	-	676,752	
Transfer to Capitalized Moratorium Loan interest from other payable	-	-	-	-	-	-	-	850	-	-	-	-	-	850	
Exchange loss	12,310	-	-	-	-	-	-	-	-	-	-	-	-	12,310	33,932
Capitalized Interest	-	1,344	-	-	-	-	-	-	-	-	-	-	-	1,344	45,256
Setting-off against Unit Trust Investment	-	-	-	-	-	-	-	-	-	-	-	-	(221,586)	(221,586)	
Repayments made during the year	(15,000)	(155,162)	(6,250)	(6,136)	(40,000)	(24,000)	(2,878)	(2,167)	(5,500)	(10,833)	(4,200)	(127,445)	(9,047)	(408,618)	(329,806)
At the end of the year	161,749	180,302	243,751	-	708,093	44,500	-	1,683	-	15,000	26,521	-	-	1,381,599	1,150,080
Payable within one year	(24,000)	(59,400)	(7,500)	-	(85,341)	(28,500)	-	(1,683)	-	(15,000)	(26,521)	-	-	(247,945)	(528,800)
Payable after one year	137,749	120,902	236,251	-	622,752	16,000	-	-	-	-	-	-	-	1,133,654	621,280

22.4.1 Term Loans

	Bank	Amount Obtained Rs.'000	Balance 31.03.2023 Rs.'000	Balance 31.03.2022 Rs.000	Rate of Interest %	Terms of Repayment	Securities Pledged
a)	**NDB**						
	Term Loan						
	Tranch 01	500,000	11,085	19,418	AWPR + 5% if delayed AWPR+ 8%	Payable in 63 euqal monthly instalments of Rs. 2,030,000/- with a first instalment of Rs. 2,110,000/-.	Primary Mortgage over the lease hold right, building & machinery of estates already mortgaged to NDB namely Stonycliff, Vogan, Gikiyanakande & Dalkieth.
	Tranch 02		15,321	19,418			
	Tranch 03		23,586	26,151			
	USD Loan						
	Tranch 01	204,470	37,252	33,150	LIBOR + 8% if delayed LIBOR+ 11%	Payable in 56 euqal monthly instalments of $8,000/- with a first instalment of $7,000/-.	Primary Mortgage over the lease hold right, building & machinery of estates already mortgaged to NDB namely Stonycliff, Vogan, Gikiyanakande & Dalkieth.
	Tranch 02		37,253	33,150		Payable in 56 euqal monthly instalments of $8,000/- with a first instalment of $7,000/-.	
	Tranch 03		37,252	33,152		Payable in 56 euqal monthly instalments of $7,306/- with a first instalment of $7,318.98/-.	
	Total	704,470	161,749	164,439			
b)	**Sampath Bank**						
	Term Loan	500,000	180,302	334,120	AWPLR +3.5%	Payable in 71 euqal monthly instalments of Rs.6,950,000 and final instalment of Rs.6,550,000 with a capital grace period of 12 months.	Primary Mortgage Bond for Rs.500Mn over leasehold rights of Drayton and Kelliewatte Estates in Nuwara Eliya together together with factory building therein.
	Total	500,000	180,302	334,120			
c)	**Peoples Bank**						
	Term Loan	250,000	243,751	250,001	8.5%	Repayable within 120 instalments	Primary Mortgage Bonds over Leashold rights of all those estate plantation and premises of Mayfield Estate situated in the village of dimbula and Ukutile in the Nuwara Eliya Pattu in Kotmale Korale in the district of Nuwara Eliya, Central provice.
						02nd to 03rd Year - Rs.625,000 per month 04th Year - Rs.835,000 per month 05th Year - Rs.1,875,000 per month 06th Year - Rs. 2,083,335 per month 07th Year - Rs.2,958,000 per month Last repayment - Rs.2,957,980	Primary Mortgage Bonds over Leashold rights of all those estate plantation and premises of Mayfield Estate situated in the village of dimbula and Ukutile in the Nuwara Eliya Pattu in Kotmale Korale in the district of Nuwara Eliya, Central provice.
	Interest Loan	39,000	-	6,136			
	Total	289,000	243,751	256,137			

	Bank	Amount Obtained Rs.'000	Balance 31.03.2023 Rs.'000	Balance 31.03.2022 Rs.000	Rate of Interest %	Terms of Repayment	Securities Pledged
d)	**Standard Charted Bank**						
	Term Loan	250,000	676,752	-	AWPR	Payable within 60 instalments	Primary Mortgage Bond over leasehold rights of Hedigalle and Eduragala Estates together together with factory building therein.
	Packing credit		31,341	71,341			
	Total	250,000	708,093	71,341			
e)	**Cey Bank Asset Management Ltd**						
	Commercial Paper	172,700	-	230,633	16.50%	Repayable as per the commercial paper maturity date	
	Total	172,700	-	230,633			
f)	**Forbes & Walker Ltd**						
	Term Loan	26,521	26,521	4,200			
	Total	26,521	26,521	4,200			
h)	**AEN**						
	Term Loan	22,500	15,000	3,333			-
		22,500	15,000	3,333			
i)	**John Keells**						
	Term Loan	121,446	-	5,999			
	Grand Total	121,446	-	5,999			
j)	**Seylan Bank Loan**						
	Term Loan	84,500	44,500	68,500	16%	Repayable within 72 months with following instalments 12 instalments of Rs.400,000 + Interest 12 instalments of Rs.600,000 + Interest 12 instalments of Rs.1,000,000 + Interest 12 instalments of Rs.1,500,000 + Interest 12 instalments of Rs.2,250,000 + Interest 11 instalments of Rs.2,500,000 + Interest and final instalments of Rs. 3,500,000	
	Moratorium Loan Capital	6,000	-	2,878	TB+1%		
	Moratorium Loan Capital	4,000	1,683	3,000	TB+1%		
	Moratorium Loan Capital	5,500	-	5,500	TB+1%		
	Total	100,000	46,183	79,878			
	Grand Total	2,186,637	1,381,599	1,150,080			

NOTES TO THE FINANCIAL STATEMENTS

	As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
23.	**RETIREMENT BENEFIT OBLIGATIONS**				
	Balance at the beginning of the year	659,181	887,373	658,470	886,613
	Provision made during the year (Note 23.1)	50,545	(183,809)	50,442	(183,938)
		709,726	703,564	708,912	702,675
	Payments made during the year	(111,180)	(44,383)	(111,180)	(44,204)
	Balance at the end of the year	598,546	659,181	597,732	658,471
23.1	**Provision for the year consists of the following**				
	Recognized in Profit & Loss				
	Interest cost	98,874	66,497	98,771	66,497
	Current service cost	40,163	40,113	40,163	39,984
	Recognized in Other Comprehensive Income				
	Actuarial (Gain)/Loss	(88,492)	(290,419)	(88,492)	(290,419)
	Present value of obligation as at 31st March	50,545	(183,809)	50,442	(183,938)

The actuarial valuation had been carried out by M/S Actuarial & Management Consultants (Pvt) Ltd. According to the valuation the gratuity liability on employees of the Company as at 31st March 2023 is Rs. 597,730,761/-

The Key assumptions used by the Actuary include the following,

		2023 Rs. `000	2022 Rs. `000
1	Rate of Interest		
	As per the guidelines issues by the Institute of Chartered Accountants of Sri Lanka, the discount rate has been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purposes of valuing Employee benefit obligations as per LKAS 19.	18.5%	15.00%
2	Rate of Salary Increase		
	Workers	10%	8% per annum
	For other categories of staff	25% + 5% once in three years	10% per annum
3	Retirement age		
	Workers	60 years	60 years
	For other categories of staff	60 years	60 years
4	The Staff Turnover Rate	2%-7%	2%-7%
	The Company will continue in business as a going concern		

The sensitivity analysis on the total comprehensive expense an financial position based on the assumed rates for salary increment and discount rate as at 31st March 2023 is given below,

Discount Rate	Salary escalation rate	Present value of defined benefit obligation (Rs.) Staff	Present value of defined benefit obligation (Rs.) Workers
One percentage point increase	As stated above	60,497,806	505,603,837
One percentage point decrease	As stated above	68,128,409	564,727,631
As stated above	One percentage point increase	67,601,387	569,351,515
As stated above	One percentage point decrease	60,884,511	501,159,382

Weighted average duration of Defined Benefit Obligation

Staff 7.0 years (2021/22- 8.02 years)

Workers 6.5 years (2021/22-6.98 years)

Distribution of defined benefit obligation over future working life time

Future working life Time	Defined benefit obligation (Rs.) Staff	Workers
Within the next 12 Months	4,667,053	103,012,997
Between 2- 5 years	28,365,110	162,779,509
Beyond 5 years	31,084,789	267,822,928
Total	64,116,951	533,615,434
Grand Total	597,732,385	

As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
24. NET OBLIGATION TO LESSOR				
(JEDB/SLSPC ESTATES)				
At the beginning of the year	676,851	658,095	676,851	658,095
Remeasurement of Right-of-Use Asset	51,560	21,580	51,560	21,580
	728,411	679,675	728,411	679,675
Interest Charge for the year	102,358	95,430	102,358	95,430
Lease rental for the year	(104,938)	(98,253)	(104,938)	(98,253)
Net Lease Obligation	725,831	676,851	725,831	676,851
Payable within one year				
Gross Lease Obligation	106,894	99,068	106,894	99,068
Less: Finance cost applicable for future periods	(102,016)	(94,906)	(102,016)	(94,906)
Net Lease Obligation	4,878	4,162	4,878	4,162
Payable within two to five years				
Gross Lease Obligation	320,682	297,203	320,682	297,203
Less: Finance cost applicable for future periods	(300,207)	(280,933)	(300,207)	(280,933)
Net Lease Obligation	20,475	16,270	20,475	16,270
Payable after five years				
Gross Lease Obligation	1,950,818	1,907,055	1,950,818	1,907,055
Less: Finance cost applicable for future periods	(1,250,340)	(1,250,636)	(1,250,340)	(1,250,636)
Net Lease Obligation	700,478	656,419	700,478	656,419
Net lease obligations payable after one year	720,953	672,689	720,953	672,689
Amount recognised in Profit or Loss				
Interest on lease liabilities	102,358	95,430	102,358	95,430
Depreciation charged for Right of Use Assset	28,406	26,188	28,406	26,188
	130,764	121,617	130,764	121,617
Amount recognised in Statement of Cash Flows	143,749	13,229	143,749	13,229
Total cash outflow for leases	143,749	13,229	143,749	13,229

As at 31st March	Group		Company	
	2023 Rs`000	2022 Rs`000	2023 Rs`000	2022 Rs`000
Maturity analysis of contractual undiscounted cash flows				
Within One Year	106,894	99,068	106,894	99,068
2-5 years	320,682	297,203	320,682	297,203
More than 5 years	1,950,818	1,907,055	1,950,818	1,907,055
Total undiscounted lease liabilities	2,378,394	2,303,326	2,378,394	2,303,326

In terms of the amendment of leases, Rs.22.2 million is payable each year as lease rental, commencing from 22.06.1996 till the end of the lease on 21.06.2045. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflater in the form of contingent rent.

25. DEFERRED TAXATION

As at 31st March	Group		Company	
	2023 Rs`000	2022 Rs`000	2023 Rs`000	2022 Rs`000
Balance at the beginning of the year	358,102	419,209	358,102	419,209
Charged in the profit & loss under income tax	533,638	(91,601)	533,638	(91,601)
Charged in the other comprehensive income	161,334	30,494	161,334	30,494
Balance at the end of the year	1,053,074	358,102	1,053,074	358,102
25.1 Provision / (Reversal) during the year recognized in Profit or Loss				
Effect in change in tax rates charged to Profit or Loss	586,892	(107,044)	586,892	(107,044)
Effect in change in tax base charged to Profit or Loss	(53,254)	15,443	(53,254)	15,443
	533,638	(91,601)	533,638	(91,601)
25.2 Provision during the year recognized in Other Comprehensive Income				
Effect in change in tax rates charged to Other Comprehensive Income	78,155	2,242	78,155	2,242
Effect in change in tax base charged to Other Comprehensive Income	83,179	28,252	83,179	28,252
	161,334	30,494	161,334	30,494

25.3 The average tax rate used to calculate deferred tax liability/asset as at 31st March 2023 is 30% (31st March 2022 - 10.5%).

25.4 The closing deferred tax liability arises as follows,

	Group / Company			
	2023		2022	
	Temporary Difference Rs. `000	**Tax Effect Rs. `000**	Temporary Difference Rs. `000	Tax Effect Rs. `000
Temporary differences on;				
Property plant and equipment (Excluding Revaluation gain on buildings)	343,561	103,068	309,062	32,452
Revaluation gain on buildings	691,213	207,364	691,213	72,577
Consumable biological assets	1,601,989	480,597	1,496,454	157,128
Bearer Biological Assets	3,069,712	920,914	2,847,404	298,977
Net Lease liability	(93,812)	(28,144)	(67,986)	(7,139)
Provision for doubtful debt	(4,685)	(1,406)	(4,685)	(492)
Retirement benefit obligation	(597,731)	(179,319)	(658,471)	(69,139)
CF Tax Losses	(1,500,000)	(450,000)	(1,202,496)	(126,262)
	3,510,247	1,053,074	3,410,495	358,102

25.5 Unrecognised Deferred Tax Asset

The company has not recognized deferred tax asset in respect of the following items as the Board of directors are of the opinion that the reversal of Deferred Tax Asset (disclosed below) will not be crystalized in the forseeable future.

Group / Company

As at 31st March	Temporary Difference Rs. `000	Tax Effect Rs. `000
Tax loss carried forward	1,909,406	572,822
Provision for Related party impairment	7,390	2,217

In accordance with LKAS 12 Income Tax, deferred tax asset should be recognized for all the deductible temporary differences to the extent it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. However, the management of the company is of the opinion that deferred tax assets arising from its subsidiaries should not be recognised in the Group financial statements.

25.6 Assessment of Recoverability on carried forward tax losses

The Company recognized a Deferred Tax asset consequent to the changes in the Inland Revenue Act No. 24 of 2017. As per the said Act, which was effective from 1st April 2018, 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 and ending in year of assessment 2025/26.

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. In this assessment, directors noted the composition of the carried forward tax loss as given in the note 9.3 Current estimated duration of recoverability of deferred tax asset is 5 years until March 2025.

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.

26. TRADE & OTHER PAYABLES

As at 31st March	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
Trade Payables	298,549	137,577	294,104	136,874
Other Payables	1,483,795	1,828,987	1,481,309	1,825,792
Payable to Employees	121,156	110,521	121,156	110,521
Unclaimed Dividends	-	7,225	-	7,225
	1,903,500	2,084,310	1,896,569	2,080,412

26.1 Other Payables

	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
Government Departments and Statutory	732,081	1,044,875	732,084	1,044,875
Refundable Deposits Received	16,272	37,667	16,272	37,667
Others including Provisions and Accrued	735,442	746,445	732,953	743,250
	1,483,795	1,828,987	1,481,309	1,825,792

27. AMOUNTS DUE TO RELATED PARTIES

As at 31st March	Relationship	Group 2023 Rs`000	Group 2022 Rs`000	Company 2023 Rs`000	Company 2022 Rs`000
Colombo Fort Land and Building PLC	Ultimate Parent Co.	2,082	4,257	2,082	4,257
Ceylon Tea Brokers PLC	Sub Subsidiary	63,943	58,696	63,943	58,696
Agarapatana Plantations Ltd	Associate	-	7,395		7,395
E B Creasy & Co., PLC	Sub Subsidiary	14,770	-	14,770	-
		80,795	70,348	80,795	70,348

28. CAPITAL COMMITMENTS

There were no material commitments as at the Reporting date.

29. CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at the Reporting date which require adjustments or disclosure to the Financial Statements, other than following;

29.1 Gazette Notification on Cultivation of Oil Palm

The Government of Sri Lanka through its gazette notification 2222/13 dated 5th April 2021 has directed to systematically remove the Oil Palm cultivation and nurseries already launched and utilize about 10% of the land under Oil Palm cultivation yearly for rubber planting or any other cultivation conducive to conservation of water resources.

The Management is of the view that further direction and guidance are required from the respective authorities in order to comply with the requirement of the said gazette. Hence no adjustments have been incorporated to the financial statements for the year ended 31st March 2023 in this regard due to unavailability of further guidance issued by respective industry associations and authorities to comply with the instructions given by the gazette notification.

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting date, no materiel circumstances have arisen which required adjustments to or disclosure in these Financial Statement.

31 RELATED PARTY DISCLOSURES

The company carried out transactions in the ordinary course of business at commercial rates with the following related entities

No	Related Party	Name of Director	Details of Transaction	Amount (paid)/ received 2023 Rs`000	Amount (paid)/ received 2022 Rs`000	Balance as at 31 March 2023 Rs`000	Balance as at 31 March 2022 Rs`000
1)	**Transactions with Ultimate Parent Company**	S D R Arudparagaam	Office Rental	(9,338)	(13,519)		
	The Colombo Fort Land & Building PLC	A M De S Jayaratne					
		C P R Perera	Settment of Office Rental and Expenses	11,513	6,060		
		Anushman Rajaratnam		-	-		
		P M A Sirimane					
						(2,082)	(4,257)
2)	**Transactions with Intermediate Parent Company**						
	Lankem Ceylon PLC	S D R Arudparagaam	Management expense	(15,000)	(15,000)		
		Anushman Rajaratnam					
		P M A Sirimane	Advance Received	(17,915)	62,548		
		G K B Dasanayaka	Settlement		4,362		
						12,012	44,927
3)	**Transactions with Other Related Companies**						
a.	Lankem Tea & Rubber	S D R Arudpragasam					
	Plantations (Pvt) Limited	C P R Perera		-	-		
		S S Poholiyadde		-	-		
		Anushman Rajaratnam		-	-		
		A M De S Jayaratne					
		P M A Sirimane					
		K Mohideen					
						694	694
b.	Agarapatana Plantations Limited	S D R Arudpragasam					
		C P R Perera	Settlement of advance	184,306	85,581		
		S S Poholiyadde	Advance Received	(168,306)	(115,279)		
		Anushman Rajaratnam					
		A M de S Jayaratne					
		P M A Sirimane					
		K Mohideen					
		G K B Dasanayaka					
						8,605	(7,395)
c.	Lankem Plantation Services Limited	S D R Arudpragasam					
			Settlement of advance	11	-		
						22	11
d.	Sherwood Holidays Limited	S D R Arudpragasam	Settlement of advance	(7,700)	(169)		
						-	7,700

No	Related Party	Name of Director	Details of Transaction	Amount (paid)/ received		Balance as at 31 March	
				2023	2022	**2023**	2022
				Rs`000	Rs`000	**Rs`000**	Rs`000
e.	Ceylon Tea Brokers PLC	C P R Perera	Interest charged	(12,823)	(12,420)		
			Loan Granted	-	(19,000)		
			Advance Taken	(838,559)	(578,877)		
			Settment of Loan	3,750	15,250		
			Sale of Tea	842,385	602,181		
						(63,943)	(58,696)
f.	Lanka Agro Plantations Pte Ltd	Anushman Rajaratnam					
						122	122
g.	Rubber & Allied Products (Colombo) Limited	S D R Arudpragasam	Sale of Rubber	29,409	40,837		
		Anushman Rajaratnam	Rubber Sale Proceed	(12,922)	(44,700)		
		S. S Poholiyadde	Share issue	-	(30,000)		
		K Mohideen	Advance Given	4,346	1500		
		P M A Sirimane					
		C P R Perera					
		A M de S Jayaratne				32,583	11,750
h.	Far Eastern Exports (Colombo) Limited	S D R Arudpragasam					
		Anushman Rajaratnam	Advance given	15	15		
						393	378
i.	Horton Plains Resort & Spa Limited	Anushman Rajaratnam		-	-		
						107	107
j.	Union Commodities (Pvt) Ltd	S D R Arudpragasam	Loan given	85,000	-		
		Anushman Rajaratnam	Interest charged on loans	8,423	-		
		S. S Poholiyadde	Expenses	(109)	-		
		K Mohideen	Loan settlement	(40,000)	-		
		P M A Sirimane					
		A M de S Jayaratne				53,314	-
k.	Colombo Fort Group Services (Pvt)Ltd	S D R Arudpragasam	IT Consultancy Fee	(3,375)	(3,004)		
		Anushman Rajaratnam	Settlement	3,017	4,118		
		P M A Sirimane				1,340	1,698
l.	E B Creasy & Company PLC	S D R Arudpragasam	Loan given	50,000	-	-	-
		A M de S Jayaratne	Loan settlement	(50,000)	-	-	-
		P M A Sirimane	Management expenses	(15,000)	-	-	-
			Interest charged on loans	230	-	-	-
						(14,770)	-
m.	Marawila Resorts PLC	S D R Arudpragasam	Loan given	14,000	-		
		C P R Perera	Loan settlement	(14,000)	-		
		Anushman Rajaratnam	Interest charged on loan	320	-		
						320	-

4) Non Recurrent Related Party Transactions

*There were no Transactions During the year.

5) Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transaction s entered into during the financial year (Rs'000)	Value of Related Party Transactions as a % of Net Revenue	Terms & Conditions of the Related Party Transactions
Ceylon Tea Brokers PLC	Sub Subsidiary	Advance taken	838,559	17% of Net Revenue	Advances taken at 26% interest and to be set off against the sales proceeds
		Sale of Tea	842,385	17% of Net Revenue	Sales are taking place based on tea auction averages

6) Transactions, Arrangements and Agreements Involving Key Management Personnel (KMP) and their Close Family Members (CFM)

According to 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 Board of Directors (including executive and non -executive Directors) have been classified as key Management Personnel of the Group.

Compensation of Key Management Personnel of the Group

	Group	
As at 31st March	**2023**	2022
	Rs`000	Rs`000
Short term employment benefits paid to Key Management Personnel	24,650	12,150
Post employment benefits paid to Key Management Personnel	10,100	-
	34,750	12,150

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner. During the year no transactions have been done with CFMs.

There were no other related party transactions and balances other than those disclosed in notes 18, 27 & 31 to the Financial Statements.

32. 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

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

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The groups audit committee oversees how management monitors compliance with the groups risk management policies and procedures , and reviews and adequacy of the risk management in framework in relation to the risks faced the Group.

The Groups 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 Group if a customer fails to meet its contractual obligations, and this principally arises from the Group's receivables from customers.

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;

	Group Carrying Amount		Company Carrying Amount	
As at 31st March,	**2023 Rs`000**	2022 Rs`000	**2023 Rs`000**	2022 Rs`000
Trade receivables	123,979	101,402	105,532	91,858
Advances, prepayments and other receivables	253,134	182,739	251,775	180,404
Employee advances	47,637	41,053	47,637	41,053
Amount due from related companies	67,624	40,879	102,122	55,338
Cash at Bank	156,512	132,731	148,684	131,854
	648,886	498,804	655,750	500,507

(a) Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before group's standard payment and delivery terms and conditions are offered. Group review includes external ratings when available and in some cases, bank references, purchase limit etc., which also subject to under review on quarterly basis. The past experience of the management is considered when revisions are made to terms and conditions.

The Group has a minimal credit risk of its trade receivables from Produce Brokers, as the repayment is guaranteed within seven days by the Tea and Rubber Auction systems.

The movement in the allowance for impairment in respect of financial assets and contract assets during the year is as follows;

	Balance as at 1st April 2022 Rs. `000	Amount recognised in profit/ loss Rs. `000	Balance as at 31st March 2023 Rs. `000
Group			
Other receivables	4,685	-	4,685
Amounts Due from Related Parties	14,636	(5,331)	9,305
	19,321	(5,331)	13,990
Company			
Other receivables	4,685	-	4,685
Amounts Due from Related Parties	12,049	(4,659)	7,390
	16,734	(4,659)	12,075

The maximum exposure to credit risk for Trade Receivable and Contract Assets as at the reporting date by geographic segments was as follows.

As at 31st March	Group Carrying Amount as at		Company Carrying Amount as at	
	2023	2022	**2023**	2022
Domestic (Rs'000)	123,979	101,402	105,532	91,858
US $	-	-	-	-
	123,979	101,402	105,532	91,858

Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 156,512,000/- as at 31st March 2023 (Rs. 132,731,000/- as at 31st March 2022)

Credit quality analysis of financial instruments

Cash at bank having credit ratings

Fitch Rating	Amount Rs. `000	
	Group	Company
A	52,919	45,099
A+	2,024	2,024
A-	38,343	38,343
AA+	1	1
BB+	1,326	1,326
BBB-	60,835	60,835
	155,448	147,628

(iv) Liquidity Risk

Liquidity risk is the risk that the Group and 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 Group's and 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 Group's reputation.

The following are the contractual maturities of financial liabilities.

Group	Carrying Amount Rs. `000	Less than 1 year Rs. `000	More than 1 year Rs. `000	Contractual cash flows Rs. `000
31st March 2023				
Non-derivative financial liabilities				
Interest bearing borrowings	1,714,728	321,941	1,392,787	1,714,728
Trade and other payables	1,903,500	1,903,500	-	1,903,500
Amounts due to related companies	80,795	80,795	-	80,795
Lease liability to SLSPC and JEDB	725,831	4,878	720,953	725,831
Bank overdraft	86,382	86,382	-	86,382
	4,511,237	2,397,497	2,113,740	4,511,237

Group	Carrying Amount Rs. `000	Less than 1 year Rs. `000	More than 1 year Rs. `000	Contractual cash flows Rs. `000
31st March 2022				
Non-derivative financial liabilities				
Interest bearing borrowings	1,557,209	602,796	954,413	2,082,005
Trade and other payables	2,084,310	2,084,310	-	2,084,310
Amounts due to related companies	70,348	70,348	-	70,348
Lease liability to SLSPC and JEDB	676,851	4,162	672,689	2,303,326
Bank overdraft	615,303	615,303	-	615,303
	5,004,021	3,376,919	1,627,102	7,155,292

Company	Carrying Amount Rs. `000	Less than 1 year Rs. `000	More than 1 year Rs. `000	Contractual cash flows Rs. `000
31st March 2023				
Non-derivative financial liabilities				
Interest bearing borrowings	1,714,728	321,941	1,392,787	1,714,728
Trade and other payables	1,896,569	1,896,569	-	1,896,569
Amounts due to related companies	80,795	80,795	-	80,795
Lease liability to SLSPC and JEDB	725,831	4,878	720,953	725,831
Bank overdraft	86,382	86,382	-	86,382
	4,504,305	2,390,565	2,113,740	4,504,305
31st March 2022				
Non-derivative financial liabilities				
Interest bearing borrowings	1,557,209	602,796	954,413	2,082,005
Trade and other payables	2,080,412	2,080,412	-	2,080,412
Amounts due to related companies	70,348	70,348	-	70,348
Lease liability to SLSPC and JEDB	676,851	4,162	672,689	2,303,326
Bank overdraft	615,303	615,303	-	615,303
	5,000,123	3,373,021	1,627,102	7,151,394

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's and 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 group is exposed to currency risk mostly on purchases that are denominated in a currency other than Sri Lankan rupees (LKR). The foreign currencies in which these transactions primarily denominated are United States Dollars (USD)

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings as explained in the above paragraph, are denominated in currencies that match the cash flows generated by the underlying operations of the Group and Company, primarily USD. This provides an economic hedge without the need of derivatives being entered into.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

As at 31st March	2023		2022	
Group	USD	Euro	USD	Euro
Cash and Cash Equivalent	112	-	51,979	1,866
Interest bearing loans & borrowings	(332,600)	-	(332,600)	-
Trade and other Payables			-	-
Gross Statement of Financial Position exposure	(332,488)	-	280,621	1,866

As at 31st March	2023		2022	
Company	USD	Euro	USD	Euro
Cash and Cash Equivalent	112	-	51,979	1,866
Interest bearing loans & borrowings	(332,600)	-	(332,600)	
Gross Statement of Financial Position exposure	(332,488)	-	280,621	1,866

As at 31st March	Average Rate		Reporting Date Spot Rate	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
USD	327.14	293.87	327.29	299.00
Euro	-	331.41	-	334.03

Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD and EURO at 31st March 2023 would have increased/ (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Group			
	Strengthening		Weakening	
As at 31st March,	Profit/(Loss)	Equity	Profit/(Loss)	Equity
	Rs. `000	Rs. `000	Rs. `000	Rs. `000
As at 31st March 2023				
USD (15% movement)	16,758	16,758	(16,758)	(16,758)
Euro (15% movement)	-	-	-	-
As at 31st March 2022				
USD (15% movement)	12,585	12,585	(12,585)	(12,585)
Euro (15% movement)	95	95	(95)	(95)

	Company			
	Strengthening		Weakening	
As at 31st March,	Profit/(Loss)	Equity	Profit/(Loss)	Equity
	Rs. `000	Rs. `000	Rs. `000	Rs. `000
As at 31st March 2023				
USD (15% movement)	16,758	16,758	(16,758)	(16,758)
Euro (15% movement)	-	-	-	-
As at 31st March 2022				
USD (15% movement)	12,585	12,585	(12,585)	(12,585)
Euro (15% movement)	95	95	(95)	(95)

(b) Interest rate risk

The Group has obtained a fixed interest rate loans and variable rate loans. The Group has opted not to mitigate its interest rate risk in the case that the market interest rate were to be lower than the fixed interest rate that the Group has already committed to.

At the reporting date, the Company's interest-bearing financial instruments were as follow:

	Group Carrying Amount		Company Carrying Amount	
As at 31st March,	**2023 Rs`000**	2022 Rs`000	**2023 Rs`000**	2022 Rs`000
Fixed Rate Instruments				
Financial Liabilities				
Bank Overdrafts	86,382	615,303	86,382	615,303
Interest bearing loans and borrowings	664,589	806,967	664,589	806,967
	750,971	1,422,270	750,971	1,422,270
Variable Rate Instruments				
Financial Liabilities				
Interest bearing loans and borrowings	1,050,140	750,242	1,050,140	750,242
	1,050,140	750,242	1,050,140	750,242

Cash flow sensitivity analysis for variable rate instruments

The Group and Company is exposed to changes in market interest rates through Bank overdraft and other bank borrowings which were borrowed at a variable interest rate

Group	Profit or Loss		Equity	
	100 bp increase Rs. `000	100 bp decrease Rs. `000	100 bp increase Rs. `000	100 bp decrease Rs. `000
31st March 2023				
Variable rate instruments	(10,501)	10,501	(10,501)	10,501
	(10,501)	10,501	(10,501)	10,501
31st March 2022				
Variable rate instruments	(66,080)	66,080	(66,080)	66,080
	(66,080)	66,080	(66,080)	66,080

Company	Profit or Loss		Equity	
	100 bp increase Rs. `000	100 bp decrease Rs. `000	100 bp increase Rs. `000	100 bp decrease Rs. `000
31st March 2023				
Variable rate instruments	(10,501)	10,501	(10,501)	10,501
	(10,501)	10,501	(10,501)	10,501
31st March 2022				
Variable rate instruments	(66,080)	66,080	(66,080)	66,080
	(66,080)	66,080	(66,080)	66,080

(vi) Capital management

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

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

As at 31st March	Group		Company	
	2023	2022	**2023**	2022
	Rs`000	Rs`000	**Rs`000**	Rs`000
Total Liabilities	6,486,601	6,357,100	6,478,856	6,352,492
Less: Cash and Cash Equivalents	(156,512)	(132,731)	(148,684)	(131,854)
Net Debt	6,330,089	6,224,369	6,330,171	6,220,637
Total Equity	1,799,583	1,602,674	1,816,240	1,635,193
Net Debt to Equity Ratio	352%	388%	349%	380%

There were no changes in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements

(vii) Fair values

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

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

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

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

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

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, forward rated contracts that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities and government securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair values versus the Carrying amounts

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

As at 31st March,	Group 31st March 2023 Carrying Amount Rs'000	Group 31st March 2023 Fair Value Rs'000	Company 31st March 2023 Carrying Amount Rs'000	Company 31st March 2023 Fair Value Rs'000	Group 31st March 2022 Carrying Amount Rs'000	Group 31st March 2022 Fair Value Rs'000	Company 31st March 2022 Carrying Amount Rs'000	Company 31st March 2022 Fair Value Rs'000
Assets carried at amortized cost								
Trade and Other Receivable	325,606	325,606	305,800	305,800	299,110	299,110	287,231	287,231
Amounts Due from Related Parties	67,624	67,624	102,122	102,122	40,879	40,879	55,338	55,338
Cash and Cash Equivalents	156,512	156,512	148,684	148,684	132,731	132,731	131,854	131,854
	549,742	549,742	556,606	556,606	472,720	472,720	474,423	474,423
Liabilities carried at amortized cost								
Trade and Other Payables	1,903,500	1,903,500	1,896,569	1,896,569	2,084,310	2,084,310	2,080,412	2,080,412
Interest Bearing Borrowings	1,714,729	1,714,729	1,714,729	1,714,729	1,557,209	1,557,209	1,557,209	1,557,209
Net Obligation to lessor of JEDB/SLSP	725,831	725,831	725,831	725,831	676,851	676,851	676,851	676,851
Amounts Due to Related Company	80,795	80,795	80,795	80,795	70,348	70,348	70,348	70,348
Bank Overdraft	86,382	86,382	86,382	86,382	615,303	615,303	615,303	615,303
	4,511,237	4,511,237	4,504,305	4,504,305	5,004,021	5,004,021	5,000,123	5,000,123

Financial Instruments Carried at Fair Value and Valuation Bases

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

As at 31st March 2023	Group / Company Level I Rs. `000	Group / Company Level II Rs. `000	Group / Company Level III Rs. `000	Group / Company Total Rs. `000
Fair value through OCI Investments	-	122,881	-	122,881
	-	122,881	-	122,881

As at 31st March 2022	Group / Company Level I Rs. `000	Group / Company Level II Rs. `000	Group / Company Level III Rs. `000	Group / Company Total Rs. `000
Fair value through OCI Investments	221,586	105,856	-	327,442
	221,586	105,856	-	327,442

The Company has valued the investment in Agarapathana Plantations Limited, which has been coming under Level II of the fair value hierarchy, using revenue multiples of comparable listed Companies. The Company has discounted the fair value by 25% to reflect the non marketability between the unquoted equity held by the Company and the equity instruments of comparable peers.

Financial Instruments not carried at Fair Value and Valuation Bases

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

As at 31st March 2023	Group				Company			
	Level I Rs'000	Level II Rs'000	Level III Rs'000	Total Rs'000	Level I Rs'000	Level II Rs'000	Level III Rs'000	Total Rs'000
Financial Assets Carried at amortised Cost								
Trade & Other Receivables	-	-	325,606	325,606	-	-	305,800	305,800
Amounts due from Related Parties	-	-	67,624	67,624	-	-	102,122	102,122
Cash and cash equivalents	-	156,512	-	156,512	-	148,684	-	148,684
	-	156,512	393,230	549,742	-	148,684	407,922	556,606
Other Financial Liabilities								
Net obligation to Lessor of JEDB/SLSPC	-	725,831	-	725,831	-	725,831	-	725,831
Interest bearing Borrowings	-	1,714,729	-	1,714,729	-	1,714,729	-	1,714,729
Trade & Other Payables	-	-	1,903,500	1,903,500	-	-	1,896,568	1,896,568
Amounts due to Related Parties	-	-	80,795	80,795	-	-	80,795	80,795
Bank Overdraft	-	86,382	-	86,382	-	86,382	-	86,382
	-	2,526,942	1,984,295	4,511,237	-	2,526,942	1,977,363	4,504,305

As at 31st March 2022	Group				Company			
	Level I Rs'000	Level II Rs'000	Level III Rs'000	Total Rs'000	Level I Rs'000	Level II Rs'000	Level III Rs'000	Total Rs'000
Financial Assets Carried at amortised Cost								
Trade & Other Receivables	-	-	299,110	299,110	-	-	287,231	287,231
Amounts due from Related Parties	-	-	40,879	40,879	-	-	55,338	55,338
Cash and cash equivalents	-	132,731	-	132,731	-	131,854	-	131,854
	-	132,731	339,989	472,720	-	131,854	342,569	474,423
Other Financial Liabilities								
Net obligation to Lessor of JEDB/SLSPC	-	676,851	-	676,851	-	676,851	-	676,851
Interest bearing Borrowings	-	1,557,209	-	1,557,209	-	1,557,209	-	1,557,209
Trade & Other Payables	-	-	2,084,310	2,084,310	-	-	2,080,412	2,080,412
Amounts due to Related Parties	-	-	70,348	70,348	-	-	70,348	70,348
Bank Overdraft	-	615,303	-	615,303	-	615,303	-	615,303
	-	2,849,363	2,154,658	5,004,021	-	2,849,363	2,150,760	5,000,123

Cash and Cash Equivalents

The carrying amount of the cash and cash equivalents and balances with banks approximate the fair value as theses are short term in nature.

Trade and Other Receivables

Trade and other receivables are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date.

Amounts Due to/Due From Related Parties

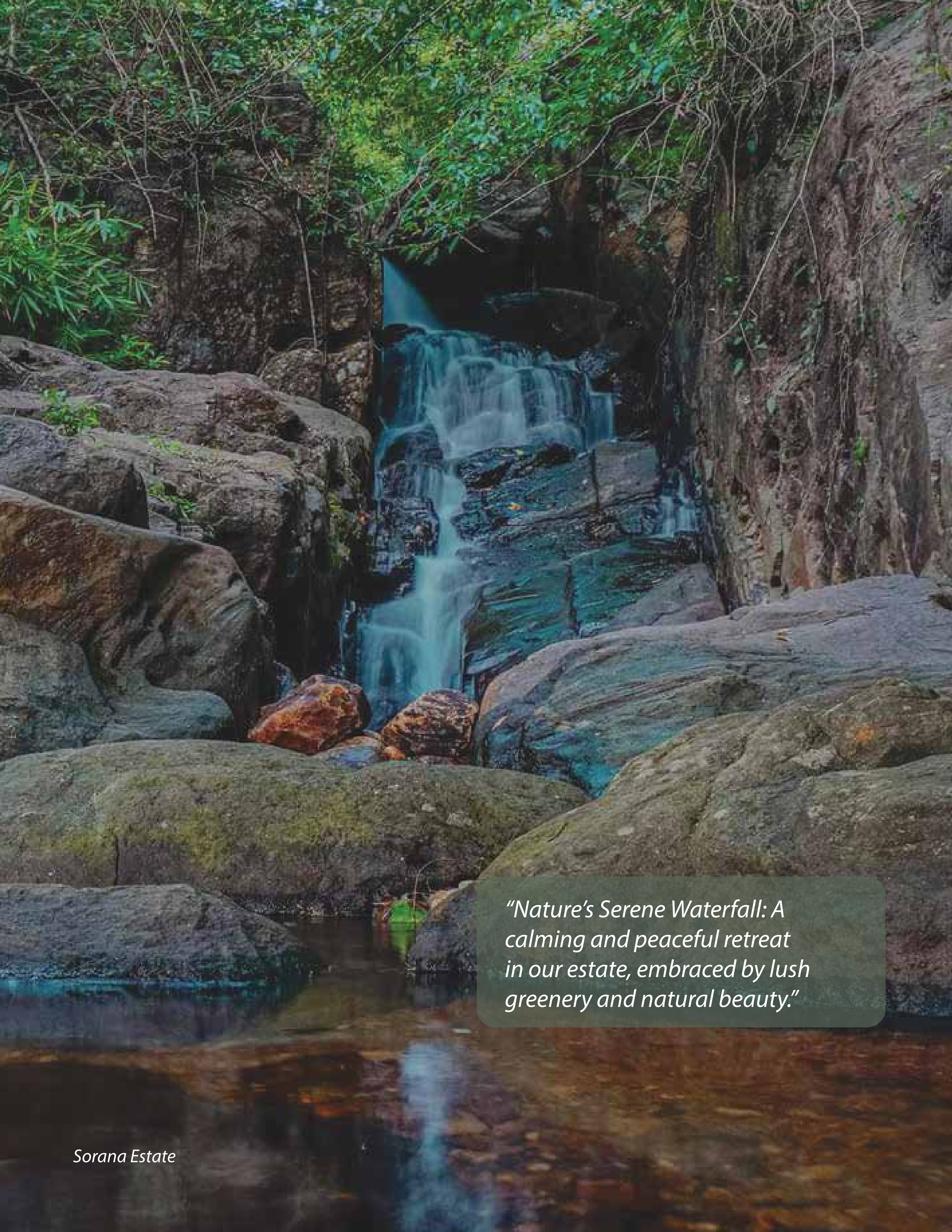
Amounts due from Related Parties are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date.

Trade and Other Payables

Trade and other payables are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date.

Interest Bearing Borrowings

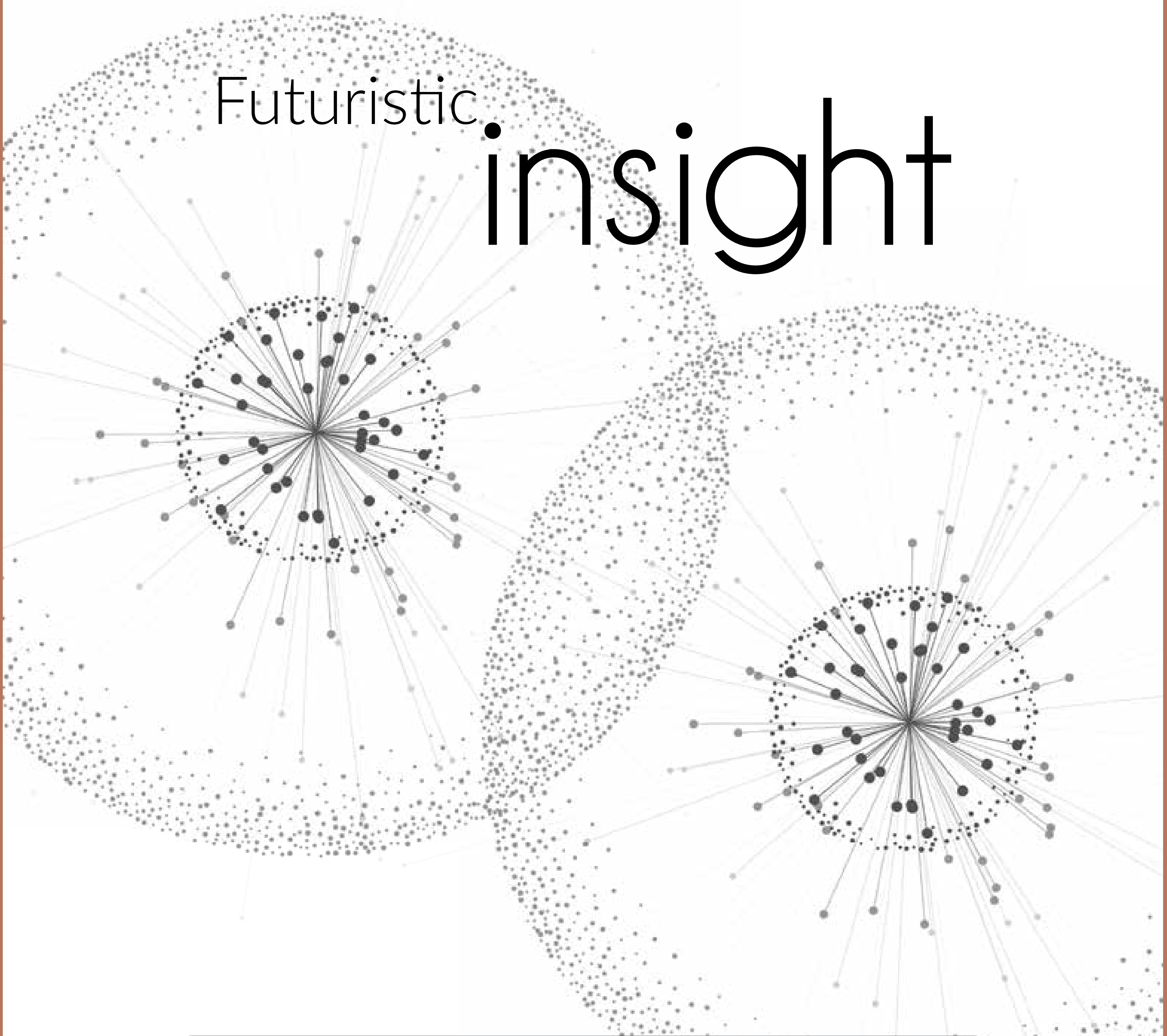
A majority of loans outstanding as at the reporting date are floating rate instruments which are repriced upon changes in economic conditions. Therefore the carrying amount of interest bearing borrowings are approximate to the fair value.



"Nature's Serene Waterfall: A calming and peaceful retreat in our estate, embraced by lush greenery and natural beauty."

SUPPLEMENTARY INFORMATION

Futuristic insight



Just as cells are embedded with innovative foresight and wisdom to navigate through the processes of the Mitosis life cycle for the purpose of renewal and advancement, at Kotagala, we too possess exceptional knowledge and insight, to conquer an ever-changing business terrain.

TEN YEAR SUMMARY

Company / Group	2022/23	2021/22	2020/21	2019/20	2018/2019
Revenue	4,946,087	3,472,020	3,156,490	2,667,995	3,232,576
Gross Profit/(Loss)	1,263,749	368,325	198,837	(341,612)	(212,972)
Fair Value Of Biological Assets	100,471	35,349	198,130	143,064	141,968
Other Operating Income	151,707	173,855	99,327	466,875	197,106
Operating Profit/(loss) Before Interest	1,150,384	417,874	183,402	(355,484)	126,102
Profit/(loss) Before Income Tax	770,503	104,159	(190,514)	(827,378)	(1,015,610)
Total Comprehensive Income(Expense)	181,047	452,808	(127,306)	(221,738)	(1,216,495)
STATEMENT OF FINANCIAL POSITION					
Non-Current Assets	7,115,648	7,193,148	7,242,937	7,211,606	6,024,991
Current Assets	1,179,448	794,537	640,145	463,593	963,856
	8,295,096	7,987,685	7,883,082	7,675,199	6,988,847
Stated Capital	1,571,362	1,571,362	781,500	781,500	781,500
Revalution Gain	459,656	594,443	594,443	594,443	-
Fair Value Reserve	68,394	51,369	46,583	26,509	17,944
General Reserves	240,000	240,000	240,000	240,000	240,000
Retained Earnings	(523,172)	(821,981)	(1,270,002)	(1,122,622)	(490,113)
Shareholders Funds	1,816,240	1,635,193	392,524	519,830	549,331
Deferred Income	316,081	328,132	323,403	330,309	328,357
Interest Bearing Borrowings	1,392,787	954,413	1,045,930	1,186,219	1,194,716
Retirement Benefit Obligations	597,732	658,471	886,613	873,812	757,556
Net Liability To Lessor	720,953	672,689	654,595	644,539	348,146
Deferred Tax	1,053,074	358,102	419,209	403,004	303,637
Current Liabilities	2,398,229	3,380,685	4,160,808	3,717,486	3,507,104
	8,295,096	7,987,685	7,883,082	7,675,199	6,988,847
Net Cash Flow					
From/(Used In) Operating Activities	508,236	(340,047)	211,048	281,768	453,087
From/(Used In) Investing Activities	(188,982)	(130,982)	(80,459)	(85,951)	(191,566)
From/(Used In) Financing Activities	223,206	484,398	(53,931)	(318,347)	(314,296)
Increase/(Decrease) In Cash & Cash Equivalents	542,460	13,369	76,657	(122,530)	(52,775)
Per Share-Rs					
Earnings/(Loss)	0.70	0.56	(2.69)	(11.02)	(14.77)
Dividends	-	-	-	-	-
Net Assets (Year End)	5.37	4.83	5.22	6.91	7.30
Market Value (Year End)	6.10	4.20	5.30	5.00	7.00

2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
3,816,830	3,086,410	3,038,112	3,555,480	3,658,817
316,830	10,067	(131,258)	47,877	383,169
139,486	54,375	7,973	84,259	139,436
202,268	338,342	185,209	266,785	241,879
359,723	158,372	(385,387)	65,589	598,441
(102,204)	(350,830)	(943,984)	(603,576)	(151,880)
(11,296)	(374,110)	(618,737)	(597,442)	(276,584)
6,141,152	7,156,987	7,578,061	7,488,045	7,144,857
1,583,207	1,407,330	1,614,107	1,767,633	2,382,195
7,724,359	8,564,317	9,192,168	9,255,678	9,527,052
781,500	680,000	680,000	680,000	680,000
-	-	-	-	-
79,447	5,663	153,367	37,960	170,405
240,000	240,000	240,000	240,000	240,000
664,879	749,959	976,365	1,710,510	2,024,077
1,765,826	1,675,622	2,049,732	2,668,470	3,114,482
333,814	335,031	331,488	318,131	315,518
1,582,892	2,165,239	2,361,294	2,195,143	1,501,841
634,712	661,880	693,706	751,460	685,109
356,072	363,695	371,165	378,212	384,989
215,320	170,927	189,081	268,004	393,187
2,835,724	3,191,923	3,195,702	2,676,258	3,131,926
7,724,360	8,564,318	9,192,168	9,255,678	9,527,052
(576,740)	749,811	282,595	(293,997)	534,891
856,865	217,008	(357,665)	(390,125)	(353,819)
(455,679)	(744,749)	1,472	640,233	(347,588)
(175,554)	(227,778)	(448,726)	(375,363)	(334,705)
(3.13)	(7.32)	(20.96)	(11.88)	(5.20)
-	-	-	-	-
23.47	(41.89)	51.24	66.71	77.86
7.90	(10.10)	15.10	24.70	35.00

OUR PLANTATIONS

Estate	Crop	Planting District	Area in Tea (Ha.)		Area in Rubber (Ha.)		Oilpalm (Ha.)	Others- (Timber, Cinnamon, Coconut, Nurseries etc) (Ha.)	Total (Ha.)	Earmarked for Future Planting (Ha.)	Building/ Roads/Rocky/ Marshy /Forestry/ Conservation/ Un suitable for cultivation/sub Leased etc (Ha.)	Present Estate Total Extent (Ha.)	Land released for Public purposes (Ha.)
			Mature	Immature	Mature	Immature	Immature						
Kotagala Region													
Bogahawatte	Tea	Nuwara Eliya	129.50	1.00	-	-		25.55	156.05		82.99	239.04	3.96
Chrystler's Farm	Tea	Nuwara Eliya	116.45	-	-	-		37.10	153.55		34.84	188.39	0.55
Craigie Lea	Tea	Nuwara Eliya	240.42	-	-	-		47.36	287.78		73.72	361.50	2.50
Drayton	Tea	Nuwara Eliya	230.95	-	-	-		38.71	269.66		72.84	342.50	0.37
Kelliewatte	Tea	Nuwara Eliya	94.30	0.75	-	-		25.78	120.83	20.73	3.30	144.86	1.25
Mayfield	Tea	Nuwara Eliya	280.40	6.00	-	-		87.93	374.33		162.37	536.70	0.55
Mount Vernon	Tea	Nuwara Eliya	379.35	8.75	-	-		188.00	576.10		44.13	620.23	21.70
Stonycliff	Tea	Nuwara Eliya	309.25	3.50	-	-		217.50	530.25	31.50	38.50	600.25	0.75
Yulliefield	Tea	Nuwara Eliya	344.25	2.00	-	-		160.92	507.17	-	152.58	659.75	1.25
Derryclare	Tea	Nuwara Eliya	190.83	-				39.28	230.11		63.89	294.00	2.21
Regional Total			2,315.70	22.00	-	-		868.13	3,205.83	52.23	729.16	3,987.22	35.09
Horana/Kalutara Region													
Eduragala	Tea/Rubber	Kalutara	17.68	3.08	139.79	31.49	-	4.27	196.31	164.20	160.45	520.96	13.66
Hedigalla	Tea/Rubber/Oil Palm	Kalutara	7.00	-	110.22	35.86	59.71	38.64	251.43	135.74	93.05	480.22	0.888
Gikiyanakanda	Tea/Rubber/Oil Palm	Kalutara	36.59	2.00	205.28	26.20	52.00	29.56	351.63	300.94	208.82	861.39	16.21
Rayigam	Tea/Rubber/Oil Palm	Kalutara	76.26	6.02	142.76	69.60	18.00	26.20	338.84	203.99	121.36	664.19	26.82
Vogan	Tea/Rubber/Oil Palm	Kalutara	43.42	7.00	235.96	13.71	15.00	4.69	319.78	231.64	246.44	797.86	49.14
Arapolakanda	Rubber/Oil Palm	Kalutara		-	185.65	25.34	29.47	2.73	243.19	92.78	279.55	615.52	12.20
Dalkeith	Rubber/Oil Palm	Kalutara	-	-	263.20	74.58	159.14	56.21	553.13	328.00	311.59	1,192.72	11.03
Sorana	Rubber/Oil Palm	Kalutara	-	-	212.96	32.49	63.06	6.32	314.83	135.30	182.51	632.64	111.35
Usk Valley	Rubber/Oil Palm	Kalutara	-	-	169.38	4.00	129.50	53.49	356.37	155.23	259.42	771.02	29.53
Padukka	Rubber	Colombo	-	-	196.66	67.56	-	7.89	272.11	89.54	52.52	414.17	1.82
Paiyagalla	Rubber	Kalutara	-	-	262.47	52.37	-	28.48	343.32	51.94	71.74	467.00	35.08
Millewa	Rubber	Kalutara	-	-		-	-		-	16.81		16.81	376.84
Pearth													700.00
Regional Total			180.95	18.10	2,124.33	433.20	525.88	258.48	3,540.94	1,906.11	1,987.44	7,434.49	1,384.57
Company Total			2,496.65	40.10	2,124.33	433.20	525.88	1,126.61	6,746.77	1,958.34	2,716.60	11,421.72	1,419.66

CROP AND YIELD

Estate	Crop (KG '000)					Yield (KG /Ha)				
	2022/23	2021/22	2020/21	2019/20	2018/19	**2022/23**	2021/22	2020/21	2019/20	2018/19
TEA										
Western High Grown										
Bogahawatte	154	192	212	177	200	1,191	1,485	1,639	1,364	1,548
Chrystlers' Farm	163	166	212	188	200	1,366	1,425	1,822	1,614	1,669
Craigie Lea	284	348	422	371	466	1,200	1,515	1,833	1,613	2,025
Derryclare	190	258	326	284	306	1,060	1,415	1,787	1,542	1,634
Drayton	318	405	486	426	509	1,379	1,754	2,103	1,845	1,951
Kelliewatte	87	118	139	128	183	1,037	1,365	1,652	1,518	1,806
Mayfield	393	484	522	418	563	1,290	1,568	1,715	1,497	1,779
Mount Vernon	430	794	906	832	783	1,140	2,103	2,401	2,210	1,913
Stonycliff	371	528	497	435	570	1,260	1,789	1,685	1,470	1,931
Yuillefield	274	380	435	406	475	966	1,333	1,510	1,385	1,465
Sub Total	2,666	3,674	4,157	3,664	4,255	1,189	1,640	1,860	1,653	1,795
LOW GROWN										
Eduragala	24	26	25	29	36	1,367	1,491	1,438	1,601	2,007
Hedigalle	36	7	7	9	7	995	955	1,060	1,288	754
Gikiyanakanda	7	110	50	165	262	1,068	1,241	1,152	1,390	1,569
Rayigam	123	200	181	313	352	1,155	1,579	1,198	1,352	1,475
Vogan	40	122	68	84	96	925	1,323	1,565	1,296	1,251
Sub Total	231	465	331	599	753	1,085	1,416	1,282	1,367	1,464
Total-Tea	2,897	4,139	4,488	4,263	5,008	1,181	1,623	1,810	1,628	1,766
RUBBER										
Arappolakande	110	120	181	168	186	595	538	795	686	754
Dalkeith	150	173	205	195	273	571	655	706	670	952
Eduragala	65	73	95	79	110	462	466	513	444	597
Gikiyanakande	91	114	102	102	135	444	554	733	344	434
Hedigalla	28	43	47	41	62	250	358	230	293	401
Millewa		0			9					525
Padukka	121	131	165	137	198	618	665	1,380	594	828
Paiyagala	184	198	205	158	249	700	713	888	527	830
Rayigam	110	102	155	134	161	773	715	516	642	720
Sorana	126	124	138	144	185	590	552	527	609	790
Uskvalley	79	92	121	108	164	464	483	847	528	758
Vogan	103	115	167	137	181	438	466	750	473	607
Total -Rubber	1,167	1,284	1,581	1,403	1,913	549	571	680	536	705
OIL PALM										
Arapolakande	386	468	382	359	346	13,114	15,866	12,958	12,186	11,729
Dalkieth	851	843	531	512	433	5,346	5,300	3,993	6,564	5,547
Uskvalley	918	886	552	547	538	7,087	6,839	4,266	4,390	4,324
Gikiyanakanda	475	330	231	306	257	9,131	6,338	10,504	13,892	11,682
Sorana	568	636	471	535	541	9,007	10,080	7,910	8,969	9,080
Rayigam	143	127	85	93	61	7,938	7,028	4,727	5,146	3,399
Hedigalla	282	357	189	163	145	4,717	5,981	3,163	3,509	
Vogan	103	86	41	38	35	6,835	5,711	2,713	2,562	
Total-Oil Palm	3,725	3,731	2,482	2,552	2,356	7,083	7,095	5,324	6,492	6,563

SHAREHOLDER & INVESTOR INFORMATION

1. MARKET VALUE

The issued ordinary shares of the Company are listed with the Colombo Stock Exchange

2. DISTRIBUTION OF ORDINARY SHARES

No. of Shares Held		31st March 2023			31st March 2022		
		No. of Shareholders	Total Holding	% of Total Shares	No of Shareholders	Total Holding	% of Total Shares
1	1,000	13,510	2,806,043	0.83	13,114	2,701,612	0.80
1,001	10,000	1,899	8,034,328	2.37	1,686	7,187,600	2.13
10,001	100,000	939	32,100,976	9.48	857	29,331,487	8.66
100,001	1,000,000	167	48,495,087	14.33	134	36,133,112	10.67
100,001	1,000,000	20	247,076,066	72.99	17	263,158,689	77.74
		16,535	338,512,500	100.00	15,808	338,512,500	100.00

No. of Shares Held	31st March 2023			31st March 2022		
	No. of Shareholders	Total Holding	% of Total Shares	No of Shareholders	Total Holding	% of Total Shares
Individuals	16,308	88,114,615	26.03	15,583	71,691,098	21.18
Institutions	227	250,397,885	73.97	225	266,821,402	78.82
	16,535	338,512,500	100.00	15,808	338,512,500	100.00

3. PUBLIC HOLDING

The Percentage of shares held by the public as at 31st March 2023 was 40.17%. (31st March 2022 - 36.11%.)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 5 and the Float Adjusted Market Capitalization as of 31.03.2023 was Rs.829,480,874.63 (31.03.2022 - Rs.513,394,827.75)

4. PUBLIC SHAREHOLDERS

The number of Public Shareholders as at 31st March 2023 was 16,524 (31st March 2022-15,797)

5. MARKET VALUE

The market value of the Company's ordinary shares was

No. of Shares Held	2023 (Rs.)	2022 (Rs.)
Highest	12.90	9.20
Lowest	3.40	4.00
Close	6.10	4.20

6. STATED CAPITAL

The Stated Capital of the Company is Rs. 1,571,362,510.00 represented by 338,512,500 Ordinary shares. (31.03.2022- Stated Capital Rs. 1,571,362,510.00 represented by 338,512,500 Ordinary shares.)

7. MAJOR SHAREHOLDERS

Position	Full Name of Shareholder	31st March 2023		31st March 2022	
		No.of Shares	Share Percentage	No.of Shares	Share Percentage
1	CONSOLIDATED TEA PLANTATIONS LIMITED	183,823,231	54.30%	183,823,231	54.30%
2	AMANA BANK PLC/DARLEY BUTLER AND COMPANY LIMITED	10,487,299	3.10%	-	-
3	HATTON NATIONAL BANK PLC/SUBRAMANIAM VASUDEVAN	10,133,036	2.99%	19,807,251	5.85%
4	SECRETARY TO THE TREASURY	5,700,834	1.68%	5,700,834	1.68%
5	LANKEM TEA & RUBBER PLANTATIONS (PVT) LIMITED	5,550,000	1.64%	5,550,000	1.64%
6	NUWARA ELIYA PROPERTY DEVELOPERS (PVT) LTD	4,963,662	1.47%	-	-
7	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	3,348,511	0.99%	-	-
8	MR. SUBRAMANIAM MOHANADAS	3,000,000	0.89%	-	-
9	MR. LOKU KATTOTAGE NIHAL KUMARA KULAWARDENA	2,558,059	0.76%	2,439,946	0.72%
10	MR. NAVANEETHA RAJAH SELVADURAI	2,504,398	0.74%	2,204,398	0.65%
11	HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM	2,500,000	0.74%	2,500,000	0.74%
12	MR. MOHAMED ISMAIL MOHAMED SHAFIE & MRS. FATHIMA RAZANA SHAFIE	2,000,128	0.59%	-	-
13	MRS. PATTINIDEVA ASOKA SWARNA KANTHIE BERUWALAGE	1,700,000	0.50%	-	-
14	HATTON NATIONAL BANK PLC/ALMAS CAPITAL (PRIVATE) LIMITED	1,676,596	0.50%	-	-
15	MR. ARUNASALAM SITHAMPALAM	1,372,569	0.41%	1,372,569	0.41%
16	MR. KAUARACHCHGE SUDATH MALCOLM RODRIGO	1,300,000	0.38%	1,100,000	0.32%
17	MRS. FATHIMA SALMA SHAFEI & MR. SILMY AHMED MOHAMED BASHEER	1,186,610	0.35%	-	-
18	HATTON NATIONAL BANK PLC/PALANIYANDY MURALITHARAN	1,121,133	0.33%	1,121,133	0.33%
19	MR. DARSHANA SHASTHRI NAKANDALA	1,100,000	0.32%	-	-
20	DFCC BANK PLC/B. SUTHARSHAN	1,050,000	0.31%	-	-
	TOTAL	247,076,066	72.99%	225,619,362	66.64%

GLOSSARY OF FINANCIAL AND NON FINANCIAL TERMS

Financial Terms

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

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

Current Ratio
Current Assets divided by Current Liabilities. A measure of liquidity.

Debt/Equity Ratio
Total Interest Bearing Borrowings to Shareholders' Fund.

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

Dividends
Distribution of profits to holders of equity investments in proportion to their holdings of a particular class of capital.

Dividend Cover
Profit attributable to Ordinary Shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Yield
Dividend per Share as a percentage of the market price. A measure of return on Investment.

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

EBITDA
Earnings before Interest, Tax, Depreciation and Amortisation.

ROCE
Profit after Tax plus interest on loans and finance leases divided by the shareholders' funds and interest bearing loans and borrowings.

Gearing
Proportion of borrowings to capital employed.

Interest Cover
Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

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

Net Assets per Share
Shareholders' Funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation

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

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

Segment
Constituent business units grouped in terms of similarity of operations and locations.

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

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

Non Financial Terms

COP
Cost of producing a kilo of Tea/Rubber.

CTC
Crush, Tear & Curl. A manufacturing method.

HACCP
Hazard Analysis Critical Control Point System. A standard for safety of foods.

Immature Plantation
The extent of plantation which is not taken in to the bearing and is in the process of development.

ISO
International Standard Organisation.

Mature Plantation
The extent of plantation from which crop is being harvested.

NSA
Net Sales Average. Measures the average value of net selling price of a kilo of Tea/Rubber.

RRI
Rubber Research Institute.

Seedling Tea
Tea grown from a seed.

TRI
Tea Research Institute.

VP Tea
Vegetatively Propagated. Tea grown from a cutting of a branch of tea plant.

YPH
Yield per Hectare. The measure of average yearly output of produce from a hectare of mature plantation.

NOTICE OF MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of Kotagala Plantations PLC will be held on 26th September, 2023 at 10.00 a.m. and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, for the following purposes, namely:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March, 2023 with the Report of the Auditors thereon.

2. To re-elect as a Director, Mr. Anushman Rajaratnam who retires in accordance with Articles 92 & 93 of the Articles of Association.

3. To re-elect as a Director Mr. P.M.A. Sirimane who retires in accordance with Article 98 of the Articles of Association.

4. To re-elect as a Director Mr. G.K.B. Dasanayaka who retires in accordance with Article 98 of the Articles of Association.

5. To re-elect as a Director Mr. Kowdu Mohideen who retires in accordance with Article 98 of the Articles of Association.

6. To reappoint Mr. A.M. de S. Jayaratne who is over seventy years of age as a Director.

   Special Notice has been received from a Shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.6).

7. To reappoint Mr. C.P.R. Perera who is over seventy years of age as a Director.

   Special Notice has been received from a Shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.7).

8. To reappoint Mr. S.D.R. Arudpragasam who is over seventy years of age as a Director.

   Special Notice has been received from a Shareholder of the intention to pass a resolution which is set out below in relation to his reappointment. (see Note No. 8).

9. To authorize the Directors to determine contributions to charities.

10. To re-appoint as Auditors, KPMG, Chartered Accountants and to authorize the Directors to determine their remuneration.

By Order of the Board,

Corporate Managers & Secretaries (Private) Limited
Secretaries

Colombo
22nd August 2023

NOTICE OF MEETING

Notes:

1. A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed for this purpose.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty eight hours before the time fixed for the meeting.

4. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same to the Company Secretaries in accordance with the instructions given on the reverse of the Form of Proxy.

5. Please refer the "Circular to Shareholders" dated 22nd August, 2023 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.

6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –
   "that Mr. A.M. de S. Jayaratne who is eighty three years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr.A.M.de.S.Jayaratne."

7. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved -
   "that Mr. C.P.R. Perera who is seventy nine years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. C.P.R. Perera."

8. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting :

   Resolved -
   "that Mr. S.D.R. Arudpragasam who is seventy two years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director Mr.S.D.R.Arudpragasam."

FORM OF PROXY

I/We the undersigned .... of
.... being a
member/members of Kotagala Plantations PLC, do hereby appoint...
.... of ....
.... or failing him

1. Sri Dhaman Rajendram Arudpragasam of Colombo or failing him
2. Chrisantha Priyange Richard Perera of Colombo or failing him
3. Sunil Somindranath Poholiyadde of Colombo or failing him
4. Ajit Mahendra de Silva Jayaratne of Colombo or failing him
5. Anushman Rajaratnam of Colombo or failing him
6. Parakrama Maithri Asoka Sirimane of Colombo or failing him
7. Gotabaya Kiri Bandara Dasanayaka of Colombo or failing him
8. Kowdu Mohideen of Colombo

as my/our proxy to represent me/us, and to vote as indicated hereunder for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on 26th September, 2023, at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March, 2023 with the Report of the Auditors thereon.		
2.	To re-elect Mr. Anushman Rajaratnam as a Director.		
3.	To re-elect Mr. P.M.A. Sirimane as a Director.		
4.	To re-elect Mr. G.K.B. Dasanayaka as a Director.		
5.	To re-elect Mr. Kowdu Mohideen as a Director		
6.	To reappoint Mr. A.M. de S. Jayaratne as a Director.		
7.	To reappoint Mr. C.P.R. Perera as a Director.		
8.	To reappoint Mr. S.D.R. Arudpragasam as a Director.		
9.	To authorize the Directors to determine contributions to Charities.		
10.	To reappoint as Auditors KPMG, Chartered Accountants and authorize the Directors to determine their remuneration.		

*The proxy may vote as he/she thinks fit on any other resolution brought before the meeting.

As witness my/our* hand(s) this .... day of .... 2023.

....

Signature

Note: Please delete the inappropriate words.

1. A Proxy need not be a member of the Company.
2. If no words are struck out or there is in the view of the Proxy doubt (by reason of the way in which the instructions contained in the Form of Proxy have been completed) as to the way in which the Proxy should vote, the Proxy will vote as he thinks fit.
3. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Please write legibly, your full name, address and date, and sign in the space provided.

2. The completed Form of Proxy should be received at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than 48 hours before the time appointed for the meeting.

3. In the case of a Company/ Corporation, this Form of Proxy shall be executed either under its Common Seal or by its Attorney or by an Officer on behalf of such Company /Corporation duly authorised in writing.

4. In the case of Proxy signed by an Attorney, the relevant Power of Attorney must be deposited at the Registered Office of Company's Secretaries for registration.

CORPORATE INFORMATION

Name of the Company	:	Kotagala Plantations PLC
Legal Form	:	A Quoted Public Company with Limited Liability
Date of Incorporation	:	22nd June 1992
Company Registration No.	:	PQ 174
Principle Activities	:	Cultivation, Manufacture and Sale of Tea, Rubber and Cultivation and Sale of Oil Palm
Registered Office	:	53-1/1, Sir Baron Jayatilaka Mawatha, Colombo 1.
E-mail	:	info@lankemplantations.lk
Web	:	www.lankemplantations.lk
Directors	:	S.D.R. Arudpragasam - Chairman C.P.R. Perera - Deputy Chairman S.S. Poholiyadde A.M. de. S. Jayaratne Anushman Rajaratnam P.M.A. Sirimane (Appointed w.e.f 20.09.2022) G.K.B. Dasanayaka (Appointed w.e.f 20.09.2022) K. Mohideen (Appointed w.e.f 20.09.2022)
Chief Executive Officers	:	C.J. De Costa - Up Country Y.U.S. Premathilake – Low Country
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka
Senior Management	:	S.S. Poholiyadde – Managing Director (LT&RP) - F.I.P.M K. Mohideen - Finance Director - FCMA/FCA C.J. De Costa - CEO - Up Country Y.U.S. Premathilake - CEO - Low Country G R N Perera - General Manager - Finance - (ACMA)
Secretaries	:	Corporate Managers & Secretaries (Private) Limited 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1.
Auditors	:	KPMG Chartered Accountants, P.O. Box 186, Colombo 3.
Bankers	:	Bank of Ceylon Seylan Bank PLC Standard Chartered Bank People's Bank National Development Bank Sampath Bank
Legal Advisors	:	Messrs Julius & Creasy Attorneys-at-law P.O. Box 154, Colombo 1.

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KOTAGALA PLANTATIONS PLC
53 1/1, Sir Baron Jayatilaka Mawatha, Colombo 01,
Sri Lanka.
www.lankemplantations.lk