

AGARAPATANA PLANTATIONS LIMITED

FINANCIAL STATEMENTS

PERIOD ENDED 31 DECEMBER 2022

RdeS/VM/MRH

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE BOARD OF DIRECTORS OF AGARAPATANA PLANTATIONS LIMITED**

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying statement of financial position of Agarapatana Plantations Limited ("the Company") and the consolidated financial position of the Company and its subsidiary ("the Group"), as of 31 December 2022 and the related statements of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). Our responsibility is to express a conclusion on this interim financial information based on our review.

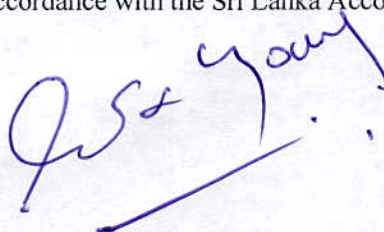
Scope of Review

We conducted our review in accordance with Sri Lanka Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the company and its subsidiary as at 31 December 2022, and of its financial performance and its cash flows for the nine-month period then ended in accordance with the Sri Lanka Accounting Standards.

30 March 2023
Colombo



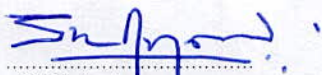
Agarapatana Plantations Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

ASSETS	Group		Company	
	As At 31/12/2022 Rs.000	As At 31/03/2022 *	As At 31/12/2022 Rs.000	As At 31/03/2022 Rs.000
Non Current Assets				
Right-of-use Assets	158,496	-	158,496	168,028
Freehold Property, Plant & Equipment	1,655,145	-	1,543,305	1,527,368
Bearer Biological Assets	2,206,325	-	2,206,325	2,225,510
Consumable Biological Assets	1,436,524	-	1,436,524	1,439,365
Goodwill	341,104	-	-	-
Investment in Subsidiary	-	-	434,000	-
Other Non Current Financial Assets	15,508	-	1,560	1,170
	<u>5,813,102</u>	<u>-</u>	<u>5,780,210</u>	<u>5,361,441</u>
Current Assets				
Produce on Bearer Biological Assets	10,852	-	10,852	10,852
Inventories	1,166,277	-	1,166,277	473,854
Trade and Other Receivables	296,693	-	235,858	277,576
Amounts due from Related Companies	101,962	-	42,695	421,265
Short Term Investment	33,930	-	33,930	45,567
Cash & Bank Balances	73,489	-	73,447	47,788
	<u>1,683,203</u>	<u>-</u>	<u>1,563,059</u>	<u>1,276,903</u>
TOTAL ASSETS	<u>7,496,305</u>	<u>-</u>	<u>7,343,269</u>	<u>6,638,344</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated Capital	1,730,437	-	1,730,437	1,730,437
Fair Value Reserve of Financial Assets at FVOCI	(181,968)	-	(181,968)	(182,358)
Timber Reserve	1,312,053	-	1,312,053	1,319,131
Revaluation Reserve	777,102	-	777,102	777,102
Retained Profit /(Loss)	(121,739)	-	(125,628)	(2,013,929)
TOTAL EQUITY	<u>3,515,883</u>	<u>-</u>	<u>3,511,995</u>	<u>1,630,382</u>
Non Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	694,243	-	624,173	740,018
Retirement Benefit Obligations	1,193,046	-	1,193,046	1,129,918
Deferred Income	187,965	-	187,965	192,565
Lease Liabilities	126	-	126	126
Deferred Tax Liability	202,360	-	186,628	186,628
	<u>2,277,741</u>	<u>-</u>	<u>2,191,938</u>	<u>2,249,255</u>
Current Liabilities				
Interest Bearing Loans & Borrowings	418,376	-	378,863	457,357
Lease Liabilities	2	-	2	2
Trade and Other Payables	934,375	-	923,229	1,832,362
Amounts due to Related Companies	64,976	-	64,886	28,691
Income Tax Payable	-	-	-	24,301
Bank Overdraft	284,953	-	272,356	415,994
	<u>1,702,683</u>	<u>-</u>	<u>1,639,336</u>	<u>2,758,707</u>
TOTAL EQUITY AND LIABILITIES	<u>7,496,305</u>	<u>-</u>	<u>7,343,269</u>	<u>6,638,344</u>
Net Assets per Share	<u>8.43</u>	<u>-</u>	<u>8.42</u>	<u>3.91</u>

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


N. Fernando
Finance Manager

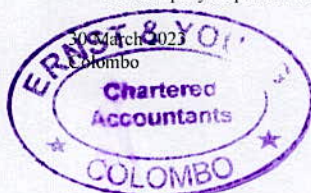
The Board of Directors is responsible for these Financial Statements. Authorised and signed for and on behalf of the Board of Directors of Agarapatana Plantations Ltd.


S.D.R. Arudpragasam
Director


M. Kowdu
Director

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

* The company acquired Waverly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date forwards.



Agarapatana Plantations Limited
STATEMENT OF PROFIT OR LOSS
For the Period ended 31 December 2022

	Group		Company	
	From 01/10/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022* Rs.000	From 01/04/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 Rs.000
Revenue	6,405,178	-	6,381,434	4,486,527
Cost of Sales	<u>(4,162,146)</u>	<u>-</u>	<u>(4,156,548)</u>	<u>(4,423,318)</u>
Gross Profit	2,243,032	-	2,224,886	63,209
Gain / (loss) on change in fair value of biological assets	-	-	-	158,117
Other Income	56,352	-	58,263	158,365
Administrative Expenses	(236,635)	-	(238,954)	(130,434)
Finance Income	42,450	-	42,450	32,123
Finance Cost	<u>(217,793)</u>	<u>-</u>	<u>(202,287)</u>	<u>(221,474)</u>
Profit Before Tax	1,887,407	-	1,884,358	59,907
Income Tax (Expense)/ Reversal	<u>(3,135)</u>	<u>-</u>	<u>(3,135)</u>	<u>(32,074)</u>
Net Profit for the year	<u>1,884,272</u>	<u>-</u>	<u>1,881,223</u>	<u>27,833</u>
Attributable to:				
Equity holders of the Parent	1,884,272	-	1,881,223	27,833
Non-controlling interest	-	-	-	-
Profit/(loss) for the year	<u>1,884,272</u>	<u>-</u>	<u>1,881,223</u>	<u>27,833</u>
Basic Earnings per Share	<u>4.52</u>	<u>-</u>	<u>4.51</u>	<u>0.09</u>

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Agarapatana Plantations Limited
STATEMENT OF COMPREHENSIVE INCOME
For the Period ended 31 December 2022

	Group		Company	
	From 01/10/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 * Rs.000	From 01/04/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 Rs.000
Profit/(loss) for the Period	1,884,272	-	1,881,223	27,833
Other Comprehensive Income				
Other comprehensive Income that will not be reclassified to profit or loss in subsequent periods				
Net Gain/ (loss) on financial assets at fair value through OCI	390	-	390	(29,949)
Tax Effect	-	-	-	-
	<u>390</u>	<u>-</u>	<u>390</u>	<u>(29,949)</u>
Remeasurement gains/(losses) on defined benefit plan	-	-	-	579,982
Tax Effect	-	-	-	(60,898)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,084</u>
Net other comprehensive Income/ (loss) not to be reclassified to profit or loss in subsequent periods	<u>390</u>	<u>-</u>	<u>390</u>	<u>489,135</u>
Other comprehensive income / (loss) for the Period, net of tax	<u>390</u>	<u>-</u>	<u>390</u>	<u>489,135</u>
Total comprehensive income / (loss) for the Period, net of tax	<u>1,884,662</u>	<u>-</u>	<u>1,881,613</u>	<u>516,969</u>
Attributable to:				
Equity holders of the Parent	1,884,662	-	1,881,613	516,969
Non-controlling interest	-	-	-	-
Profit/(loss) for the year	<u>1,884,662</u>	<u>-</u>	<u>1,881,613</u>	<u>516,969</u>

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Agarapatana Plantations Limited
STATEMENT OF CHANGES IN EQUITY
For the Period ended 31 December 2022

Group

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 01 October 2022	1,730,437	(182,358)	1,319,131	777,102	(2,013,089)	1,631,222
Net Profit / (Loss) for the period	-	-	-	-	1,884,272	1,884,272
Other comprehensive income/ (loss) for the year, net of tax	-	390	-	-	-	390
Realised gain on harvested valuable timber trees	-	-	(7,078)	-	7,078	-
Balance as at 31 December 2022	<u>1,730,437</u>	<u>(181,968)</u>	<u>1,312,053</u>	<u>777,102</u>	<u>(121,739)</u>	<u>3,515,883</u>

Company

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 31 March 2021	1,270,787	(152,410)	1,177,034	811,193	(2,452,842)	653,763
Net Profit / (Loss) for the year	-	-	-	-	27,833	27,833
Issue of shares	459,649	-	-	-	-	459,649
Other comprehensive income/ (loss) for the year, net of tax	-	(29,949)	-	-	519,084	489,135
Gain / (loss) on change in fair value of Consumable biological assets	-	-	156,121	-	(156,121)	-
Realised gain on harvested valuable timber trees	-	-	(14,025)	-	14,025	-
Transfer from Revaluation Reserve	-	-	-	(38,090)	38,090	-
Deferred Tax effect on Revaluation Reserve	-	-	-	3,999	(3,999)	-
Balance as at 31 March 2022	<u>1,730,437</u>	<u>(182,358)</u>	<u>1,319,131</u>	<u>777,102</u>	<u>(2,013,929)</u>	<u>1,630,382</u>
Net Profit / (Loss) for the nine month period	-	-	-	-	1,881,223	1,881,223
Other comprehensive income/ (loss) for the year, net of tax	-	390	-	-	-	390
Realised gain on harvested valuable timber trees	-	-	(7,078)	-	7,078	-
Balance as at 31 December 2022	<u>1,730,437</u>	<u>(181,968)</u>	<u>1,312,053</u>	<u>777,102</u>	<u>(125,628)</u>	<u>3,511,995</u>

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

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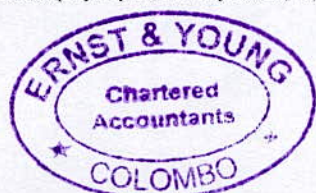


Agarapatana Plantations Limited
STATEMENT OF CASH FLOWS
For the Period ended 31 December 2022

	Group		Company	
	From 01/10/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 *	From 01/04/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 Rs.000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Net Profit before Taxation	1,887,407	-	1,884,358	59,907
ADJUSTMENTS FOR				
Interest Income	(42,450)	-	(42,450)	(32,123)
Interest Expenses	217,792	-	202,286	221,474
Retirement Benefit Obligations - Provision	234,953	-	234,953	177,492
Depreciation	136,589	-	133,190	176,410
(Gain) / Loss on Fair Valuation of Biological Assets	-	-	-	(158,117)
Amortization Capital Grants	(5,000)	-	(5,000)	(9,354)
(Profit) / Loss from sale of Valuable Timber Trees	(11,244)	-	(11,244)	(767)
Provision for Surcharges	25,000	-	25,000	65,635
Write back of Taxes Payable	-	-	-	(59,972)
Operating Profit before Working Capital Change	2,443,046	-	2,421,093	440,585
(Increase) / Decrease in Inventories	(692,424)	-	(692,423)	42,081
(Increase) / Decrease in Trade & Other Receivables	25,777	-	41,718	(19,608)
(Increase) / Decrease in Amount due from Related Companies	361,570	-	378,570	(41,802)
Increase / (Decrease) in Trade & Other Payables	(673,478)	-	(672,122)	(79,348)
Increase / (Decrease) in Amount due to Related Companies	55,586	-	36,195	(409,228)
Cash Generated from/(used in) Operations	1,520,078	-	1,513,032	(67,320)
Retirement Benefit Obligations - Payments	(433,836)	-	(433,836)	(25,191)
Interest Received	42,450	-	42,450	32,123
Interest Paid	(230,463)	-	(214,786)	(244,587)
Payment of Taxes	(27,435)	-	(27,435)	(31,755)
Net Cash from/(used in) Operating Activities	870,794	-	879,425	(336,731)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Investment in Subsidiary	(434,000)	-	(434,000)	-
Investment in Field Development	(20,332)	-	(20,332)	(36,224)
Investment in Timber	(4,237)	-	(4,237)	(7,593)
Proceeds from Sale of Valuable Timber Trees	18,322	-	18,322	14,792
Purchase of Property, Plant & Equipment	(87,577)	-	(87,577)	(24,908)
Net Cash from/(used in) Investing Activities	(527,824)	-	(527,824)	(53,934)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Payment of Leases	-	-	-	(2)
Grants Received	400	-	400	4,821
Proceeds from Issue of shares	-	-	-	459,649
Proceeds from Term Loans	525,031	-	505,798	349,558
Repayment of Term Loans	(712,154)	-	(700,138)	(478,817)
Net Cash from / (Used in) Financing Activities	(186,723)	-	(193,940)	335,210
Net Increase/ (Decrease) in Cash and Cash Equivalents	156,247	-	157,661	(55,455)
Cash & Cash Equivalent at the beginning of the year	(333,782)	-	(322,639)	(267,184)
Cash & Cash Equivalent at the end of the year	(177,534)	-	(164,979)	(322,639)
NOTE A				
Cash & Cash Equivalent at the beginning of the year				
Short Term Investment	45,567	-	45,567	28,842
Cash & Bank Balances	47,830	-	47,788	124,628
Bank Overdraft	(427,179)	-	(415,994)	(420,655)
	(333,782)	-	(322,639)	(267,184)
NOTE B				
Cash & Cash Equivalent at the End of the year				
Short Term Investment	33,930	-	33,930	45,567
Cash & Bank Balances	73,489	-	73,447	47,788
Bank Overdraft	(284,953)	-	(272,356)	(415,994)
	(177,534)	-	(164,979)	(322,639)

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

* The company acquired Waverly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date forwards.



1. REPORTING ENTITY

1.1 Domicile and legal form

Agarapatana Plantations Limited is a limited liability company incorporated and domiciled in Sri Lanka. It was incorporated on June 22, 1992, under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 53-1/1, Sir Baron Jayathilaka Mawatha, Colombo 01 and Plantations are situated in the planting districts of Badulla and Nuwara Eliya.

The Consolidated Financial Statements of Agarapatana Plantations Limited, as at and for the period ended 31 December 2022 comprise the Company and its Subsidiary namely, Waverly Power (Pvt) Ltd.

1.2 Principal activities and the nature of the operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of black tea.

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

Company	Relationship of Business	Nature of the business/Principal Place
Waverly Power (Pvt) Ltd	Subsidiary	Generating electricity for the National Grid.

1.3 Parent enterprise

The Company is a subsidiary of Lankem Developments PLC, whose ultimate parent enterprise is The Colombo Fort Land & Building PLC.

1.4 Date of Authorization for issue

The Financial Statements of Agarapatana Plantations Limited for the period ended 31 December 2022 were authorized for issue in accordance with a resolution of the board of directors on 30 March 2023.



2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by The Financial Statements of the Company comprise the Statement of Financial Position, Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to Financial Statements.

The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than buildings, consumable biological assets, produce on bearer biological assets and financial instruments.

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

That have been measured at fair value and where appropriate, specific policies are explained in the succeeding notes.

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

2.3 Functional and Presentation Currency

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

2.4 Materiality and aggregation

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

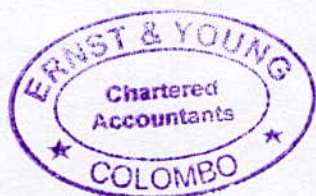
2.5 Going Concern

a). Agarapatana Plantations Limited

These financial statements are prepared on the assumption that the company is a going concern, i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the company has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

However, as of the Statement of Financial Position date, the company's current liabilities exceeded its current assets by Rs.76 Mn (2021/2022 Rs. 1,482 Mn).

However, Board of Directors are of the belief that the Company has adequate resources to continue company operation well into the foreseeable future. The directors of the company are confident that the financial position of the company will significantly improve during the current financial year.



b). Waverly Power (Pvt) Ltd

These Financial Statements are prepared on the assumption that the Company is a going concern, i.e. as continuing in operation for a foreseeable future. It is therefore assumed that the company has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

Further, the company has signed an agreement with Ceylon Electricity Board to supply electricity for a period of 20 years starting from the date of commercial operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

There are no comparative information related to the group since Waverly has acquired effect from 30 September 2022.

3.2 Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

- There is no right to defer the settlement of the liability for at least twelve months after the reporting period

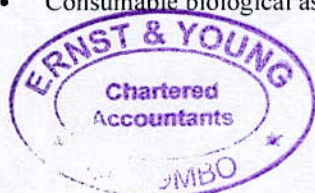
The Company classifies all other liabilities as non-current.

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

3.3 Fair Value Measurement

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

- Freehold property plant and equipment under revaluation model (Building).
- Consumable biological assets



- Produce on bearer biological assets.
- Financial Instruments (including those carried at amortized cost)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

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

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

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

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

3.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2022. Subsidiaries are those entities controlled by the group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability



to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

3.5 Business Combinations and Goodwill

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable



assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in statement of profit or loss.

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

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

Agarapatana Plantations Limited has acquired full control over the Wavely Power (Pvt) Limited effect from 01 October 2022.

3.6 Property Plant & Equipment's

3.6.1 Recognition and measurement

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

Items of Property, Plant and Equipment are measured at cost (or at fair value in the case of buildings), less accumulated depreciation and accumulated impairment losses, if any.

3.6.2 Owned assets

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

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

Buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The company's policy is to revalue Buildings once in every four years.

Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.



3.6.3 Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

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

Short-term leases and leases of low-value assets

The Company does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low values assets.

3.6.3.1 Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

a) Amortisation

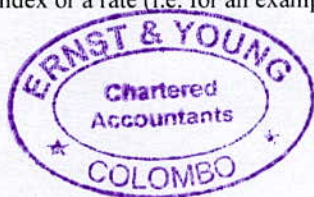
The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of Years	Rate (%)
Right to use of land	53	1.89
Improvements to land	30	3.33
Mature Plantations - Tea	30	3.33
Roads & Bridges	40	2.50
Buildings	25	4.00
Fences & Securities	20	5.00
Machinery	15	6.67
Water supply	20	5.00
Power Augmentation	20	5.00
Vested Tea	30	3.33

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.6.3.2 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and



amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.6.4 De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized and gains are not classified as revenue.

3.6.5 Land improvement cost

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

These costs have been capitalized and amortised over the remaining lease period.

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

3.6.6 Biological Assets

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

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea 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 trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognize 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.

3.6.6.1 Bearer Biological Assets

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

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea) which comes into bearing during the year, is transferred to mature plantations.



3.6.6.2 Infilling Cost on Bearer Biological Assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with LKAS 16 and depreciated over the useful life at rates applicable to mature plantation.

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

3.6.6.3 Borrowing Cost

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

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

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in “LKAS 23 - Borrowing Costs “

Borrowing costs to be capitalised towards the field development activities are determined based on the effective borrowing rate applied to the average carrying amount of the qualifying immature asset (excluding interest). Effective borrowing rate is determined as a percentage of total borrowing costs over outstanding average borrowings. The capitalisation will cease when the crops are ready for commercial harvest.

3.6.6.4 Consumable Biological Assets

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in Market approach model concerns

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition. Here, the valuer has considered timber prices published by State Timber Corporation as the sector benchmark as the appropriate basis for determining the fair value of the subject timber trees.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company

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



Impairments to Biological Assets are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.6.6.5 Nursery Plants

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

3.6.6.6 Produce on Bearer Biological Assets

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

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

- Tea – Bought Leaf rate (current month) less cost of harvesting & transport.

3.6.7 Depreciation and amortisation

(a) Depreciation

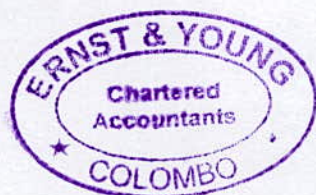
Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held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

Agarapatana Plantations Limited

	No. of Years	Rate (%)
Buildings	26	3.85
Roads	25	4.00
Plant & Machinery	13 1/3	7.50
Motor Vehicles	5	20.00
Equipment	8	12.50
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00

Waverly Power (Pvt) Ltd

	No. of Years	Rate (%)
Buildings	40	02.50
Plant & Machinery	13 1/3	07.50
Furniture & Fittings	10	10.00
Motor Vehicle	05	20.00
Tools & Equipment	08	12.50



Computers & Equipment	04	25.00
Transformer	20	5.00

Mature Plantations (Replanting and New Planting)

	No. of Years	Rate (%)
Mature Plantations - Tea	33 1/3	3.00
Rubber	20	5.00
Cinnamon	25	4.00

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

No depreciation is provided for immature plantations.

3.7 Financial instruments

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

3.7.1 Financial assets

3.7.1.1 Initial Recognition and Measurement

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

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

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

The Company's financial assets include cash and short-term deposits, investments, trade and other receivables, available for sale financial assets.

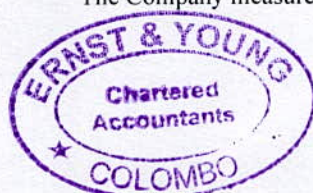
3.7.1.2 Subsequent Measurement

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

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

a) Financial assets at amortized cost (debt instruments)

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



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

And

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

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

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

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

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

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

And

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

c) Financial assets at fair value through OCI

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

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

The Company's financial assets fair value through OCI includes investments in quoted and unquoted shares which included under other non-current financial assets.

d) Financial assets at fair value through profit or loss

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



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

3.7.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or

- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

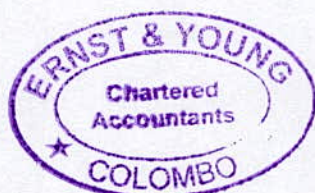
When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards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

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

3.7.1.4 Impairment of financial assets

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

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



3.7.2 Financial Liabilities

3.7.2.1 Initial recognition and measurement

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

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

3.7.2.2 Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

b) Financial instruments at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, and amounts due to related parties.

3.7.2.3 Derecognition

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

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

3.7.3 Offsetting of financial instruments

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



3.8 Inventories

a) Finish goods manufactured from agricultural produce of biological assets

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

b) Input materials, Spares and consumables

At average cost.

c) Growing Crop Nurseries

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and deposits Bank overdrafts that are repayable on demand form and integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.10 Impairment of Non-Financial Assets

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

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

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such



reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.11 Liabilities and provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss Statement net of any reimbursement.

3.12 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

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

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS) / Estate Staff Provident Society (ESPS) / Employees' Provident Fund (EPF)

All the employees of the Company are members of the Employees' Trust Fund to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

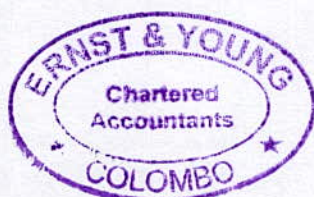
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through comprehensive income. Past service costs are recognised immediately in Statement of Profit or Loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

3.13 Capital commitments and contingencies

There are no significant capital commitments and contingent assets or contingent liabilities since the last annual reporting date.



3.14 Foreign currency transactions

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

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

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

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

3.15 Events occurring after the reporting period

There have been no any other material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

3.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.17 Deferred income - Grants and subsidies

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

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

3.18 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted as it represents fairly the elements of the Company's performance.



3.18.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligations.

The Company is in the business of cultivation, manufacture and sale of black tea (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

Revenue from contract with customers

Agarapatana Plantations Limited - Sale of Plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea produce is sold at the Colombo Tea Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer.

There is no element of financing present as the Company's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Waverly Power (Pvt) Ltd - Electricity Supply

Revenue from electricity supply is recognized upon delivery of electricity to Ceylon Electricity Board. Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in standardized power purchase agreement, which is compiled at the metering point.

3.18.2 Other Source of Revenue

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

Dividend income is recognized when the right to receive payment is established.

- **Interest Income**

Interest income is recognized based on effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as finance income.



- **Management Fee**

Revenue from management fee is recognized when the services are rendered as per the management fee agreement.

3.18.3 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the year.

3.18.4 Financing income and finance cost

Finance income comprises interest income on funds invested. Interest income is recorded using the Effective Interest Rate (EIR) method.

Finance expenses comprise interest payable on borrowing. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.18.5 Taxes

3.18.5.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.18.5.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

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



- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

3.19 Statement of cash flow

The Statement of Cash Flow has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows, dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows, for the purpose of presenting the Cash Flow Statement.

3.20 Segment Reporting

Segmental information is provided for the different business segments of the company. Business segmentation has been determined based on the nature of goods provided by the company after considering the risk and rewards of each type of product. Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact. The activities of the segments are described below,

Group	Plantations		Hydro Power		Total	
	2022 (Rs.000)	2021 (Rs.000)	2022 (Rs.000)	2021 (Rs.000)	2022 (Rs.000)	2021 (Rs.000)
Net Revenue	6,381,434	-	23,744	-	6,405,178	-
Gross Profit	2,224,886	-	18,146	-	2,243,032	-
Net Finance Cost	(159,837)	-	(15,506)	-	(175,343)	-
Profit Before Tax	1,881,514	-	5,893	-	1,887,407	-
Tax Expenses	(3,135)	-	-	-	(3,135)	-
Profit After Tax	1,878,379	-	5,893	-	1,884,272	-
Total Assets	7,234,154	-	262,151	-	7,496,305	-



4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstance. Hence, actual experience and results may differ from these judgments and estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

4.1 Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the company operates and generates taxable income.

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019 and Agro processing is liable at 14% for first six months and 30% is liable for the second six months. Accordingly, where applicable, the company has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates. Subsidiary company is liable for income tax as mentioned below.

Waverly Power (Pvt) Ltd:

In accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments there to, the company is liable to income tax at the rate of 14% for first six months and 30% is liable for the second six months.

4.2 Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

Deferred Tax is calculated at the tax rates that are expected to be applied to the taxable profit (or tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.



4.3 Retirement benefit obligations

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

4.4 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. All assumptions are reviewed at each reporting period.

4.5 Bearer Biological assets

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

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets which comes into bearing during the year, is transferred to mature plantations.

4.6 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

5. SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.



5.1 SLFRS 17 – Insurance contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The amendments are not expected to have a material impact on the Group.

5.2 Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are not expected to have a material impact on the Group.

5.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.



5.4 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.

5.5 Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify,

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The Group is currently assessing the impact the amendments will have on current practice

