AGARAPATANA PLANTATIONS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2023

Building a better working world

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF AGARAPATANA PLANTATIONS LTD

Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of Agarapathana Plantations Ltd ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2023, and the statement of profit or loss, statement of 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.

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 March 31, 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the ***Auditor's responsibilities for the audit of the financial statements*** section of our report. We are independent of the Company in accordance with the Code of Ethics 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.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

27 July 2023
Colombo

Agarapatana Plantations Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

ASSETS	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Non Current Assets					
Right-of-use Assets	6	155,168,890	-	155,168,890	168,027,881
Freehold Property, Plant & Equipment	7	1,668,133,153	-	1,559,692,921	1,527,367,899
Bearer Biological Assets	8	2,236,928,013	-	2,236,928,013	2,225,510,018
Consumable Biological Assets	9	1,532,913,464	-	1,532,913,464	1,439,365,093
Other Non Current Financial Assets	10	36,322,364	-	1,820,000	1,170,000
Intangible Assets	10A	338,742,754	-	-	-
Investment in Subisidiary	10B	-	-	433,999,888	-
		5,968,208,637	-	5,920,523,175	5,361,440,891
Current Assets					
Produce on Bearer Biological Assets	11	23,264,936	-	23,264,936	10,852,244
Inventories	12	1,151,747,526	-	1,151,747,526	473,853,608
Trade and Other Receivables	13	602,729,615	-	544,581,390	277,576,369
Amounts due from Related Companies	14	125,465,622	-	88,666,185	421,265,461
Short Term Investment		35,961,695	-	35,961,695	45,567,123
Cash & Bank Balances	15	48,570,900	-	48,529,045	47,788,036
		1,987,740,294	-	1,892,750,777	1,276,902,841
TOTAL ASSETS		7,955,948,931	-	7,813,273,952	6,638,343,732
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	16	1,730,436,695	-	1,730,436,695	1,730,436,695
Fair Value Reserve of Financial Assets at FVOCI		(184,392,897)	-	(181,708,468)	(182,358,468)
Timber Reserve	9.1	1,409,064,302	-	1,409,064,302	1,319,130,778
Revaluation Reserve	17	750,438,738	-	750,438,736	777,101,919
Retained Profit /(Loss)		(426,661,056)	-	(381,382,173)	(2,013,929,409)
TOTAL EQUITY		3,278,885,782	-	3,326,849,092	1,630,381,515
Non Current Liabilities and Deferred Income					
Interest Bearing Loans & Borrowings	18	588,880,011	-	525,340,677	740,018,470
Retirement Benefit Obligations	19	1,198,673,423	-	1,198,673,423	1,129,917,706
Deferred Income	20	183,604,928	-	183,604,928	192,565,401
Lease Liabilities	21	123,686	-	123,686	125,912
Deferred Tax Liability	29.4	798,987,451	-	737,193,392	186,627,782
		2,770,269,500	-	2,644,936,107	2,249,255,271
Current Liabilities					
Interest Bearing Loans & Borrowings	18	538,108,548	-	494,755,882	457,357,120
Lease Liabilities	21	2,226	-	2,226	2,058
Trade and Other Payables	22	1,098,280,462	-	1,088,915,811	1,832,361,991
Amounts due to Related Companies	23	31,639,347	-	31,488,000	28,690,899
Income Tax Payable		12,998,598	-	12,257,388	24,300,700
Bank Overdraft	15	225,764,469	-	214,069,444	415,994,176
		1,906,793,650		1,841,488,753	2,758,706,945
TOTAL EQUITY AND LIABILITIES		7,955,948,931	-	7,813,273,952	6,638,343,732
Net Assets per Share		7.86	-	7.98	3.91

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 S Poholiyadde
Director

....
M Kowdu
Director

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

STATEMENT OF PROFIT OR LOSS

For the Year ended 31 March 2023

		Group		Company	
		2023	**2022**	**2023**	**2022**
	Note	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Revenue	24	8,550,440,492	-	8,518,203,937	4,486,527,182
Cost of Sales		(5,869,211,184)	-	(5,862,434,066)	(4,423,317,778)
Gross Profit / (Loss)		2,681,229,308	-	2,655,769,871	63,209,404
Gain / (loss) on change in fair value of biological assets	11.2	115,820,815	-	115,820,815	158,117,372
Other Income	25	127,742,185	-	131,936,164	158,365,199
Administrative Expenses		(320,287,632)	-	(319,525,193)	(130,433,899)
Finance Income	26	51,450,346	-	50,517,566	32,122,849
Finance Cost	27	(269,614,538)	-	(247,363,146)	(221,474,029)
Profit Before Tax	28	2,386,340,484	-	2,387,156,076	59,906,896
Income Tax (Expense)	29	(649,088,377)	-	(604,625,086)	(32,073,541)
Net Profit for the year		1,737,252,106	-	1,782,530,990	27,833,355
Earnings / (Loss) per Share	30	4.17		4.28	0.09

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
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STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March 2023

	Note	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Profit for the year		1,737,252,106	-	1,782,530,990	27,833,355
Other Comprehensive Income / (Loss)					
Other comprehensive Income/(Loss) that will not to be reclassified to profit or loss in subsequent periods					
Net Gain/ (loss) on financial assets at fair value through OCI	10.2	650,000	-	650,000	(29,948,823)
Tax Effect		-	-	-	-
		650,000	-	650,000	(29,948,823)
Remeasurement gain/(loss) on defined benefit plan	19	(123,876,304)	-	(123,876,304)	579,982,453
Tax Effect		37,162,891	-	37,162,891	(60,898,158)
		(86,713,413)	-	(86,713,413)	519,084,295
Tax Effect on Fair Value Reserve		(2,684,429)	-	-	-
		(2,684,429)	-	-	-
Net other comprehensive Income/ (loss) not to be reclassified to profit or loss in subsequent periods		(88,747,842)	-	(86,063,413)	489,135,472
Other comprehensive income / (loss) for the year, net of tax		(88,747,842)	-	(86,063,413)	489,135,472
Total comprehensive income / (loss) for the year, net of tax		1,648,504,265	-	1,696,467,577	516,968,827
Profit for the Year Attributable to;					
Equity Holders of the Parent		1,737,252,106	-	-	-
Non Controling Interest		-	-	-	-
Profit for the year		1,737,252,106	-	-	-
Total Comprehensive Income Attriutable to ;					
Equity Holders of the Parent		1,648,504,265	-	-	-
Non Controling Interest		-	-	-	-
Total comprehensive income / (loss) for the year, net of tax		1,648,504,265	-	-	-

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG Chartered Accountants COLOMBO

Agarapatana Plantations Limited

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2023

Group

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 30 September 2022	1,730,436,695	(182,358,468)	1,319,130,778	777,101,919	(2,013,929,409)	1,630,381,517
Net Profit / (Loss) for the year	-	-	-	-	1,737,252,106	1,737,252,106
Other comprehensive income/ (loss)for the year, net of tax	-	650,000	-	-	(86,713,413)	(86,063,413)
Gain / (loss) on change in fair value of Consumable biological assets	-	-	103,408,123	-	(103,408,123)	-
Realised gain on harvested valuable timber trees	-	-	(13,474,599)	-	13,474,599	-
Transfer from Revaluation Reserve	-	-	-	(38,090,259)	38,090,259	-
Deferred Tax impact on Fair value reserve	-	(2,684,429)	-	-		(2,684,429)
Deferred Tax effect on Revaluation Reserve	-	-	-	11,427,076	(11,427,076)	-
Balance as at 31 March 2023	1,730,436,695	(184,392,897)	1,409,064,302	750,438,736	(426,661,056)	3,278,885,780

Fair value reserve of Financial Assets (FVOCI)

Fair value reserve of Financial Assets-(FVOCI) which includes the fair value adjustment for the financial assets (FVOCI).

Timber Reserve

The timber reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

Revaluation reserve

The revaluation reserve relates to the change in fair value of all buildings in APL Group.

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2023

Company

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2021	1,270,787,250	(152,409,645)	1,177,034,452	811,192,701	(2,452,841,515)	653,763,243
Net Profit / (Loss) for the year	-	-	-		27,833,355	27,833,355
Issue of shares	459,649,445	-	-	-	-	459,649,445
Other comprehensive income/ (loss)for the year, net of tax	-	(29,948,823)	-	-	519,084,295	489,135,472
Gain / (loss) on change in fair value of Consumable biological assets	-	-	156,121,064	-	(156,121,064)	-
Realised gain on harvested valuable timber trees	-	-	(14,024,738)		14,024,738	-
Transfer from Revaluation Reserve	-	-	-	(38,090,259)	38,090,259	-
Deferred Tax effect on Revaluation Reserve	-	-	-	3,999,477	(3,999,477)	-
Balance as at 31 March 2022	1,730,436,695	(182,358,468)	1,319,130,778	777,101,919	(2,013,929,409)	1,630,381,517
Net Profit / (Loss) for the year	-	-	-		1,782,530,990	1,782,530,990
Other comprehensive income/ (loss)for the year, net of tax	-	650,000	-	-	(86,713,413)	(86,063,413)
Gain / (loss) on change in fair value of Consumable biological assets	-	-	103,408,123	-	(103,408,123)	-
Realised gain on harvested valuable timber trees	-	-	(13,474,599)	-	13,474,599	-
Transfer from Revaluation Reserve	-	-		(38,090,259)	38,090,259	-
Deferred Tax effect on Revaluation Reserve	-	-	-	11,427,076	(11,427,076)	-
Balance as at 31 March 2023	1,730,436,695	(181,708,468)	1,409,064,302	750,438,736	(381,382,173)	3,326,849,092

Fair value reserve of Financial Assets (FVOCI)

Fair value reserve of Financial Assets-(FVOCI) which includes the fair value adjustment for the financial assets (FVOCI).

Timber Reserve

The timber reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

Revaluation reserve

The revaluation reserve relates to the change in fair value of all buildings of the APL.

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG Chartered Accountants COLOMBO

STATEMENT OF CASH FLOWS

For the Year ended 31 March 2023

		Group		Company	
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**2023**	**2022**	**2023**	**2022**
	Note	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Net Profit before Taxation		2,386,340,484	-	2,387,156,076	59,906,896
ADJUSTMENTS FOR					
Interest Income	26	(50,517,566)	-	(50,517,566)	(32,122,849)
Interest Expenses	27	269,614,537	-	247,363,146	221,474,029
Retirement Benefit Obligations - Provision	19	236,472,534	-	236,472,534	177,491,789
Depreciation	6,7,8	185,112,291	-	178,313,115	176,410,377
(Gain) / Loss on Fair Valuation of Biological Assets	11.2	(115,820,815)	-	(115,820,815)	(158,117,372)
Amortization Capital Grants	25	(9,360,723)	-	(9,360,473)	(9,354,094)
(Profit) / Loss from sale of Valuable Timber Trees	25	(24,488,787)	-	(24,488,787)	(766,762)
Provision for Surcharges		106,698,825	-	106,698,825	65,634,659
Write back of Taxes Payable		-	-	-	(59,971,855)
Operating Profit / (Loss) before Working Capital Change		2,984,050,780	-	2,955,816,056	440,584,818
(Increase) / Decrease in Inventories		(677,893,918)	-	(677,893,918)	42,080,643
(Increase) / Decrease in Trade & Other Receivables		(280,604,245)	-	(267,005,022)	(19,608,129)
(Increase) / Decrease in Amount due from Related Companies		339,834,132	-	332,599,276	(41,801,536)
Increase / (Decrease) in Trade & Other Payables		(590,272,329)	-	(588,133,937)	(79,348,261)
Increase / (Decrease) in Amounts due to Related Companies		20,481,309	-	2,797,101	(409,227,894)
Cash Generated From / (Used In) Operations		1,795,595,729	-	1,758,179,556	(67,320,359)
Retirement Benefit Obligations - Payments		(553,604,187)	-	(553,604,187)	(25,190,510)
Interest Received		50,517,566	-	50,517,566	32,122,849
Interest Paid		(322,932,304)	-	(301,032,913)	(244,587,179)
NBT Paid		-	-	-	(1,962,341)
Payment of Income Tax		(28,937,824)	-	(28,939,912)	(11,012,070)
Payment of VAT		-	-	-	(18,781,016)
Net Cash from/(used in) Operating Activities		940,638,980	-	925,120,110	(336,730,626)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Investment in Subsidiary		(433,999,888)	-	(433,999,888)	-
Net cash and cash equivalents on acquisition of subsidiary	10 B	(11,143,145)	-	-	-
Investment in Field Development		(27,459,756)	-	(27,459,756)	(36,223,875)
Investment in Timber	9	(3,614,847)	-	(3,614,847)	(7,592,938)
Proceeds from Sale of Valuable Timber Trees		37,963,385	-	37,963,385	14,791,500
Purchase of Property,Plant & Equipment		(148,621,882)	-	(128,067,617)	(24,908,491)
Net Cash from/(used in) Investing Activities		(586,876,133)	-	(555,178,723)	(53,933,804)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Payment of Leases		(2,058)	-	(2,058)	(1,904)
Grants Received		400,000	-	400,000	4,821,400
Proceeds from Issue of shares		-	-	-	459,649,445
Proceeds from Term Loans		858,256,490	-	836,196,490	349,558,033
Repayment of Term Loans		(1,031,010,137)	-	(1,013,475,507)	(478,817,221)
Net Cash from / (Used in) Financing Activities		(172,355,705)	-	(176,881,075)	335,209,753
Net Increase/ (Decrease) in Cash and Cash Equivalents		181,407,142	-	193,060,313	(55,454,677)
Cash & Cash Equivalent at the beginning of the year	A	(322,639,017)	-	(322,639,017)	(267,184,340)
Cash & Cash Equivalent at the end of the year	B	(141,231,874)	-	(129,578,704)	(322,639,017)

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

STATEMENT OF CASH FLOWS

For the Year ended 31 March 2023

	Group		Company	
	2023	2022	2023	2022
NOTE A	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash & Cash Equivalent at the beginning of the year				
Short Term Investments	45,567,123	-	45,567,123	28,842,466
Cash in Hand	1,299,030	-	1,299,030	6,501,199
Cash at Bank	46,489,006	-	46,489,006	118,126,855
Bank Overdraft	(415,994,176)	-	(415,994,176)	(420,654,860)
	(322,639,017)	-	(322,639,017)	(267,184,340)

NOTE B	**2023**	**2022**	**2023**	**2022**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cash & Cash Equivalent at the End of the year				
Short Term Investments	35,961,695	-	35,961,695	45,567,123
Cash in Hand	440,157	-	440,157	1,299,030
Cash at Bank	48,130,743	-	48,088,888	46,489,006
Bank Overdraft	(225,764,469)	-	(214,069,444)	(415,994,176)
	(141,231,874)	-	(129,578,704)	(322,639,017)

The Accounting Policies and Notes on Pages 09 through 63 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 Agarapathana Plantations Ltd comprises the Company and its Subsidiary namely Waverley Power (Pvt) Ltd (together referred to as the 'Group').

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 activity of the subsidiary in the group as follows.

Company	Relationship to Business	Nature of the business/ business/ Principal Place	Registered Office
Waverly Power (Pvt) Ltd	Fully owned subsidiary	Generating electricity for the national grid	No 53-1/1, Sir Baron Jayathilaka Mw, Colombo 01

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 year ended 31 March 2023 were authorized for issue in accordance with a resolution of the board of directors on 27 July 2023.

1.5 Responsibility for Financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' responsibility report in the Annual Report.

ERNST & YOUNG
Chartered Accountants
COLOMBO

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with the Sri Lanka Accounting Standards promulgated by 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 Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.
- Defined Benefit Obligation is measured using projected unit credit method.

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 New accounting standards, interpretations and amendments adopted by the company

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31st March 2023.

- Amendments to LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets
- Amendments to LKAS 16 – Property Plant and Equipment
- Amendments to SLFRS 3 – Business Combination

2.4 Functional and Presentation Currency

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

2.5 Materiality and aggregation

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

2.6 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The group is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the

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foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. A Fast recovery momentum was observed as the Group reached pre COVID-19 levels of operations post the easing of restrictions. The management has formed judgment that the Group has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalization of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations.

Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiary as at 31st March 2023. 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.

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

At the Company level investments in subsidiaries are recognized at cost. The preparation of investments in subsidiaries is recognized at cost in the separate financial statements..

Business Combinations

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 recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised 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 recognised in 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

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 as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle

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- 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) - Note 7
- Consumable biological assets - Note 9
- Produce on bearer biological assets - Note 11
- Financial Instruments (including those carried at amortized cost) - Note 10
- Retirement benefit obligation - Note 19

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.

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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 Property Plant & Equipment

3.4.1 Recognition and measurement

Initial Recognition

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.

Subsequent Measurement

The group revalues its buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised in the Statement of statement of profit or loss. A decrease in value is recognised in the Statement of statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve.

This revaluation policy does not apply to Waverly Power (Pvt) Ltd. in this reporting period.

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3.4.2 Owned assets

The cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include 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.

3.4.3 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.

3.4.3.1 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.

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.

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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.

3.4.3.2 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.

The Company's lease liabilities are included in Note 21 to the financial statements.

3.4.4 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.

3.4.5 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.

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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.

3.4.6 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.

3.4.6.1 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.

3.4.6.2 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.

3.4.6.3 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.

The capitalisation rate of 19.59 % (2022 – 8.3%) was used.

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Borrowing Costs amounting to Rs. 53,669,767 /= (2022 – Rs. 23,113,150/=) have been capitalised as part of the cost of the immature plantations.

3.4.6.4 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 in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 9.

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.

3.4.6.5 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.

3.4.6.6 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.

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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.

3.4.6.7 Intangible Assets

3.4.6.8 Goodwill

Goodwill represents the excess of the cost of any acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Carrying amount of the goodwill arising on acquisition of subsidiaries is presented as an intangible and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

3.4.7 Depreciation and amortisation

(a) Depreciation

Depreciation is recognised in Statement of profit or loss 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:

	No. of Years	Rate (%)
Buildings	26 - 40	2.5 - 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

Mature Plantations (Replanting and New Planting)

	No. of Years	Rate (%)
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.

3.5 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.

3.5.1 Financial assets

3.5.1.1 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 market place (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.

3.5.1.2 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

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- 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.

3.5.1.3 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.

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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.

3.5.1.4 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).

3.5.2 Financial Liabilities

3.5.2.1 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.

3.5.2.2 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.

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3.5.2.3 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

3.5.3 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.

Financial risk management objectives and policies have been disclosed under Note 36.

3.6 Inventories

a) Finished 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.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits and 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.

3.8 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

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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.

3.9 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.

3.10 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.

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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.

The key assumptions used in determining the retirement benefit obligations are given in Note 19.

3.11 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

3.12 Events occurring after the reporting period

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.13 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 or 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.

3.14 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.

3.15 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.

3.15.1 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

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payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligations.

The group is in the business of cultivation, manufacture and sale of black tea (Plantation Produce) and the rendering service (Power generating). 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

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.

Rendering Services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognized at the point of hydro energy releases to the national grid at a pre-determined unit price.

3.15.2 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.

3.15.3 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 lose for the year.

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3.15.4 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.

3.15.5 Taxes

3.15.5.1 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.

3.15.5.2 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.

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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.

3.16 Statement of cash flows

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.

3.17 Segment reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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 in Note 24 in the Notes to the Financial Statements. The company transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, and expenses.

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

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

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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.

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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. 45 of 2022, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019 and Agro processing is liable at 30%. Accordingly, where applicable, the company has separated its income and expenses as Agro faming and Agro Processing and applied the respective tax rates. Agarapatana Group's Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

4.2 Deferred Tax

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. As per the inland revenue (Amended) bill issued on 19.12.2022, company (Agrapatana Plantations Ltd) is identified Separately business income as agro farming & agro processing for the purpose of calculating income tax liability therefore , the company has separated assets and liabilities as at 31 March 2023 as Agro farming and Agro processing for the deferred tax purpose. Other components are identified as deferred tax in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The details of deferred tax computation is given in Note 29.4 to the Financial Statements.

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.

Further details about Retirement benefit obligations are provided in Note 19.

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. Key assumptions and sensitivity analysis of the biological assets are given in Note 9.

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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 2023, 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 company.

5.2 Amendments to LKAS 8 - Definition of Accounting Estimates

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.

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

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.

5.4 Amendments to LKAS 1 - Disclosure of Accounting Policies

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.

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

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 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 amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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		Group		Company	
6. RIGHT-OF-USE ASSETS		**2023**	**2022**	**2023**	**2022**
		Rs.	**Rs.**	**Rs.**	**Rs.**
Right- of-use assets-Land	6.1	143,074,638	-	143,074,638	149,578,031
Right-of-use assets-Immovable Leased Bearer Biological Assets	6.2.1	10,939,852	-	10,939,852	17,233,377
Right-of-use assets- Other Property, Plant and Equipment	6.2.2	1,154,400	-	1,154,400	1,216,473
		155,168,890	-	155,168,890	168,027,881

6.1 Right-of-use assets - Land - Group and Company

"Right-To-Use of Land on Lease" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, with effect from January 1, 2019, "Right-of-use assets—Land" have been accounted for in accordance with SLFRS 16. "Right-of-use assets - Land" have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the Statement of Financial Position date is 22 years.

This Right-of-use assets - Land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non current assets.

	Group		Company	
	2023	**2022**	**2023**	**2022**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cost				
At the beginning of the year	341,588,181	-	341,588,181	341,588,181
At the end of the year	341,588,181	-	341,588,181	341,588,181
Amortization				
At the beginning of the year	192,010,151	-	192,010,151	185,506,758
Amortisation for the year	6,503,393	-	6,503,393	6,503,393
At the end of the year	198,513,543	-	198,513,543	192,010,151
Written Down Value	143,074,638	-	143,074,638	149,578,031

6.2 Right-of-use assets - Immovable Assets - Group and Company

At the time of privatisation of plantation estates, all immovable assets in these estates (Note 6.2.1 and Note 6.2.2) have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, these assets have accounted in accordance with such standard with effect from 01 January 2019.

6.2.1 Right-of-use assets-Immovable Leased Bearer Biological Assets - Group and Company

	Coffee, Pepper, Cardamom	**Mature Plantations**	**Vested Tea**	**2023**	**2022**
Cost	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
As at 1 April	305,380	179,092,900	1,222,661	180,620,941	180,620,941
Additions	-	-	-	-	-
As at 31 March	305,380	179,092,900	1,222,661	180,620,941	180,620,941
Amortisation					
As at 1 April	-	162,185,095	1,202,469	163,387,564	157,379,218
Amortisation for the year	305,380	5,967,953	20,192	6,293,525	6,008,346
As at 31 March	305,380	168,153,048	1,222,661	169,681,089	163,387,564
Written Down Value	-	10,939,852	-	10,939,852	17,233,377

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6. RIGHT-OF-USE ASSETS (Contd...)

Note : Investment in plantations assets which were immature at the time of handing over to the Company by way of estate leases are shown under immature plantations (revalued as at 22nd June, 1992).

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea were classified as bearer biological assets in terms of LKAS 16 – Property, Plant & Equipment. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 08.

6.2.2 Right-of-use assets-Immovable Leased Assets (other than right-to-use land and bearer biological assets)

Group & Company

	Improvements to Land	Unimproved Land	Roads & Bridges	Buildings	Fences and Securities	Machinery	Water Supply	Power Augmentation	Other Vested Assets	2023	2022
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	5,406,507	997,894	677,397	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	85,126,258	85,126,258
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 March	5,406,507	997,894	677,397	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	85,126,258	85,126,258
Depreciation											
As at 1 April	5,361,353	-	503,972	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	83,909,785	83,712,251
Depreciation for the year	45,154	-	16,920	-	-	-	-	-	-	62,074	197,534
As at 31 March	5,406,507	-	520,892	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	83,971,859	83,909,785
Written Down Value	-	997,894	156,505	-	-	-	-	-	-	1,154,400	1,216,473

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7. FREEHOLD PROPERTY, PLANT & EQUIPMENT

Group

	Buildings at Valuation	Water Supply	Plant & Machinery	Motor Vehicles	Equipment &Tools	Furniture & Fittings	Roads	Capital Work in Progress	Total 2023	Total 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation										
Balance as at 1 April 2022	1,438,004,625	84,045,085	452,091,521	358,113,950	87,455,138	9,513,570	69,314,689	2,794,354	2,501,332,932	-
Acquisition through Business Combinations	86,064,717	-	151,573,487	6,489,750	2,260,026	-	-	-	246,387,980	-
Additions	10,171,952	-	61,821,471	-	55,475,427	40,256	-	3,352,869	130,861,975	-
Transfer In/(Out)	-	-	-	-	-	-	-	(2,794,357)	(2,794,357)	-
Balance as at 31 March 2023	1,534,241,293	84,045,085	665,486,479	364,603,700	145,190,591	9,553,826	69,314,689	3,352,866	2,875,788,529	-
Accumulated Depreciation										
Balance as at 1 April 2022	118,069,584	62,652,617	355,958,456	323,867,630	67,374,260	8,735,503	37,306,984	-	973,965,034	-
Acquisition through Business Combinations	18,074,031	-	99,470,102	6,489,750	314,687	-	-	-	124,348,570	-
Charge for the year	54,490,410	3,308,139	29,368,097	12,834,802	6,421,613	146,123	2,772 588	-	109,341,772	-
Balance as at 31 March 2023	190,634,025	65,960,756	484,796,655	343,192,182	74,110,560	8,881,626	40,079,572	-	1,207,655,376	-
Carrying Value										
As at 31 March 2023	1,343,607,268	18,084,329	180,689,824	21,411,518	71,080,031	672,200	29,235,117	3,352,866	1,668,133,153	-

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Company

	Buildings at Valuation	Water Supply	Plant & Machinery	Motor Vehicles	Equipment &Tools	Furniture & Fittings	Roads	Capital Work in Progress	Total 2023	Total 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation										
Balance as at 1 April 2022	1,438,004,625	84,045,085	452,091,521	358,113,950	87,455,138	9,513,570	69,314,689	2,794,354	2,501,332,932	2,476,424,441
Additions	10,171,952	-	61,821,471	-	55,475,427	40,256	-	3,352,869	130,861,975	31,949,049
Transfer In/(Out)	-	-	-	-	-	-	-	(2,794,357)	(2,794,357)	(7,040,558)
Balance as at 31 March 2023	1,448,176,577	84,045,085	513,912,992	358,113,950	142,930,565	9,553,826	69,314,689	3,352,866	2,629,400,550	2,501,332,932
Accumulated Depreciation										
Balance as at 1 April 2022	118,069,584	62,652,617	355,958,456	323,867,630	67,374,260	8,735,503	37,306,984	-	973,965,034	880,319,401
Charge for the year	52,359,866	3,308,139	18,000,085	12,834,802	6,320,992	146,123	2,772 588	-	95,742,595	93,645,633
Balance as at 31 March 2023	170,429,450	65,960,756	373,958,541	336,702,432	73,695,252	8,881,626	40,079,572	-	1,069,707,629	973,965,034
Carrying Value										
As at 31 March 2023	1,277,747,127	18,084,329	139,954,451	21,411,518	69,235,313	672,200	29,235,117	3,352,866	1,559,692,921	-
As at 31 March 2022	1,319,935,041	21,392,468	96,133,065	34,246,320	20,080,878	778,067	32,007,705	2,794,354	-	1,527,367,899

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7. FREEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

7.1 Fair Value Hierarchy

7.1.1 Accounting Judgements, Estimates and Assumptions related to Revaluation of Buildings

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of changes in equity. The Company engaged an independent valuation specialist to determine fair value of buildings as at 31 December 2019.

The Buildings on leasehold land were revalued by Mr. A.A.M Fathihu, Chartered Valuation Surveyor as of 31 December 2019 and the results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of gross replacement cost (GRC). Fair value is determined by reference to market based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

Following key significat unobservable (Level 3) inputs were used for the valuation of buildings.

Type of Asset	Fair Value as at 31 March 2020	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Buildings	1,377,072,100	Cost Approach	Estimated price per square foot	Rs.665/- per square foot	Positively correlated sensitivity

7.1.2 The carrying amount of revalued buildings, if they were carried at cost less depreciation, would be as follows:

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Cost	516,685,218	-	516,685,218	516,688,216
Accumulated depreciation	(163,851,933)	-	(163,851,933)	(148,709,982)
Carrying value	352,833,285	-	352,833,285	367,978,234

7.1.3 The cost of fully depreciated assets, but still in use of the company amounts to Rs 635 million as of 31 March 2023 (As at 31 March 2022 - Rs. 582 million). Fully depreciated asset breakup.

As At 31st March	Group 2023	Company 2023
Furniture & Fittings	8,052,343	8,052,343
Plant & Machinery	225,051,794	225,051,794
Tools & Equipments	62,841,621	62,594,015
Motor Vehicles	328,191,642	321,701,892
Water & Sanitation	17,881,109	17,881,109
	642,018,509	635,281,153

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8. BEARER BIOLOGICAL ASSETS

Company

Description	**Immature Plantations**			**Mature Plantations**			**Total as at 31.03.23**	**Total as at 31.03.22**
	Tea	**Other**	**Total**	**Tea**	**Other**	**Total**		
Cost	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
At the beginning of the year	303,935,596	100,150,767	404,086,362	2,253,125,581	44,199,375	2,297,324,956	2,701,411,318	2,642,074,293
Additions	74,335,193	6,794,331	81,129,523	29,402,380	-	29,402,380	110,531,903	68,232,354
Transfer In/(Out)	(29,402,380)	-	(29,402,380)	-	-	-	(29,402,380)	(8,895,329)
At the end of the year	348,868,409	106,945,098	455,813,505	2,282,527,961	44,199,375	2,326,727,336	2,782,540,841	2,701,411,318
Depreciation								
At the beginning of the year	-	-	-	474,001,077	1,900,223	475,901,300	475,901,300	406,543,646
Charge for the year	-	-	-	67,593,767	2,117,761	69,711,528	69,711,528	69,357 654
At the end of the year	-	-	-	541,594,844	4,017,984	545,612,828	545,612,828	475,901 300
Written Down Value	348,868,409	106,945,098	455,813,505	1,740,933,117	40,181,391	1,781,114,508	2,236,928,013	2,225,510,018

a) These are investments in immature/ mature plantations since the privatization of the estates. The assets (including plantation assets) taken over by way of estate leases are set out in Note 06. Further investment in immature plantations taken over by way of these leases are shown in the above notes. 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.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 – Property, Plant & Equipment.

b) Borrowing costs amounting to Rs.53,669,767 /- (2022 - 23,113,150/-) have been capitalised as part of the cost of the immature plantations. Capitalisation will cease when crops are ready for harvest.

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9. CONSUMABLE BIOLOGICAL ASSETS

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	1,439,365,093	-	1,439,365,093	1,289,675,829
Increased due to Development	3,614,847	-	3,614,847	7,592,938
Decreased due to Harvesting	(13,474,599)	-	(13,474,599)	(14,024,738)
Gain/(loss) arising from changes in fair value	103,408,123	-	103,408,123	156,121,064
At the end of the year	1,532,913,464	-	1,532,913,464	1,439,365,093

Managed timber plantation was measured at fair value initially as at 31 March 2013 and subsequently. The corresponding gain/(loss) was recognized in the statement of profit or loss.

9.1 Timber Reserve

Fair value surplus or deficit is recognized as a separate equity component in the company's or group's statement of changes in equity, which will be available for distribution at the point of realization of the consumable biological assets. The realization is as follows:

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	1,319,130,778	-	1,319,130,778	1,177,034,452
Gain recognized during the year	103,408,123	-	103,408,123	156,121,064
Realised gain on harvested valuable timber trees	(13,474,599)	-	(13,474,599)	(14,024,738)
At the end of the year	1,409,064,302	-	1,409,064,302	1,319,130,778

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground 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 matured managed trees were ascertained in accordance with SLFRS 13.The valuation was carried by Mr. A.A.M Fathihu, FIV, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nil (2021/22 - nil).

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9. CONSUMABLE BIOLOGICAL ASSETS (Contd...)

9.1 Timber Reserve

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relation of Unobservable Inputs to Fair Value
			2023	2022	
Consumable Biological Assets	Discounted Cash Flow Method The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree per-tree basis .	Discount Rate	Age to harvest 5 years or below - 21.5% Age to harvest 6 to 15 years - 22.5 % Age to harvest 15 years or above -23.5%	Age to harvest 5 years or below - 18% Age to harvest 6 to 15 years - 19 % Age to harvest 15 years or above - 20%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25 years	25 years	Lower the rotation period, the higher the fair value
		Volume at rotation	19.4 - 88.5 cu.ft.	19.4 - 88.5 cu.ft.	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.390/- to Rs.1,231/-	Rs.358/- to Rs.1,161/-	The higher the price per cu. ft. the higher the fair value

Other key assumptions used in valuation.

1 The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
2 The prices adopted are net of expenditure
3 Though the replanting is a condition precedent for harvesting' yet the costs are not taken in to consideration.

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

The biological assets of the company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to realise in future included in the calculation of the fair value takes into account the age of the timber plants and not the expiration date of the lease.

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9.2 Sensitivity Analysis

Sensitivity variation - sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Rs. -10%	Rs. +10%
As at 31 March 2023	(153,439,026)	153,439,026
As at 31 March 2022	(144,087,243)	144,087,243

Sensitivity variation - discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Rs. -1%	Rs. +1%
As at 31 March 2023	30,837,385	(29,277,517)
As at 31 March 2022	38,389,066	(36,119,006)

The carrying amount of biological assets pledged as securities for liabilities are Nil for the year (2022 - Nil).
There are no commitments for the development or acquisition of biological assets.

10. OTHER NON CURRENT FINANCIAL ASSETS

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in the statement pf profit or loss in "Net other operating income" when the right of the payment has been established.

10.1 Financial assets at fair value through OCI

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Investment in quoted companies				
Beruwala Resorts PLC	1,820,000	-	1,820,000	1,170,000
Investment in unquoted companies				
Union Commodities (Pvt) Ltd	-	-	-	-
Agarapatana Plantations Ltd	13,948,098	-	-	-
Colombo Fort Hotels Ltd	20,554,266	-	-	-
Total financial assets at fair value through OCI	36,322,364	-	1,820,000	1,170,000

10.2 Net (loss) / gain on financial assets at fair value through OCI	650,000	-	650,000	(29,948,823)

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10.3 Fair Value Hierarchy for financial assets at fair value through OCI

Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Investment in quoted equity shares	31-Mar-23	1,820,000	-	-
Investment in unquoted equity shares	31-Mar-23	-	36,322,364	
Total		1,820,000	36,322,364	-
Investment in quoted equity shares	31-Mar-22	1,170,000	-	-
Investment in unquoted equity shares	31-Mar-22	-	-	-
Total		1,170,000	-	-

10A INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of any acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Carrying amount of the goodwill arising on acquisition of subsidiaries is presented as an intangible assets and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

Impairment Testing on Goodwill

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Statement of statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

Based on SLFRS 3: Business Combination Paragraph 45, the group does not test the impairment test for goodwill in the current accounting period (2022/23).

Group	Goodwill Rs.	2023 Total Rs.	2022 Total Rs.
Cost			
As at 1st April	-	-	-
Acquisition during the year	338,742,754	338,742,754	-
As at 31 March	338,742,754	338,742,754	-
Accumulated Amortisation			
As at 1st April	-	-	-
Amortization charge for the year	-	-	-
As at 31 March	-	-	-
Written down value			
As at 31 March	338,742,754	338,742,754	-

10 B. INVESTMENTS IN SUBSIDIARIES

Agarapatana Plantations Ltd holds 7,800,000 (100%) ordinary shares of Waverly Power (Pvt) Ltd amounting 433,999,888/=.

As at 31 March	No. of Shares	Holding %	Company 2023 Rs.	Company 2022 Rs.
Waverly Power (Pvt) Ltd	7,800,000	100	433,999,888	-
			433,999,888	-
Cash at Bank			41,855	-
Bank Overdraft			(11,185,000)	-
(Cash & cash equivalent on acquisition of subsidiary as at 30th September 2022)			(11,143,145)	-

10 B. INVESTMENTS IN SUBSIDIARIES (Contd...)

Summerized statement of profit or loss of Subsidiary

For the period/ year ended 31 March	**Waverly Power (Pvt) Ltd 2023**
Revenue	52,355,555
Gross Profit	32,418,668
Finance & Other Charges	(32,573,318)
Profit/(Loss) before Taxation	**(519,309)**

Summerized statement of Financial Position of Subsidiary

Non Current Assets	146,281,742
Current Assets	113,114,881
Total Assets	**259,396,623**
Capital & Reserves	92,753,801
Long Term Liabilities	82,588,884
Current Liabilities	84,053,939
Total Equity & Liabilities	**259,396,623**

Summerized statement of Cash Flow of Subsidiary

Net Cash flow from operating activities	28,200,649
Net Cash flow from financing activities	(20,554,266)
Net Cash flow from investment activities	(4,556,590)
Total Net Cashflows	**3,089,793**

11. PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group		**Company**	
	2023 Rs.	**2022 Rs.**	**2023 Rs.**	**2022 Rs.**
As at 1st April	10,852,244	-	10,852,244	8,855,936
Change in fair value less cost to sell	12,412,692	-	12,412,692	1,996,308
As at 31st March	23,264,936	-	23,264,936	10,852,244

11.1 Fair Value Hierarchy for Non Financial Assets
Group / Company

Non Financial Asset Type	**Date of Valuation**	**Level 1 (Quoted prices in active markets) Rs.**	**Level 2 (Significant observable inputs) Rs.**	**Level 3 (Significant unobservable inputs) Rs.**
Produce on Bearer Biological Assets	31-Mar-23	-	23,264,936	-
Produce on Bearer Biological Assets	31-Mar-22	-	10,852,244	-

11.2 Gain/(Loss) on Changes in Fair Value of Biological Assets	**Group**		**Company**	
	2023 Rs.	**2022 Rs.**	**2023 Rs.**	**2022 Rs.**
Gain/(loss) arising from Consumable Biological Assets - Note 9	103,408,123	-	103,408,123	156,121,064
Gain/(loss) arising from Produce on Bearer Biologic Assets - Note 11	12,412,692	-	12,412,692	1,996,308
Total Change in Fair Value of Biological Assets	115,820,815	-	115,820,815	158,117,372

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12. INVENTORIES	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Input Materials	406,122,549	-	406,122,549	114,587,358
Nurseries	6,179,509	-	6,179,509	5,791,650
Produce Tea	622,552,013	-	622,552,013	323,444,451
Spares & Consumables	116,893,455	-	116,893,455	30,030,149
	1,151,747,526	-	1,151,747,526	473,853,608

13. TRADE & OTHER RECEIVABLES	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Trade Debtors	208,099,216	-	151,439,827	109,840,835
Employee Related debtors	62,073,848	-	62,073,848	55,728,912
Deposits, Advances & Prepayments	217,128,469	-	215,639,633	21,080,468
Other Debtors	76,030,492	-	76,030,492	51,528,564
VAT Recoverable	44,600,868	-	44,600,868	44,600,868
	607,932,893	-	549,784,668	282,779,647
Less : Provision for Impairment	(5,203,278)	-	(5,203,278)	(5,203,278)
	602,729,615	-	544,581,390	277,576,369

14. AMOUNTS DUE FROM RELATED COMPANIES	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Sherwood Holidays Ltd	93,740	-	93,740	14,170,734
Waverly Power (Pvt) Ltd	-	-	18,125,363	565,695
Consolidated Tea Plantations Ltd	6,451,376	-	6,451,376	396,439,799
Kotagala Plantations PLC	-	-	-	8,087,124
Lankem Tea and Rubber Plantations (Pvt) Ltd	14,675,452	-	14,675,452	2,002,109
Lankem Ceylon PLC	48,052,290	-	-	-
Lankem Developments PLC	38,629,607	-	31,757,097	-
Union Commodities (Pvt) Ltd	17,078,012	-	17,078,012	-
Colombo Fort Group Services (Pvt) Ltd	485,147	-	485,147	-
	125,465,622	-	88,666,185	421,265,461

15. CASH AND BANK BALANCES	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Favorable cash and bank balances				
Cash at Bank	42,954,283	-	42,912,428	42,059,796
Cash in Hand	440,157	-	440,157	1,299,030
Cash in Transit	5,176,460	-	5,176,460	4,429,210
	48,570,900	-	48,529,045	47,788,036
Unfavorable bank balances				
Bank Overdraft	225,764,469	-	214,069,444	415,994,176
	(177,193,569)	-	(165,540,399)	(368,206,140)

16. STATED CAPITAL **Value of Issued and Fully Paid Shares**	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
At the beginning of the year	1,730,436,695	-	1,730,436,695	1,270,787,250
Value of ordinary shares issued under Private Placement	-	-	-	459,649,445
At the end of the year	1,730,436,695	-	1,730,436,695	1,730,436,695

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16. STATED CAPITAL (Contd...)

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

	No. of *Shares*	No. of *Shares*
Ordinary shares at the beginning of the year	416,929,889	325,000,000
Ordinary shares issued Private Placement	-	91,929,889
Ordinary shares at the end of the year	416,929,889	416,929,889
Golden Share held by the Treasury which has special rights	1	1

17. REVALUATION RESERVE

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	777,101,919	-	777,101,919	811,192,701
Transfer to retained earnings	(26,663,181)	-	(26,663,181)	(34,090,782)
At the end of the year	750,438,736	-	750,438,736	777,101,919

The above revaluation reserve consists of net surplus resulting from the revaluation of buildings as described in Note 7 to these financial statements. This unrealized amount cannot be distributed to shareholders until it is disposed of.

18. INTEREST BEARING LOANS & BORROWINGS

Description	Repayable within 1 Year	Repayable within 2-5 Years	Repayable after 5 Years	Repayable after 1 year	Total As At 31.03.23	Total As At 31.03.22	Facility Details (Note 18.3)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
18.1 Long Term Loans							
Bank of Ceylon - Rs. 200 Mn	33,333,320	-	-	-	33,333,320	83,333,324	I
Peoples Leasing & Finance PLC - Rs. 10.5 Mn	-	-	-	-	-	5,852,458	
Commercial Bank of Ceylon PLC - Rs. 500Mn	51,024,000	85,877,459	-	85,877,459	136,901,459	155,657,459	II
Sri Lanka Tea Board - Rs. 86 Mn	-	-	-	-	-	2,235,615	
Sampath Bank PLC - Rs. 500 Mn	83,400,000	131,650,000	-	131,650,000	215,050,000	305,400,000	III
Seylan Bank PLC - Rs. 50 Mn	8,000,000	26,648,547	-	26,648,547	34,648,547	40,698,546	IV
Bank of Ceylon - Rs.. 250 Mn	45,454,560	102,272,693	-	102,272,693	147,727,253	196,969,680	V
Bank of Ceylon - Rs. 50 Mn	9,090,912	20,454,536	-	20,454,536	29,545,448	39,393,936	VI
Peoples Leasing & Finance PLC - Rs. 7.77 Mn	-	-	-	-	-	2,930,049	
Peoples Leasing & Finance PLC - Rs. 9.64 Mn	-	-	-	-	-	3,868,650	

18. INTEREST BEARING LOANS & BORROWINGS (Contd...)

	Description	Repayable within 1 Year Rs.	Repayable within 2-5 Rs.	Repayable after 5 Years Rs.	Repayable after 1 year Rs.	Total As At 31.03.23 Rs.	Total As At 31.03.22 Rs.	Facility Details (Note 18.4)
18.1	**Long Term Loans**							
	Peoples Leasing & Finance PLC - Rs. 5.02 Mn	-	-	-	-	-	2,244,664	
	Peoples Leasing & Finance PLC - Rs. 6.27 Mn	-	-	-	-	-	2,363,745	
	Bank of Ceylon - Rs. 31 Mn	1,494,111	-	-	-	1,494,111	20,917,554	VII
	Bank of Ceylon - Rs. 72 Mn	34,022,003	-	-	-	34,022,003	72,296,757	VIII
	Bank of Ceylon - Rs. 68 Mn	22,924,076	28,655,094	-	28,655,094	51,579,170	68,772,227	IX
	Bank of Ceylon - Rs. 13Mn	4,493,002	5,616,253	-	5,616,253	10,109,255	13,479,007	X
	Bank of Ceylon - Rs. 5 Mn	585,900	-	-	-	585,900	5,858,998	XI
	Bank of Ceylon - Rs. 50.47 Mn	16,824,114	33,648,227	-	33,648,227	50,472,341	7,938,000	XII
	Sampath Bank PLC - Rs. 30Mn	-	-	-	-	-	30,868,825	
	Sampath Bank PLC- Rs. 50 Mn	-	-	-	-	-	27,405,698	
	Sampath Bank PLC- Rs. 6 Mn	-	-	-	-	-	130,629	
	Sampath Bank PLC- Rs. 6.9 Mn	-	-	-	-	-	513,167	
	Seylan Bank PLC- Rs. 4 Mn	166,775	-	-	-	166,775	2,346,225	XIII
	Seylan Bank PLC- Rs. 3 Mn	679,495	-	-	-	679,495	2,446,195	XIV
	Seylan Bank PLC- Rs. 4.4 Mn	-	-	-	-	-	4,467,858	
	Seylan Mechant Bank PLC- Rs. 68 Mn	11,420,146	47,477,955	-	47,477,955	58,898,100	63,631,324	XV
	Seylan Mechant Bank PLC- Rs. 57 Mn	8,945,357	43,039,914	-	43,039,914	51,985,271	-	XVI
		331,857,771	525,340,677	-	525,340,677	857,198,448	1,162,020,590	
18.2	**Short Term Loans**							
	John Keells PLC - Rs. 20Mn	-	-	-	-	-	3,000,000	
	Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 50 Mn	-	-	-	-	-	12,000,000	
	Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 66 Mn	-	-	-	-	-	18,480,000	
	Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 200 Mn	62,490,280	-	-	-	62,490,280	-	XVII

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18. INTEREST BEARING LOANS & BORROWINGS (Contd...)

18.2 Short Term Loans

Description	Repayable within 1 Year Rs.	Repayable within 2-5 Rs.	Repayable after 5 Years Rs.	Repayable after 1 year Rs.	Total As At 31.03.23 Rs.	Total As At 31.03.22 Rs.	Facility Details (Note 18.3)
Ceylon Tea Brokers PLC - Rs. 7.50 Mn		-	-	-	-	1,875,000	
Sri Lanka Tea Board - Loan Rs 100 Mn	100,407,831	-	-	-	100,407,831	-	XVIII
	162,898,111	-	-	-	162,898,111	35,355,000	
Grand Total	**494,755,882**	**525,340,677**	**-**	**525,340,677**	**1,020,096,559**	**1,197,375,590**	

18.3 Details of the interest bearing loans and borrowing facilities

Facility details	Rate of interest	Terms of repayment
I	Rs. 200 Mn loan - AWPLR +2.5%	48 monthly instalments commencing from 12/06/2019
II	Rs. 500 Mn - AWPLR+3%	48 monthly instalments commencing from 21/01/2022
III	Rs. 500 Mn - AWPLR+3.5%	71 instalments of Rs. 6,950,000/- and a final instalment of Rs. 6,550,000/- commencing from 26/04/2019
IV	Rs. 50 Mn - 16%	84 instalments commencing from 30/11/2018
V	Rs. 250 Mn AWPLR + 3.5%	72 monthly instalments commencing from 03/05/2020 including six months capital grace period
VI	Rs. 50 Mn - AWPLR+3.0 %	72 monthly instalments commencing from 03/05/2020 including six months capital grace period
VII	Rs. 31 Mn - 0%	24 monthly instalments commencing from 20/11/2019
VIII	Rs. 72 Mn - 6.93%	17 monthly instalments commencing from 01/07/2022
IX	Rs. 68 Mn - 6.93%	36 monthly instalments commencing from 13/04/2020
X	Rs. 13 Mn - 6.93%	36 monthly instalments commencing from 10/03/2020
XI	Rs. 5 Mn - 6.93%	10 monthly Instalments commencing from 01/07/2022
XII	Rs. 50.47 Mn - AWPLR+3%	36 monthly instalments commencing from 30/04/2023
XIII	Rs.4 Mn - TB Rate+1%	24 monthly instalments commencing from 20/04/2021
XIV	Rs.3 Mn - TB Rate+ 1%	24 monthly instalments commencing from 20/08/2021
XV	Rs. 68 Mn - 16%	60 monthly instalments commencing from 30/07/2022
XVI	Rs. 57 Mn - 18%	60 monthly instalments commencing from 31/07/2022
XVII	Rs. 200 Mn - 28%	16 weekly Instalments of Rs. 12,500,000/- commencing from 18/01/2023
XVIII	Rs. 100 Mn - 8%	12 weekly Instalments of Rs. 8,367.32/- commencing from 12/04/2023

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18. INTEREST BEARING LOANS & BORROWINGS (Contd...)

18.4 Changes in liabilities arising from financing activities

	01 April 2022 Rs.	Cash flows Rs.	31 March 2023 Rs.
Current interest-bearing loans and borrowings (excluding items listed below)	457,357,120	37,398,762	494,755,882
Current obligations under leases	2,058	168	2,226
Non-current interest-bearing loans and borrowings (excluding items listed below)	740,018,470	(214,677,793)	525,340,677
Non-current obligations under leases	125,912	(2,226)	123,686
	1,197,503,561	(177,281,089)	1,020,222,471

19. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the beginning of the year	1,129,917,707	-	1,129,917,707	1,557,598,881
Provision for the year - Interest Cost	169,487,656	-	169,487,656	116,819,916
Current Service Cost	66,984,878	-	66,984,878	60,671,873
Actuarial (Gain) / Loss due to changes in financial assumptions	(121,158,964)	-	(121,158,964)	(562,038,668)
Actuarial (Gain) / Loss due to experience adjustment	245,035,267	-	245,035,267	(17,943,785)
Payments made during the year	(291,593,122)	-	(291,593,122)	(25,190,510)
At the end of the year	1,198,673,423	-	1,198,673,423	1,129,917,707

According to the valuation done based on the full actuarial valuation carried out by a professionally qualified actuary firm M/s. Actuarial and Management Consultants (Pvt) Ltd as at 31st March 2023, the liability is Rs.1,198,673,423/-. If the Company had provided for gratuity for all employees on the basis of 14 days wages for workers and a half month salary for staff for each completed year of service for the year ended 31st March 2023, the liability would have been Rs 2,131,308,807/- (2022 - Rs.1,901,866,273/-) Hence, there is a contingent liability of Rs.932,635,384/- which would crystalise only if the Company ceases to be a going concern.

Waverly Power (Pvt) Ltd. receives all staff and labor from Agarapathana Plantations Ltd. Therefore, retirement benefit liabilities are not taken into consideration by Waverly Power (Pvt) Ltd. in their financial statements.

The Present Value of Retirement Benefit Obligation is carried out on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Within next 12 months	177,983,616	-	177,983,616	139,256,049
Between 2 and 5 years	446,701,578	-	446,701,578	373,897,118
Beyond 5 years	573,988,228	-	573,988,228	616,764,539
	1,198,673,423	-	1,198,673,423	1,129,917,707

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 6.4 years and 7.0 years for staff and workers respectively.

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19. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following;

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
(i) Rate of Interest	18.5%	-	18.5%	15.0%
(ii) Rate of Salary Increase				
Workers	10% (per annum)	-	10% (per annum)	8% (per annum)
Staff	25% + 5% (Once in 3 years)	-	25% + 5% (Once in 3 years)	10% (per annum)
(iii) Retirement Age				
Workers	60 years	-	60 years	60 years
Staff	60 years	-	60 years	60 years
(iv) Daily Wage Rate	Rs. 1,000/-	-	Rs. 1,000/-	Rs. 862/-

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. A sensitivity was carried out as follows;

	Group		Company	
	Impact on Retirement Benefit Obligation			
A one percentage point change in the discount rate.	**+1%**	**-1%**	**+1%**	**-1%**
As at 31 March 2023	(67,673,629)	-	(67,673,629)	75,435,102
As at 31 March 2022	-	-	(74,704,099)	84,303,025
A one percentage point change in the salary increment rate.	**+1%**	**-1%**	**+1%**	**-1%**
As at 31 March 2023	84,357,149	-	84,357,149	(76,395,981)
As at 31 March 2022	-	-	94,472,582	(84,472,363)

20. DEFERRED INCOME

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Deferred Grants and Subsidies				
Cost				
At the beginning of the year	342,450,415	-	342,450,415	337,629,015
Additions during the year	400,000	-	400,000	4,821,400
At the end of the year	342,850,415	-	342,850,415	342,450,415
Amortisation				
At the beginning of the year	149,885,014	-	149,885,014	140,530,920
Amortisation for the year	9,360,473	-	9,360,473	9,354,094
At the end of the year	159,245,487	-	159,245,487	149,885,014
Net carrying amount at the end of the year	183,604,928	-	183,604,928	192,565,401

The Company has received funding from the Plantation Housing and Social Welfare Trust, Asian Development Bank and Plantation Reform Project for the development of worker welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The funds received from Sri Lanka Tea Board are utilized for Tea replanting. The amounts spent are included under the relevant classification of Property, Plant and Equipment and Bearer Biological Assets and the grant component is reflected under Deferred Grants and Subsidies.

21. LEASE LIABILITIES

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Lease liability on right-of-use assets - Land	125,912	-	125,912	127,970
	125,912	-	125,912	127,970

21.1 Lease liability on right-of-use assets - Land

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
At the beginning of the year	127,970	-	127,970	129,872
Accretion of interest	10,442	-	10,442	10,598
Payments	(12,500)	-	(12,500)	(12,500)
At the end of the year	125,912	-	125,912	127,970
Current	2,226	-	2,226	2,058
Non Current	123,686	-	123,686	125,912

21.1.1 Maturity analysis of lease liability on right - of use assets- Land is as follows;

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Payable within one year				
Gross liability	12,500	-	12,500	12,500
Finance cost allocated to future periods	(10,274)	-	(10,274)	(10,442)
Net liability transferred to current liabilities	2,226	-	2,226	2,058
Payable within two to five years				
Gross liability	62,500	-	62,500	62,500
Finance cost allocated to future periods	(48,333)	-	(48,333)	(49,402)
Net liability	14,167	-	14,167	13,098
Payable after five years				
Gross liability	200,000	-	200,000	212,500
Finance cost allocated to future periods	(90,481)	-	(90,481)	(99,686)
Net liability	109,519	-	109,519	112,814
Current	2,226	-	2,226	2,058
Non Current	123,686	-	123,686	125,912

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22. TRADE & OTHER PAYABLES	**Group 2023 Rs.**	**Group 2022 Rs.**	**Company 2023 Rs.**	**Company 2022 Rs.**
Trade Creditors	169,053,534	-	169,053,511	25,873,313
Payable to Employees	168,404,633	-	168,404,633	158,528,394
EPF/ETF/CPPS/ESPS/Gratuity Payable	47,459,403	-	47,459,403	762,144,983
Provision for EPF/ETF/ESPS/Tax/Gratuity Surcharges	70,802,143	-	70,802,143	98,967,499
Broker Advances	233,181,092	-	233,181,092	300,450,830
Other Creditors	409,379,656	-	400,015,028	486,396,972
	1,098,280,462	-	1,088,915,811	1,832,361,991

23. AMOUNTS DUE TO RELATED COMPANIES	**Group 2023 Rs.**	**Group 2022 Rs.**	**Company 2023 Rs.**	**Company 2022 Rs.**
Creasy Plantation Management Ltd	4,612,598	-	4,612,598	4,623,598
The Colombo Fort Land and Building PLC	-	-	-	1,890,450
Lankem Developments PLC	-	-	-	800,001
Kotagala Plantations PLC	8,604,802	-	8,604,802	-
Lankem Ceylon PLC	1,572,648	-	1,572,648	4,830,005
Colombo Fort Group Services (Pvt) Ltd	151,347	-	-	2,764,851
E B Creasy & Co. PLC	16,697,953	-	16,697,953	1,699,261
Union Commodities (Pvt) Ltd	-	-	-	1,608,804
Sigiriya Village Hotels PLC	-	-	-	9,463,972
Darley Butler & Co. Ltd	-	-	-	1,009,957
	31,639,347	-	31,488,000	28,690,899

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24. REVENUE

24.1 Summary

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Tea	8,518,203,937	-	8,518,203,937	4,486,527,182
Hydro Power	32,236,555	-	-	-
	8,550,440,492	-	8,518,203,937	4,486,527,182

24.2 Segment Information

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Segmental Revenue				
Tea	8,518,203,937	-	8,518,203,937	4,486,527,182
Hydro Power	32,236,555	-	-	-
Revenue	8,550,440,492	-	8,518,203,937	4,486,527,182
Segmental Profit Before Tax				
Tea	2,382,962,097	-	2,387,156,076	59,906,896
Hydro Power	3,378,387	-	-	-
Profit Before Tax	2,386,340,484	-	2,387,156,076	59,906,896
Segmental Assets and Liabilities				
Segmental Assets				
Tea	7,699,891,454	-	7,813,273,952	6,638,343,732
Hydro Power	256,057,477	-	-	-
	7,955,948,931	-	7,813,273,952	6,638,343,732
Goodwill on Consolidation	338,742,754			
Investment in Subsidiary	-	-	433,999,888	-
Segmental Liabilities				
Tea	4,513,364,654	-	4,486,424,860	5,007,962,216
Hydro Power	163,698,496	-	-	-
	4,677,063,151	-	4,486,424,860	5,007,962,216

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25. OTHER INCOME

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Amortisation of Capital Grants	9,360,473	-	9,360,473	9,354,094
Factory / Towers Lease Rent	29,923,709	-	30,517,688	19,604,239
Profit from sale of Valuable Timber Trees	24,488,787	-	24,488,787	766,762
Income from Sale of Other Trees	29,795,196	-	29,795,196	37,947,900
Write back of Taxes Payable	-	-	-	59,971,855
Others	34,174,020	-	37,774,020	30,720,349
	127,742,185	-	131,936,164	158,365,199

26. FINANCE INCOME

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Interest Income	51,450,346	-	50,517,566	32,122,849
	51,450,346	-	50,517,566	32,122,849

27. FINANCE COST

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Overdraft Interest	53,747,001	-	50,045,744	32,796,999
Interest Charge on Guarantees	7,782,303	-	7,782,303	7,519,996
Interest on Leases	155,342	-	10,442	10,598
Term Loan Interest	197,723,690	-	179,318,455	123,198,242
Related Party Loan Interest	381,881	-	381,881	23,009,904
Interest charged by the Tea Brokers	63,494,089	-	63,494,089	58,051,440
	323,284,305	-	301,032,913	244,587,179
Amount Capitalised	(53,669,767)	-	(53,669,767)	(23,113,150)
	269,614,538	-	247,363,146	221,474,029

28. PROFIT FROM OPERATING ACTIVITIES IS STATED AFTER CHARGING.

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Consultancy Fee	14,253,718	-	14,253,718	21,789,835
Auditor's Remuneration	6,519,080	-	6,319,080	6,319,080
Depreciation				
Freehold Property Plant and Equipment	109,341,772	-	95,742,595	93,645,633
Bearer Biological Assets	69,711,528	-	69,711,528	69,357,654
Right-of-use assets- Land	6,503,393	-	6,503,393	6,503,393
Right-of-use assets - Immovable Lease assets of JEDB / SLSPC estates	6,355,599	-	6,355,599	6,205,880
Right-of-use assets - Motor Vehicles	-	-	-	697,818
Others				
Defined Benefit Plan Cost - Retiring Gratuity	236,472,534	-	236,472,534	177,491,789
Defined Contribution Plan Cost - EPF,ETF,ESPS & CPPS	293,202,504	-	293,202,504	305,931,961
Wages & Staff Cost	2,496,717,462	-	2,496,717,462	2,475,725,293

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29. INCOME TAX EXPENSES

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
29.1 The major components of income tax expenses for the year ended 31st March 2023 are as follows.				
Statement of Profit and Loss				
Current Tax Expenses				
Current Income Tax Charge (29.2)	17,771,877	-	16,686,116	17,545,658
Under/(Over) Provision of Income Tax for the previous years	210,469	-	210,469	895,406
	-	-	-	-
Deferred Income Tax				
Amount originated during the year transferred to statement of profit or loss due to the income tax rate change	152,418,506	-	135,980,772	13,632,477
Amount originated during the year transferred to statement of profit or loss	478,687,525	-	451,747,729	-
	649,088,377	-	604,625,086	32,073,541

29.2 Reconciliation of Accounting Profit to Income Tax Expense

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Accounting Profit /(Loss) Before Tax	2,386,340,484	-	2,387,156,076	59,906,896
Aggregate disallowable items	602,507,234	-	588,518,163	528,376,734
Aggregate allowable items	(1,489,343,353)	-	(1,479,770,250)	(480,052,741)
Business Profit /(Loss)	1,499,504,364	-	1,495,903,989	108,230,889
Tax exempt income/(loss) from Agro Farming	838,405,152		838,405,152	(190,070,773)
Taxable income/(loss) from Agro Processing	596,344,349	-	596,344,349	298,301,662
Taxable income/(loss) from power generation	4,935,277		-	-
Investment Income	69,525,483	-	69,525,483	73,106,910
Total Statutory Income	1,509,210,261	-	1,504,274,984	181,337,799
Tax losses brought forward and utilised	(623,202,673)	-	(623,202,673)	(298,301,662)
Taxable Income /(Loss)	,886,007 588	-	881,072,311	(116,963,863)
Income Tax @ 14%	345,469	-	-	-
Income Tax @ 24%	16,686,116	-	16,686,116	17,545,658
Income Tax @ 30%	740,292	-	-	-
Income Tax expense charged to Statement of Profit or Loss	17,771 877	-	16,686,116	17,545,658

29.3 Accumulated Tax Losses

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Tax losses bought forward	2,028,794,873	-	2,028,794,873	2,356,441,298
Adjustment to brought forward tax losses	-	-	-	(29,344,763)
Loss for the year (Note 29.2)	-	-	-	-
Losses set off during the year	(623,202,673)	-	(623,202,673)	(298,301,662)
Tax losses carried forward	1,405 592,200	-	1,405,592,200	2,028,794,873

Effect of changes in tax rate in current year

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.

As per the rebate given by the Inland Revenue Department for tea manufacturing, the company has entitled to a special tax rate for agro processing by granting tax rebate of 25% on applicable tax rate (i.e. 30%).

The Inland Revenue (Amedment) Act no 45 of 2022 was certified by the speaker on 19th December 2022.The Standard rate of Income tax has been increased 30% from 24% w.e.f 1st October 2022.The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the year of assessment 22/23.

Herewith mentioned the applied tax rates of the company.

Taxable income source	Description	Effective tax rate (%)
Agro farming	Excempted	
Agro processing	Tax on taxable income at special rates - First six months	10.50%
Agro processing	Tax on taxable income at special rates - Balance six months	22.50%
Dividend Income	Tax on profits from dividend - First six months	14%
Dividend Income	Tax on profits from dividend - Balance six months	15%
Other Investment Income	Tax on balance taxable income at normal rate - First six months	24%
Other Investment Income	Tax on balance taxable income at normal rate - Balance six months	30%

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29. INCOME TAX EXPENSES (Contd...)

29.4 DEFERRED TAX LIABILITY

	Group 2023		Group 2022		Company 2023		Company 2022	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 April	1,884,640,228	202,359,882	-	-	1,777,407,448	186,627,782	1,067,591,875	112,097,147
Amount originated during the year transferred to statement of profit or loss due to the income tax rate change	-	152,418,506	-	-		135,980,772	-	-
Amount originated during the year transferred to statement of profit or loss	803,780,164	478,687,525	-	-	893,579,486	451,747,729	129,833,120	13,632,477
Amount originated during the year transferred to statement of other comprehensive income	(123,876,304)	(34,478,462)	-	-	(123,876,304)	(37,162,891)	579,982,453	60,898,158
As at 31 March	2,564,544,088	798,987,451	-	-	2,457,311,308	737,193,392	1,777,407,448	186,627,782

Composition of Deferred Tax Liability /(Asset)

	Group 2023		Group 2022		Company 2023		Company 2022	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Differences Rs.	Tax Effect Rs.	Temporary Differences Rs.	Tax Effect Rs.
Right of use assets	142,680,624	42,804,187	-	-	142,680,624	42,804,187	142,609,334	14,973,980
Property, Plant and Equipment	1,410,087,691	423,026,307	-	-	1,302,854,911	390,856,473	1,309,205,236	137,466,550
Biological Assets	3,495,129,949	1,075,478,781	-	-	3,495,129,949	1,048,538,985	3,326,159,803	349,246,779
Retirement Benefit Obligations	(1,077,644,564)	(323,293,369)	-	-	(1,077,644,564)	(323,293,369)	(971,661,084)	(102,024,414)
Lease Liability	(117,412)	(35,224)	-	-	(117,412)	(35,224)	(110,970)	(11,652)
Carried forward Tax Losses	(1,405,592,200)	(418,993,231)	-	-	(1,405,592,200)	(421,677,660)	(2,028,794,873)	(213,023,462)
Net Deferred Tax Liability/(Asset)	2,564,544,088	798,987,452	-	-	2,457,311,308	737,193,392	1,777,407,447	186,627,782

The effective tax rate used to calculate deferred tax liability for all temporary differences as at 31 March 2023 is 30% (2022 - 10 5%)

30. EARNINGS/(LOSS) PER SHARE

Computation of the earnings/(loss) per share is based on the profit after taxation for the year divided by the weighted average number of ordinary shares outstanding during the year.

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Amount used as the numerator				
Net profit / (loss) for the year after taxation	1,737,252,106	-	1,782,530,990	27,833,354
			2023 Number	**2022 Number**
Amount used as the denominator				
Weighted average number of ordinary shares outstanding during the period	416,929,889	-	416,929,889	325,000,000

31. CAPITAL COMMITMENTS

	2023 Rs.	2022 Rs.
Followings are the capital commitments approved as at the date of Financial Position		
A. Field Development	112 9 Mn	86 3 Mn
B. Machinery & Factory Development	214.4 Mn	151 0 Mn

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32. SECURITIES PLEDGED

The Following assets have been pledged as securities for loans and other facilities.

	Nature of Assets	Facility Rs.	Nature of Liability	Carrying Amounts of Assets Pledged		Included Under
				2023 Rs.	2022 Rs.	
32.1	**A)** A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estates. Overdraft Agreement	200 Mn	Bank Overdraft from Bank of Ceylon	32,145,678	32,766,923	Property, Plant & Equipment
	B) A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estates	50 Mn	Term Loan from Bank of Ceylon	-	-	-
	C) Tri partite agreement with borrower, bank and the tea broker John Keells PLC.	200 Mn	Term Loan from Bank of Ceylon	-	-	-
	D) Corporate Guarantee from Lankem Ceylon PLC					
	E) Tri partite agreement with borrower, bank and the tea broker John Keells PLC	250 Mn	Term Loan from Bank of Ceylon	-	-	-
	F) A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estates	50.47 Mn	Term Loan from Bank of Ceylon	-	-	-
32.2	Mortgage over leasehold rights over the estate land and buildings,fixed & floating assets of Diyagama East Estate	50 Mn	Term Loan from Seylan Bank PLC	7,260,127	7,590,729	Property, Plant & Equipment
32.3	Duly accepted letter of offer supported by Board Resolution. General terms and conditions relating to term loans. Deposit of original title deeds and plan relating to the Dambetenne Estate	500 Mn	Term Loan from Commercial Bank of Ceylon PLC	-	-	-
		20 Mn	Bank Overdraft from Commercial Bank of Ceylon PLC	-	-	-
32.4	Mortgage over leasehold rights over the estate land and Factory building of Diyagama West Estate	500 Mn	Term Loan from Sampath Bank PLC	5,125,316	5,604,211	Property, Plant & Equipment
32.5	Original certificates of registration of the vehicles	68 Mn	Term Loan from Seylan Merchant Bank PLC	-	-	-
32.6	Original certificates of registration of the vehicles	57 Mn	Term Loan from Seylan Merchant Bank PLC	-	-	-

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33. CONTINGENCIES

No known contingent liabilities exist as at the date of financial position other than the matter disclosed in notes 19 to the financial statement.

34. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the statement of financial position date, which would require adjustments to the interim financial statemet except for following.

The company has decided to listed on the Diri Savi Board of the Colombo Stock Exchange through an offer for subscription of 83,070,111 ordinary voting shares at Rs 9 per share to raise a total sum of Rs 747,603,999.

Inland revenue (amendement) act passed in May 2023: the Inland revenue (Amendement) act of 2023 was passed in parliament and certified by Hon. Speaker on 08th May 2023.

35. RELATED PARTY DISCLOSURES

<u>Company</u>

35.1 Details of significant Related Party Disclosures are as follows;

Transactions with the parent and related entities

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited / (Credited) 2023 Rs.	Amount Debited / (Credited) 2022 Rs.	Balance as at 31st March 2023 Rs.	Balance as at 31st March 2022 Rs.
1.	Lankem Tea & Rubber Plantations (Pvt) Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam	Settlements	69,997,892	1,467,174	14,675,452	2,002,108
			Mr.C.P.R. Perera	Advances given	14,675,452	2,002,110		
			Mr. S.S.Poholiyadde	Issue of shares		36,476,725		
				Professional Consultancy Fee Charged	(72,000,000)			
			Mr. Anushman Rajaratnam					
			Mr.D.R. Madena					
			Mr. K.M.M. Kowdu (Appointed w.e.f. 20.09.2022)					
			Mr. P.M.A. Sirimane (Appointed w.e.f. 01.12.2022)					
			Mr. A.M. de S. Jayaratne (Appointed w.e.f. 08.12.2022)					
2.	Lankem Ceylon PLC	Affiliated Company	Mr.S.D.R.Arudpragasam	Interest charge on bank guarantee	(4,582,303)	(4,319,996)	(1,572,648)	(4,830,001)
				Share of group expenses reimbursed	(38,750,000)	(15,000,000)		
			Mr. Anushman Rajaratnam					
			Mr. P.M.A. Sirimane	Issue of shares		62,943,515		
			Mr. G.K.B. Dasanayaka	Acquisition of Shares	(189,179,438)			
				Settlements	235,769,094			
3.	Sigiriya Village Hotels PLC	Affiliated Company	Mr.S.D.R.Arudpragasam	Settlements	9,463,962	536,038		(9,463,962)
			Mr.C.P.R. Perera					
			Mr. Anushman Rajaratnam					
4.	Kotagala Plantations PLC	Affiliated Company	Mr.S.D.R.Arudpragasam	Transfer of inter company balances	(9,239,839)	6,230,037	(8,308,152)	8,087,124
			Mr.C.P.R. Perera	Issure of shares		17,116,895		
			Mr. S.S.Poholiyadde	Advances given		7,043,137		
			Mr. Anushman Rajaratnam	Advances recived	(7,155,437)			
			Mr. A.M. de S. Jayaratne					
			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.M.M. Kowdu (Appointed w.e.f. 20.09.2022)					
5.	The Colombo Fort Land & Building PLC	Ultimate Parent	Mr.S.D.R.Arudpragasam	Rent on building & Other expenses	(9,337,500)	(9,000,000)		(1,890,449)
			Mr.C.P.R. Perera	Settlements	11,227,949	1,500,000		
			Mr. Anushman Rajaratnam	Transfer of inter company balances		103,637,854		
			Mr. A.M. de S. Jayaratne	Interest charged		(6,762,442)		
			Mr. P.M.A. Sirimane					
6.	Creasy Plantation Management Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam	Settlements	11,000	11,000	(4,612,598)	(4,623,598)
7.	Sherwood Holidays Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam	Rent and bungalow upkeep expenses	5,175,401	1,547,916	93,740	14,170,734
				Settlements	(28,491,903)	(536,038)		
				Transfer of inter company balances	9,239,839			
8.	Waverly Power (Pvt) Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam	Rent chargred	593,979	565,695	18,125,363	565,695
			Mr. Anushman Rajaratnam	Transfer of inter company balances	(2,400,000)	(1,140,626)		
			Mr. P.M.A. Sirimane	Operational Management Fee Charged	3,600,000			
			(Appointed w.e.f. 01.12.2022)	Advances Given	18,765,689			
			Mr. C.P.R. Perera (Appointed w.e.f. 08.12.2022)	Settlements	(3,000,000)			
			Mr. A.M. de S. Jayaratne (Appointed w.e.f. 08.12.2022)					
			Mr. S.S. Poholiyadde (Appointed w.e.f. 08.12.2022)					
			Mr. K.M.M. Kowdu (Appointed w.e.f. 08.12.2022)					
9.	Lankem Developments PLC	Immediate Parent	Mr.S.D.R.Arudpragasam	Interest charge on bank guarantee	(3,200,000)	(3,200,000)	31,757,097	(800,000)
			Mr.C.P.R. Perera	Issue of shares		229,172,380		
			Mr. Anushman Rajaratnam	Transfer of inter company balances	2,400,000	(215,726,260)		
			Mr. P.M.A. Sirimane	Acquisition of Shares	(244,820,450)			
			Mr. A.M. de S. Jayaratne	Settlements	246,420,450			
			(Appointed w.e.f. 08.12.2022)	Advances given	29,963,839			
			Mr. S.S. Poholiyadde	Interest charged	1,793,258			
			(Appointed w.e.f. 15.12.2022)					
			Mr. K.M.M. Kowdu (Appointed w.e.f. 15.12.2022)					

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35. **RELATED PARTY DISCLOSURES (Contd...)**

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited / (Credited) 2023 Rs.	2022 Rs.	Balance as at 31st March 2023 Rs.	2022 Rs.
10.	Union Commodities (Pvt) Ltd	Affiliated Company	Mr S.D.R Arudpragasam	Interest charged	3,686,815	(7,032,628)	17,078,012	(1,608,803)
			Mr. Anushman Rajaratnam	Transfer of inter company balances		113,229,032		
			Mr. P.M.A. Sirimane (Appointed w.e.f. 01.12.2022)	Advances given	55,000,000			
			Mr. A.M. de S. Jayaratne (Appointed w.e.f. 08.12.2022)	Settlements	(40,000,000)			
			Mr. S.S. Poholiyadde (Appointed w.e.f. 01.12.2022)					
			Mr. K.M.M. Kowdu (Appointed w.e.f. 01.12.2022)					
11.	Colombo Fort Group Services (Pvt) Ltd	Affiliated Company	Mr.S.D.R Arudpragasam	IT/HR support service expenses	(3,208,443)	(2,500,125)	485,147	(2,764,850)
			Mr. Anushman Rajaratnam	Settlement	5,973,293	2,997,625		
			Mr. P.M.A. Sirimane	Advances given	485,147			
12.	Ceylon Tea Brokers PLC	Affiliated Company	Mr C.P.R. Perera	Broker advances received	(380,951,223)	(330,500,000)	15,119,954	(33,314,101)
				Broker advances recovered	414,265,324	341,436,347		
				Sale of tea	439,743,965	373,279,810		
				Sales proceeds received	(424,624,010)	(367,008,948)		
13.	E B Creasy & Co. PLC	Affiliated Company	Mr S.D.R Arudpragasam	Interest charged		(5,841,565)	(16,697,953)	(1,699,261)
			Mr. P.M.A. Sirimane	Transfer of inter company balances		(6,230,037)		
			Mr. A.M. de S. Jayaratne	Issue of shares		69,763,120		
				Share of group expenses reimbursed	(30,000,000)			
				Settlements	15,001,308			
14.	Darley Butler & Co. Ltd	Affiliated Company	Mr S.D.R Arudpragasam	Interest charged		(3,373,267)		(1,009,967)
			Mr. P.M.A. Sirimane	Issue of shares		44,176,810		
			Mr. A.M. de S. Jayaratne	Settlements	(1,009,967)			
15.	Consolidated Tea Plantations Ltd	Intermediate Parent company	Mr S.D.R Arudpragasam	Interest charged	33,071,805	30,626,532	6,451,376	396,439,799
			Mr.C.P.R. Perera	Advances given	6,451,376	782,341		
			Mr. Anushman Rajaratnam	Settlements	(429,511,604)			
			Mr. A.M. de S. Jayaratne					
			Mr. S.S Poholiyadde					
			Mr. P.M.A. Sirimane (Appointed w.e.f. 01.12.2022)					
			Mr. K.M.M. Kowdu (Appointed w.e.f. 01.12.2022)					

Mr. P.M.A. Sirimane, Mr. G.K.B. Dasanayaka and Mr. K.M.M. Kowdu were appointed to the Board with effect from 20.09.2022 and Mr. A.M. de S. Jayaratne was appointed to the Board with effect from 18.11.2022

35.2 **Transaction with the key management personnel of the company or parent**

	Rs.
Director Fee paid to key management personnel	21,789,835

There were no material transactions with the Key Management Personnel of the company and its parent other than those disclosed in Notes 14, 23 and 35.1 to the Financial Statements

Group

Agarapathana Plantations Ltd

35.3 Details of significant Related Party Disclosures are as follows.

Transactions with the parent and related entities

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited / (Credited) 2023 Rs.	2022 Rs.	Balance as at 31st March 2023 Rs.	2022 Rs.
1.	Lankem Tea & Rubber Plantations (Pvt) Ltd	Affiliated Company	Mr.S.D.R Arudpragasam	Settlements	69,997,892	1,467,174	14,675,452	2,002,108
			Mr.C.P.R. Perera	Advances given	14,675,452	2,002,110		
			Mr. S.S Poholiyadde	Issue of shares		36,476,725		
			Mr. Anushman Rajaratnam	Professional Consultancy Fee Charged	(72,000,000)			
			Mr.D.R. Madena					
			Mr. K.M.M. Kowdu (Appointed w.e.f. 20.09.2022)					
			Mr. P.M.A. Sirimane (Appointed w.e.f. 01.12.2022)					
			Mr. A.M. de S. Javaratne (Appointed w.e.f. 08.12.2022)					
2.	Lankem Ceylon PLC	Affiliated Company	Mr S.D.R Arudpragasam	Interest charge on bank guarantee	(4,582,303)	(4,319,996)	(1,572,648)	(4,830,001)
			Mr. Anushman Rajaratnam	Share of group expenses reimbursed	(38,750,000)	(15,000,000)		
			Mr. P.M.A. Sirimane	Issue of shares		62,943,515		
			Mr. G.K.B. Dasanayaka	Acquisition of Shares	(189,179,438)			
				Settlements	235,769,094			
3.	S[illegible] PLC	Affiliated Company	Mr.S.D.R Arudpragasam	Settlements	9,463,962	536,038		(9,463,962)
			Mr.C.P.R. Perera					
			Mr. Anushman Rajaratnam					

4.	Kotagala Plantations PLC	Affiliated Company	Mr.S.D.R.Arudpragasam	Transfer of inter company balances	(9,239,839)	6,230,037	(8,308,152)	8,087,124
			Mr.C.P.R. Perera	Issure of shares		17,116,895		
			Mr. S.S.Poholiyadde	Advances given		7,043,137		
			Mr. Anushman Rajaratnam	Advances recived	(7,155,437)			
			Mr. A.M. de S. Jayaratne					
			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.M.M. Kowdu					
			(Appointed w.e.f. 20.09.2022)					
5.	The Colombo Fort Land & Building PLC	Ultimate Parent	Mr. S.D.R. Arudpragasam	Rent on building & Other expenses	(9,337,500)	(9,000,000)		(1,890,449)
			Mr. C.P.R. Perera	Settlements	11,227,949	1,500,000		
			Mr. Anushman Rajaratnam	Transfer of inter company balances		103,637,854		
			Mr. A.M. de S. Jayaratne	Interest charged		(6,762,442)		
			Mr. P.M.A. Sirimane					
6.	Creasy Plantation Management Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam	Settlements	11,000	11,000	(4,612,598)	(4,623,598)
7.	Sherwood Holidays Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam	Rent and bungalow upkeep expenses	5,175,401	1,547,916	93,740	14,170,734
				Settlements	(28,491,903)	(536,038)		
				Transfer of inter company balances	9,239,839			
8.	Lankem Developments PLC	Immediate Parent	Mr. S.D.R. Arudpragasam	Interest charge on bank guarantee	(3,200,000)	(3,200,000)	31,757,097	(800,000)
			Mr. C.P.R. Perera	Issue of shares		229,172,380		
			Mr. Anushman Rajaratnam	Transfer of inter company balances	2,400,000	(215,726,260)		
			Mr. P.M.A. Sirimane	Acquisition of Shares	(244,820,450)			
			Mr. A.M. de S. Jayaratne	Settlements	246,420,450			
			(Appointed w.e.f. 08.12.2022)	Advances given	29,963,839			
			Mr. S.S. Poholiyadde	Interest charged	1,793,258			
			(Appointed w.e.f. 15.12.2022)					
			Mr. K.M.M. Kowdu					
			(Appointed w.e.f. 15.12.2022)					
9.	Union Commodities (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Interest charged	3,686,815	(7,032,628)	17,078,012	(1,608,803)
			Mr. Anushman Rajaratnam	Transfer of inter company balances		113,229,032		
			Mr. P.M.A. Sirimane	Advances given	55,000,000			
			(Appointed w.e.f. 01.12.2022)	Settlements	(40,000,000)			
			Mr. A.M. de S. Jayaratne					
			(Appointed w.e.f. 08.12.2022)					
			Mr. S.S. Poholiyadde					
			(Appointed w.e.f. 01.12.2022)					
			Mr. K.M.M. Kowdu					
			(Appointed w.e.f. 01.12.2022)					
10.	Colombo Fort Group Services (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	IT/HR support service expenses	(3,208,443)	(2,500,125)	485,147	(2,764,850)
			Mr. Anushman Rajaratnam	Settlement	5,973,293	2,997,625		
			Mr. P.M.A. Sirimane	Advances given	485,147			
11.	Ceylon Tea Brokers PLC	Affiliated Company	Mr.C.P.R. Perera	Broker advances received	(380,951,223)	(330,500,000)	15,119,954	(33,314,101)
				Broker advances recovered	414,265,324	341,436,347		
				Sale of tea	439,743,965	373,279,810		
				Sales proceeds received	(424,624,010)	(367,008,948)		
12.	E B Creasy & Co. PLC	Affiliated Company	Mr. S.D.R. Arudpragasam	Interest charged		(5,841,565)	(16,697,953)	(1,699,261)
			Mr. P.M.A. Sirimane	Transfer of inter company balances		(6,230,037)		
			Mr. A.M. de S. Jayaratne	Issue of shares		69,763,120		
				Share of group expenses reimbursed	(30,000,000)			
				Settlements	15,001,308			
13.	Darley Butler & Co. Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Interest charged		(3,373,267)		(1,009,967)
			Mr. P.M.A. Sirimane	Issue of shares		44,176,810		
			Mr. A.M. de S. Jayaratne	Settlements	(1,009,967)			
14.	Consolidated Tea Plantations Ltd	Intermmedeiate Company	Mr. S.D.R. Arudpragasam	Interest charged	33,071,805	30,626,532	6,451,376	396,439,799
			Mr. C.P.R. Perera	Advances given	6,451,376	782,341		
			Mr. Anushman Rajaratnam	Settlements	(429,511,604)			
			Mr. A.M. de S. Jayaratne					
			Mr. S.S. Poholiyadde					
			Mr. P.M.A. Sirimane					
			(Appointed w.e.f. 01.12.2022)					

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Wavely Power (Pvt) Ltd

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited (Credited) 2023 Rs.	2022 Rs.	Balance as at 31st March 2023 Rs.	2022 Rs.
01	Lankem Ceylon PLC	Affiliated Company	Mr.S.D.R.Arudpragasam Mr. Anushman Rajaratnam Mr. P.M.A. Sirimane Mr. G.K.B. Dasanayaka	Opening Balance Expenses Reimburesement Settlements	48,324,220 (271,930)	-	48,052,290	
02	Colombo Fort Hotels Ltd	Affiliated Company	Mr.S.D.R.Arudpragasam Mr. Anushman Rajaratnam Mr. Sanjeev Rajarathnam/ Mr. Amrit Rajaratnam	Opening Balance Trasfer for Shares	5,761,926 (5,761,926)			
03	Lankem Developments PLC	Intermmediate Parent	Mr. S.D.R. Arudpragasam Mr. C.P.R. Perera Mr. Anushman Rajaratnam Mr. P.M.A. Sirimane Mr. A.M. de S. Jayaratne (Appointed w.e.f. 08.12.2022) Mr. S.S. Poholiyadde (Appointed w.e.f. 15.12.2022) Mr. K.M.M. Kowdu (Appointed w.e.f. 15.12.2022)	Opening Balance Settlement	9,272,510 (2,400,000)		6,872,510	
04	Colombo Fort Group Services (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam Mr. Anushman Rajaratnam Mr. P.M.A. Sirimane	Opening Balance Expenses	82,755 (68,592)		(151,347)	

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company operations. The Company has trade and other receivables, cash and short term deposits that arrive directly from its operations. Accordingly, the Company has exposure to namely Credit Risk, Liquidity Risk and Interest Rate Risk from its use of financial instruments. This note presents information about the Company exposure to each of the above risks, the Company objectives, policies and processes for measuring and managing risk.

Credit risk

This is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company receivable from customers.

Liquidity risk

Liquidity risk arises when the Company is unable to meets its financial obligations due to insufficient cash flow situations. The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

Interest rate risk

Interest rate risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

36.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company financial risk management framework which includes developing and monitoring the Company financial risk management policies. The Company financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Company, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee of the Company oversees how management monitors compliance with the Company financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Company.

36.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers and from its financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

36.2.1 Trade and Other Receivables

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. The Company's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Company's standard payment and delivery terms and conditions are offered. Company review includes external ratings, when available and in some cases, bank references, purchases 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 Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the company at the reporting date is Rs. 5.2 Mn. The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea auction systems.

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36.2.1 Trade and Other Receivables (Contd...)

As at 31 March 2023

	Trade and other Recievables Days past due					
	Current Rs.	**61 - 120 days Rs.**	**121 - 180 days Rs.**	**181 - 365 days Rs.**	**> 365 days Rs.**	**Total Rs.**
Expected credit loss rate		5%	10%	20%	50%	
Estimated total gross carrying amount at default	-	-			5,203,278	5,203,278

As at 31 March 2022

	Trade and other Recievables Days past due					
	Current Rs.	**61 - 120 days Rs.**	**121 - 180 days Rs.**	**181 - 365 days Rs.**	**> 365 days Rs.**	**Total Rs.**
Expected credit loss rate		5%	10%	20%	50%	
Estimated total gross carrying amount at default	-	-	-	-	5,203,278	5,203,278
Expected credit loss rate						

36.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

36.2.3 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs. 48.5 Mn as at 31st March 2023 (2022 – Rs. 47.8 Mn) which represents its maximum credit exposure on these assets.

36.3 Liquidity Risk

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

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

36.3 Liquidity Risk

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

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities of the individual and Company level by funding the long term investments with long term financial sources and short term investments with short term financing. Where necessary the Company consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31st March 2023	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowings	318,268,564	176,487,318	525,340,677	-	1,020,096,559
Trade and other payables	1,049,815,820	39,099,991		-	1,088,915,811
	1,368,084,384	215,587,309	525,340,677	-	2,109,012,370

As at 31st March 2022	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowings	206,171,066	251,186,054	740,018,470	-	1,197,375,590
Trade and other payables	1,786,167,372	46,194,619	-	-	1,832,361,991
	1,992,338,438	297,380,673	740,018,470	-	3,029,737,581

36.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instruments affected by market risk include loans & borrowings, deposits & derivative financial instruments.

36.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.
2023	+1%	(20,931,320)
	-1%	20,931,320
2022	+1%	(21,880,016)
	-1%	21,880,016

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

36.4.2 Capital Management

The Group`s policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	Group		Company	
	2023	2022	2023	2022
Interest bearing borrowing	Rs.	Rs.	Rs.	Rs.
Current portion	538,108,548	-	494,755,882	457,357,120
Payable After one year	588,880,011	-	525,340,677	740,018,470
Liability to make Lease Payment				
Current portion	2,226	-	2,226	2,058
Payable After one year	123,686	-	123,686	125,912
Bank Overdraft	225,764,469	-	214,069,444	415,994,176
	1,352,878,940	-	1,234,291,915	1,613,497,736
Equity				
Equity	3,278,885,782	-	3,326,849,092	1,630,381,515
Equity & debts	4,631,764,722	-	4,561,141,008	3,243,879,251
Gearing ratio	29%	-	27%	50%

36.5 Operational risk

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

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

Requirements for appropriate segregation of duties, including the independent authorisation of transactions.

Requirements for the reconciliation and monitoring of transactions.

Compliance with regulatory and other legal requirements.

Documentation of controls and procedures.

Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.

Requirements for the reporting of operational losses and proposed remedial actions.

Development of contingency plans.

Training and professional development.

Ethical and business standards.

Risk mitigation, including insurance when this is effective.

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

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