KEGALLE
PLANTATIONS PLC

ANNUAL REPORT 2022/23

VISION

To seek excellence in all our pursuits.

MISSION

To achieve excellence in the management of plantations by optimum utilization of resources.

To enhance the quality of life of our employees and the neighboring villagers.

To assure our shareholders optimum returns and to be an exemplary corporate citizen.

Objectives

We will endeavor to be the most technologically advanced producer of agricultural products and their value-added forms, by means of innovations and inventions through Research and Development.

We seek to be acknowledged in Sri Lanka and Overseas as a Producer and Supplier of quality agricultural products and their derivatives through superior customer services.

We will be a model employer in the plantation sector committed to achieve Leadership in every sphere of business activity.

We will provide our employee with the necessary training to enhance their skills and enable them to be a part of a highly motivated and dedicated workforce.

We seek to provide our shareholders with the maximum return on investment.

We intend to ensure continued liquidity and growth of the Company.

Company Profile

The Government of Sri Lanka, as part of its restructuring plan for the Plantation Industry, decided to privatize this sector and in June 1992, incorporated 22 regional Plantation Companies. The Government then assigned these Companies, Estates that had been previously vested with the Government and managed by JEDB/SL-SPC on a 53 years lease. Separate Management Agents were also selected to manage each of these Companies. Kegalle Plantations PLC (KPPLC) was one of such Companies and it was allotted 21 Estates which in total have a land base around 10,000 ha in Kegalle, Kurunegala and Badulla Districts. Of this land base, around 5,200ha are Rubber, 1,400ha under Tea and another 500ha are Coconut. The Company produces around 04 Million kg of Rubber and 02 Million kg of Tea inclusive of bought crop. It has employee strength of 4,476.

RPK Management Services (Pvt) Limited (RPK) was the Management Agent appointed by the Government and that was a 50:50 joint venture company between Richard Pieris & Company PLC and John Keels Holdings PLC. During the latter part of 1995 the ownership of the company faced some changes when the Government sold 20% of shares it held to the public and the majority stake of 50% to RPK Management Services (Pvt) Limited. At the same time period, Government gifted 10% of shares to over 8,000 eligible employees. In May 1997, the Government exited from the ownership of Kegalle Plantations PLC by selling the rest 19% of shares through the Colombo Stock Exchange (CSE).

However, the Government holds through the Secretary to the Treasury one share which is called Golden Share and it gives the Government the title "Golden Share Holder" of the Company.

The Golden Shareholder has some special rights than what is enjoyed by a normal Shareholder and these rights are incorporated in the Articles of Association of the Company. The prospectus offered to the public also contained these clauses. Some of the important clauses are given in this Annual report under "Shareholder & Investor Information".

At the time RPK acquired 51% steak, it also invested Rs. 50 Millions in convertible debentures of KPPLC. In February 1998, these debentures were converted to 5 million ordinary shares of Rs 10 each, increasing the Share Capital of the Company to Rs 250 Millions. In March 2004, RPK Management Services (Pvt) Limited became a fully owned subsidiary of Richard Pieris & Company PLC when Richard Pieris & Company PLC purchased the 50% stake in RPK from John Keels Holdings PLC. Consequent to the change in ownership, RPK was named as RPC Management Services (Pvt) Limited. During 2008 the ownership of the company transferred to RPC Plantation Management Services (Pvt) Limited from RPC Management Services (Pvt) Limited. Currently RPC Plantations Management Services (Pvt) Limited holds 79.68% stake in KPPLC.

Kegalle Plantations PLC is the largest Rubber producer among regional Plantation Companies accounting for 4 million kg of average production per annum.

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the digital version of this annual report
https:/www.arpico.com/contents/kpl_financial_reports.php

ABOUT THE REPORT

Kegalle Plantations PLC (hereinafter referred to as "KPPLC" or the "Company") prepares and publishes its 28th annual report for the year ended 31 March 2023. The report has mainly been prepared with the aim of providing the relevant financial and non-financial information related to the ended year so as to facilitate the understanding and decision making of stakeholders of the Company. Due to the inherent nature of the plantation industry, the Company has to experience a wide range of economic, environmental, social and other challenges and the operations of the Company were carried out in spite of these challenges. Accordingly, this report is intended to reflect how the Company managed its operations in spite of these challenges and what the Company achieved during the year and what consequences emerged on the society due to the operations of the Company.

The financial statements contained in the report have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) to comply with the Companies Act No. 07 of 2007, the continuing listing requirements of Colombo Stock Exchange and other applicable regulatory requirements. The fairness of the financial statements of the Company for the year ended 31 March 2023 has been assured through external independent assurance of the auditor, Messrs. Ernst & Young, Chartered Accountants.

We hope that you will find this report as a basis for the informed decision making and other useful purposes. Please direct all your compliments or criticisms on our annual report.

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Maharagama, Sri Lanka.
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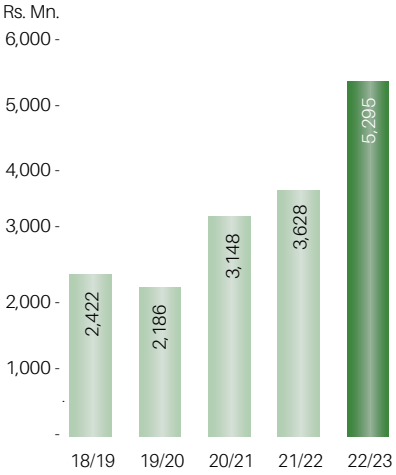
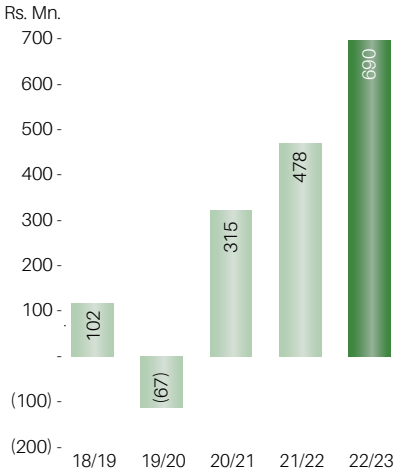
FINANCIAL & NON-FINANCIAL HIGHLIGHTS

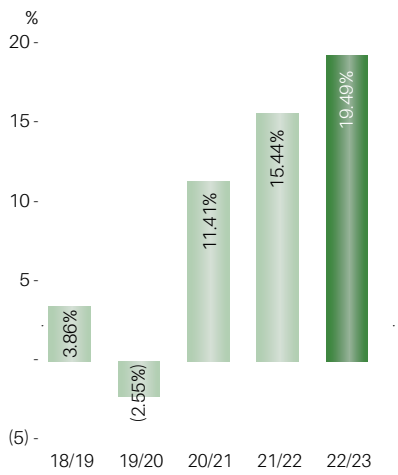
Revenue (Rs. Mn)



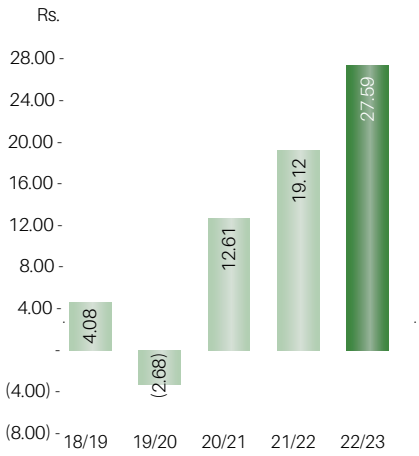
Profit After Tax (Rs. Mn)



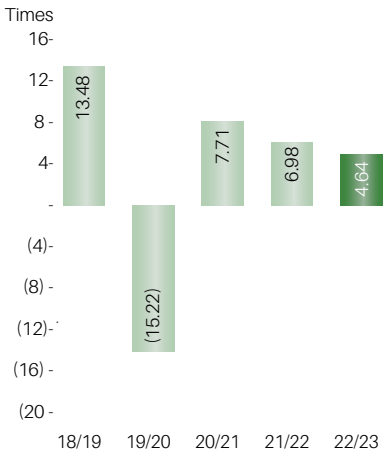
Return on Average Equity (%)



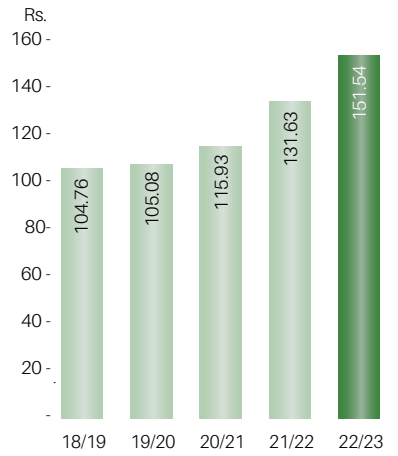
Earnings / (Loss) Per Share (Rs.)



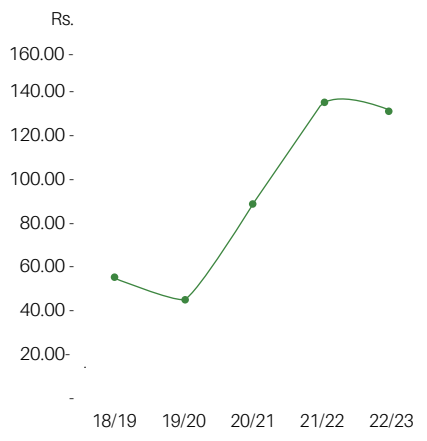
Price Earnings Ratio (Times)



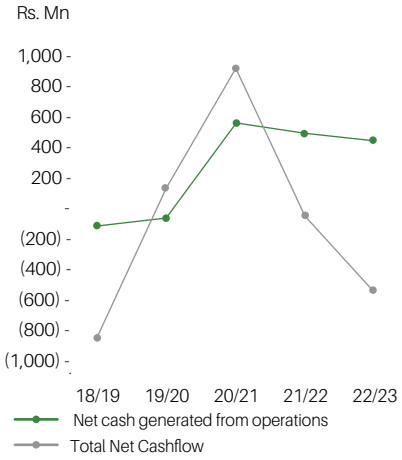
Net Assets Per Share (Rs.)



Share Price (Rs.)



Net Operating Cashflow (Rs. Mn)



Rs. 5.30 Bn

Revenue

Rs. 690 Mn

Profit After Tax

Rs. 27.59

Earnings Per Share

Rs. 151.54

Net Assets Per Share

FINANCIAL & NON-FINANCIAL HIGHLIGHTS

	NO OF ESTATES	LAND EXTENT	PRODUCTIVITY	PRODUCTION VOLUME
	17	9,757Ha	Land (Yield) Labour (Intake)	
RUBBER	Kegalle - 09 Kurunegala - 02 11	6,979 Ha 72%	811 kg/ha 7.40 Kg Intake	4,278 Kg '000
TEA	Uva High - 04 Western Medium - 01 Low Grown - 01 06	2,278 Ha 23%	728 kg/ha 24.27 Kg Intake	1,464 Kg '000
COCONUT	Rubber cum Coconut 07 Rubber, Tea cum Coconut 01	500 Ha 05%	2,429 nuts/ha	1,020 Nuts '000

Direct (Rubber)
195 Kg '000
Indirect (Rubber)
2,110 Kg '000

Dividend per Share Rs. 07.00
Market Price per Share Rs. 128.00

Rs. 7.2 Bn TOTAL ASSETS (2022/23)	**Rs. 4.8 Bn** CAPITAL EMPLOYED (2022/23)	**Rs. 5.3 Bn** TURNOVER (2022/23)	**Rs. 3.2 Bn** MARKET CAPITALIZATION (2022/23)
Rs. 6.7 Bn TOTAL ASSETS (2021/22)	**Rs. 4.5 Bn** CAPITAL EMPLOYED (2021/22)	**Rs. 3.6 Bn** TURNOVER (2021/22)	**Rs. 3.3 Bn** MARKET CAPITALIZATION (2021/22)

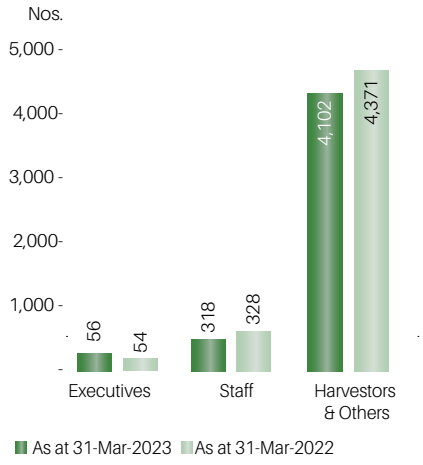
Performance - Year ended 31st March	2022/23 Rs.'000	2021/22 Rs.'000	Variance %
Turnover	5,294,938	3,627,751	46%
Profit before Interest and Tax	1,246,677	668,533	86%
Profit after Tax	689,858	477,903	44%
Gross Dividends	175,000	125,000	40%
Capital Expenditure	565,001	338,506	67%

Financial Position - As at 31st March	2022/23 Rs.'000	2021/22 Rs.'000	Variance %
Fixed Assets	5,449,874	4,932,838	10%
Current Assets	1,726,155	1,784,190	-3%
Total Assets	7,176,029	6,717,028	7%
Current Liabilities	1,096,265	1,216,141	-10%
Shareholders' Funds	3,788,453	3,290,716	15%
Stated Capital	250,000	250,000	0%
Capital Employed	4,771,472	4,536,424	5%

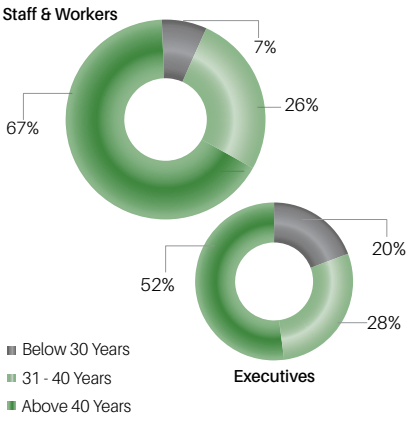
Key Indicators		2022/23	2021/22	Variance %
Earnings per share	Rs.	27.59	19.12	44%
Net Assets per share	Rs.	151.54	131.63	15%
Dividend per share	Rs.	7.00	5.00	40%
Market price per share	Rs.	128.00	133.50	-4%
Return on capital employed	%	26.13%	14.74%	77%
Market Capitalization	Rs.'000	3,200,000	3,337,500	-4%
Return on average equity	%	19.49%	15.44%	26%

Employment Strength

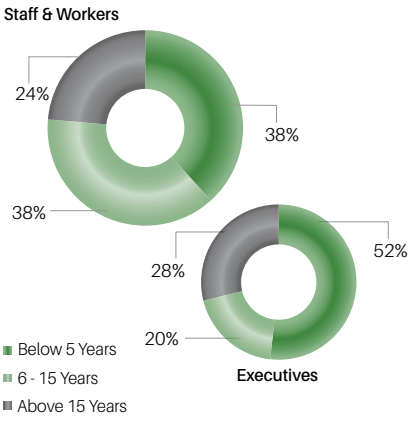
Employment Categorization



Age Comparison - Executives, Staff & Workers



Service Comparison - Executives, Staff & Workers



CHAIRMAN'S MESSAGE

Dr. Sena Yaddehige
Chairman

Dear Shareholders,

Despite confronting many challenges in a turbulent time, the Company recorded revenue of Rs. 5.3 bn, which is an increase of 46%, and profit before tax of Rs. 1.02 bn, which is an increase of 80%. This is the highest performance ever achieved in its operational history.

Notwithstanding the obstacles in its path, the Company continues to invest in its extensive field development plan to ensure long-term returns to its shareholders.

Global Economy

With the cumulative adverse effects of the COVID-19 pandemic and the Russia–Ukraine war, the global economy grew by just 3.5% in 2022. Many governments tightened fiscal and monetary policies in response to high levels of debt. Inflation in 2022 reached 8.7% and is projected to remain at 6.8% even in 2023.

Sri Lankan Economy

After rebounding in 2021, the Sri Lankan economy contracted by 7.8% in 2022. All sectors were affected. Agriculture shrank by 4.6%. Steep inflation, a foreign currency shortage and higher government debt left no option but to introduce tighter fiscal and monetary policies along with import restrictions. People and corporates experienced inconveniences. Industries reliant on imported raw materials were particularly hit.

Conditions improved in 2023 with the exchange and inflation rates stabilising. Raw material imports were permitted again, providing relief to many industries including plantation companies which needed fertiliser and chemicals.

Rubber Industry

The rubber industry, battered by a shortage of critical inputs such as fertiliser and chemicals, declined by 7.8% in 2022. It was also plagued by the Pestalotiopsis disease which impacted adversely on newly planted rubber trees and also threatens to affect the future crop.

With lower crop yields and higher raw material costs, the cost of production (COP), too, has multiplied.

While the rupee depreciation caused rubber prices to increase, this has not been sufficient to offset the hike in costs aforementioned.

The demand for items such as surgical gloves, which rose during the COVID pandemic, has waned, cutting the overall demand for rubber products.

Tea Industry

In 2022, the Country's tea production experienced a significant decline of 47.99mn kilograms (16%) compared with the previous year. Critical inputs needed by the industry, including fertiliser and chemicals, were not available owing to prevailing import restrictions.

The resultant deterioration soil nutrients caused low yields and also affected the production capacity in the ensuing year. High-grown, medium-grown and low-grown tea production all dropped, by 13.8%, 21.2%, and 15.4%, respectively.

In addition to shortages, the prices of inputs in the sector grew sharply. Utility prices were hiked and the overall COP rose. Nevertheless, prices at the Colombo Tea Auction reached historically high levels. Average prices for high, medium, and low-grown teas saw significant year-on-year increases.

Company Performance

The Company recorded revenue of Rs. 5.29 bn during the year 2022/23, in comparison with to Rs. 3.63 bn reported last year. This significant growth of 46% came from an increase in earnings mainly from the Company's tea & rubber segments. Profit after tax of Kegalle Plantations PLC increased by 44% to Rs. 690 mn compared with Rs. 478 mn recorded in the previous year.

The Company's total assets were Rs. 7.18 bn in 2022/23 while the shareholders' fund was Rs. 3.79 bn.

The Company incurred a capital expenditure of Rs. 565 mn during the year, out of which Rs. 439 mn was allocated for field development.

Out of field development expenses, Rs. 329 mn, Rs. 35 mn, Rs. 23 mn and Rs. 2 mn were incurred in respect of rubber, coconut, oil palm and tea, respectively.

Even under severe economic, social and political pressure, the Company achieved a growth in revenue and profits during the year-in-review. With the profits generated, a dividend of Rs. 7.00 per share was paid out.

Segmental Performance

Rubber Segment : The crop was affected both by the scarcity of fertiliser and the spread of the Pestalotiopsis. Sales volume decreased by 7%. Accordingly, KPPLC showed a 39% growth.

Significant input cost increases combined with lower crop yields caused the COP to rise significantly during the year.

The NSA of rubber has risen by 48% to Rs. 799.50 from Rs. 541.44 in 2021/22.

During the period under review, revenue from the rubber segment surged to Rs. 3.35 bn from Rs. 2.42 bn the previous year, a 39% growth. The gross profit was Rs. 593 mn, a rise of 36% from the gross profit of Rs. 436 mn recorded the previous year.

Tea Segment: During the year-in-review, the Company's tea production showed a decline by 19% to 1.46 mn kilograms compared with 1.81 mn in 2021/22.

The NSA increased by 111% from Rs. 561.08 to Rs. 1,182.97 in 2022/23. The COP rose by 61% to Rs. 909.07 from Rs. 563.55 the previous year. The profit per kg was Rs. 273.89, compared with a loss of Rs. 2.46 the previous year.

The rise in the exchange rate contributed to the increase in both the NSA and the COP. During the period under review, revenue from tea segment improved to Rs. 1,73 mn from Rs. 1,04 mn the previous year, a difference of 66%.

The Company was able to achieve a gross profit of Rs. 363 mn compared with a loss of Rs. 41 mn incurred the previous year.

Coconut Segment: The Company's coconut production decreased to 1.0 mn nuts in comparison with 1.2 mn nuts in 2021/22, a drop of 11%.

The NSA improved to Rs. 60.55 from Rs. 58.92, a rise of 3%. COP also increased to Rs. 37.09 from Rs. 21.59, a difference of 72%.

The gross profit per nut decreased by 37% to Rs. 23.46 from Rs. 37.33 the previous year.

Consequently, revenue declined to Rs. 59 mn compared with Rs. 64 mn the previous year, a drop of 6%.

The gross profits decreased by 43% to Rs. 23 mn from Rs. 40 mn the previous year.

Oil Palm Segment: Oil palm, which was recently added to the Company's crop portfolio, generated an operating profit of Rs. 21 mn, a 131% increase compared with the previous year's profit of Rs. 9 mn.

The crop was 355,479 kg against 178,619 kg the previous year. There was a NSA of Rs. 110.41 and COP of Rs. 52.49. As the trees are in the growth phase, the crop and profits are expected to increase in ensuing years.

Sustainability

In the year 2022/23, the Company invested Rs. 126 mn on property plant & equipment and Rs. 439 mn on field development. Of the input into field development, Rs. 329 mn relates to rubber, Rs. 23 mn relates to oil palm, Rs. 35 mn for coconut and Rs. 52 mn for other crops.

During the year-in-review, the Company, together with the other two sister plantation entities, took the initiative to plant coffee. In future, this is expected to be a key source of income.

Future Outlook

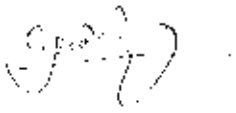
Whilst the Sri Lankan economy is now on a path to recovery, the management of the trade balance and the fiscal deficit remains crucial to avoid another economic collapse. Although decisions such as increasing tax rates are painful, they may have been deemed to be inevitable in the given situation. However, critical decisions must also be made to prioritise the country's long-term development. These include cutting waste and corruption and disposing of loss-making enterprises.

If these decisions are not taken in time, the retention of a skilled and qualified workforce direly needed to fuel economic growth will be a daunting task.

The rise in the global temperatures and the spread of Pestalotiopsis are causes for concern to the industry. They had an adverse impact on crop generation ability in the current year and will do so in years to come.

Appreciation

I would like to thank the Board of Directors and the entire management team for their support. KPPLC's employees, suppliers, customers and business partners have placed in us the confidence needed to navigate a challenging year. Our performance this year inspires us to achieve new milestones in our journey ahead.



Dr. Sena Yaddehige
Chairman

29 August 2023
Colombo

BOARD OF DIRECTORS

01
Dr. Sena Yaddehige

02
Prof. R C W M R A Nugawela

03
Dr. S S B D G Jayawardena

04
Mr. Shaminda Yaddehige

05
Mr. J L A Fernando

1 Dr. Sena Yaddehige
Chairman

The business legacy of Dr. Sena Yaddehige spans not only time, but also the depth of multiple industries and sectors. Renowned as a pioneer in the field of engineering and as a revered global business icon, Dr. Yaddehige is also a Swiss-based industrialist, with numerous ventures in multiple countries.

Under the leadership of Dr. Yaddehige, Richard Pieris Group has evolved into, one of the leading diversified business conglomerates in Sri Lanka with the footprint extending from manufacturing, to exports to retail, to plantations, to Financial Services, creating value across the national economy in multiple sectors. Dr. Yaddehige also served as a Director on the Board of the National Development Bank PLC (NDB) from 2007 to 2010.

As a businessman and industrialist with wide global recognition, his companies are established in the USA, UK, Germany, and Singapore. In addition, Dr. Yaddehige is also the founding Managing Director of a European manufacturing firm, which develops and exports automotive components and systems, which are based on his innovations and conceptions.

His repertoire of innovations and developments includes contactless sensor technology and drive-by-wire systems. Furthermore, as a radiation specialist, Dr. Yaddehige is also the creator of several other technologies and components in radiation processing, for which he owns several patents from around the world. Locally, he holds the patent for slow release fertiliser, which provides relatively better results than quick release fertilisers while being a safer alternative for the environment. Dr. Yaddehige also pioneered the development unit for Lithium batteries in Sri Lanka.

Apart from his professional and scientific accolades, he was awarded three Doctorates, one of which is a Doctor of Science (D.Sc.), awarded as high commendation for his original findings and research in Radiation, Radiation processing, Electromechanical sensor technology, Non-contact sensor technology, and Automotive pedal systems, and as recognition of his patents in these respective arenas.

2 Prof. R C W M R A Nugawela
Director

Prof. Nugawela joined the Rubber Research Institute in the capacity of an Assistant Botanist in 1980. He was awarded a Colombo Plan Scholarship in 1981 to read for his Master's Degree and in 1982 he successfully completed it in the field of Applied Plant Sciences at the University of London. In 1985 he was offered a scholarship by the Food and Agricultural Organization of the United Nations to obtain his professional qualifications. For his research work on Plant Physiology and Bio Productivity in Hevea brasiliensis (the natural rubber plant) he was awarded a PhD from the University of Essex, UK in 1989.

He has over 30 years of extensive experience in the capacities of a Botanist, Head of Plant Science Department, Deputy Director Research (Biology) and as the Director of the Rubber Research Institute of Sri Lanka. In January 2011, Prof. Nugawela resigned from the post of Director of the Rubber Research Institute of Sri Lanka to assume duties as Chair Professor, Department of Plantation Management, Wayamba University of Sri Lanka.

His thrust areas of research and development were on nursery and planting practices, harvesting, use of yield stimulants and rain guards. He has more than 175 publications in both local and foreign research journals and has addressed many local and international conferences on natural rubber.

He has won a National Science and Technology Award in 2009 for his Research and Development work. Further in 2012, he won a Presidential Award for inventions in the category of environment and in 2016 a Presidential Award for inventions in the category of applied sciences and technology. He has also been awarded with Presidential Awards for his research publications in reputed international journals.

Prof. Nugawela was appointed to the Board of Kegalle Plantations PLC with effect from 26 May 2008.

3 Dr. S S B D G Jayawardena
Director

Dr. S S B D G Jayawardena obtained his B.Sc. Degree on Agriculture with Honours from University of Ceylon. His M.Sc. is on Agronomy was obtained in Kyoto, and his Ph.D. on Agronomy & Physiology from University of Kyoto.

Dr. Jayawardena has served the Department of Agriculture over 03 decades and retired as the Director General of the Department of Agriculture. After retirement he has served the plantation sector as Director of Tea Research Institute, Chairman of Tea Research Board, Chairman of Coconut Research Board and advisor to the Minister of Plantation Industries. He has represented the Tea Research Institute at the Governing Boards of Tea Board and Tea Small Holder Authority. He has also served as a member of many task forces appointed by the government of Sri Lanka and served as member of the National Salaries & Cadre Commission from 2006 to 2019 April.

In addition to the above, Dr. Jayawardena was the FAO Consultant to the Consultative Group in International Agriculture Research and has served as a FAO Consultant in Bio-diversity and JICA Consultant to the Government of Ghana on Horticulture Sector Development. Dr. Jayawardena served as the Chairman of the Council for Agricultural Research Policy from 2015 to 2019 April.

He has over 50 years professional experience covering agricultural research and development activities, human resource development, development of foreign funded projects, direct involvement in food security and poverty, alleviation programs of the Country. He has represented the Ministry of Agriculture at the Annual Meetings of FAO on Food Security and the Global Economic Forum on Agriculture.

In 2010, Dr. Jayawardena was appointed as a Director to the Board of Directors of Kegalle Plantations PLC.

4 Mr. Shaminda Yaddehige
Director

Mr. Shaminda Yaddehige is a Non-Executive Director of the Company.

Mr. Yaddehige was educated at Charter House, United Kingdom and graduated in Chemical Engineering from University College London. In addition, he also possesses a Masters Degree in Business Administration from IE Business School which is ranked amongst the top 10 business schools in the World.

Mr. Yaddehige worked as a Management Consultant at Price Waterhouse Coopers, United Kingdom and also at world renowned international ultra high net worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in international marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige is in the Directorate of Richard Pieris & Company PLC as an Executive Director/Chief Operating Officer of the Company and also in the Directorates of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.

5 Mr. J L A Fernando
Director

Mr. Fernando currently serves in the Board of Kegalle Plantations PLC, counts over 47 years' experience in the Management of Plantations having begun his planting career in 1976. He served as Superintendents of Mahagasttote, Holyrood, Welimada and Somerset estates before he was appointment as the General Manager of Horana Plantations in 1992. He joined the Plantations of RPK Management Services (Pvt) Ltd, in year 2000 and functioned as the Director-Operations of Kegalle Plantations. In 2004 he was appointed as Director-Operations of Maskeliya Plantations. In 2007 he joined Watawala Plantations as the Director-Operations.

He was appointed as the Director/ Chief Executive Officer of New Vithanakande Tea Factory Ltd for 5 years from 2008 and thereafter served as an Executive Director of Eastern Brokers Limited.

In addition to above he is currently serving as a Director of Maskeliya Plantations PLC, Namunukula Plantations PLC and also at Maskeliya Tea Gardens Ceylon Ltd in Richard Pieris Group.

He is an accredited auditor of Japanese 5S & Kaizen and an Ex-committee member of Japan Sri Lanka Technical and Cultural Association (JASTECA). Mr. Fernando possesses extensive experience in international Plantation Management and Tea Manufacture, having participated and contributed in Training & Development programmes and International conferences in Japan, China, USA and Germany. He also has extensive knowledge in International Tea Markets, having participated in Trade Fairs and Exhibitions in Germany, USA, UAE, Japan and France.

He is currently a visiting Lecturer of the National Institute of Plantation Management and a Fellow Member of the National Institute of Plantation Management. Mr. Fernando holds Diplomas in Plantation Management, Human Rights, Diplomacy & International Relations, Conflict Resolutions and Negotiation Skills.

Mr. J.L.A. Fernando has been appointed to the board of Kegalle Plantations with effect from 15 February 2021.

CORPORATE MANAGEMENT

BOARD OF DIRECTORS

Dr. Sena Yaddehige Chairman	**Prof. R C W M R A Nugawela** Director	**Dr. S S B D G Jayawardena** Director
Mr. Shaminda Yaddehige Director	**Mr. J L A Fernando** Director	

CORPORATE MANAGEMENT

Prins Gunasekara
Chief Executive Officer (Acting)

Eksith Kurukulasooriya
Financial Controller

I S Doranegama
Director Operations

W M R R K Wijekoon
Deputy General Manager - Rubber

Profile - Chief Executive Officer (Acting)

Mr. Prins Gunasekara

Mr. Prins Gunasekara is a professional member of the FIPM holding a MBA and a Diploma in Plantations Management and currently serves as a member of the Tea and Rubber Consultative Committee, also serving as a Director in the Rubber Research Board.

Mr. Gunasekara has joined Sri Lanka State Plantations Corporation (SLPC) in 1990, starting his career as a Planter Trainee at the Hapugastenna Estate. Subsequently, he was appointed as the Assistant Superintendent to Walpita Estate of Namunukula Plantations PLC (NPL) in Galle District.

During the period he was attached to Hulandawa Estate, he was promoted as the Superintendent of the Belmont Tea Factory thus extending his services to the Company. He was elevated to the post of Deputy General Manager in 2004 with the responsibility of managing 12 Estates in Kalutara, Galle and Matara Districts.

Mr. Gunasekara was promoted as the General Manager of NPL when RPC Plantation Management Services (Pvt) Ltd became the sole Managing Agent of NPL. Subsequently he was promoted as the Director Operations and currently holding the Position of CEO of Namunukula Plantations PLC & acting CEO of Kegalle Plantations PLC. He was nominated to the Directorate of AEN Palm Oil Processing (Pvt) Ltd (AEN) thus representing NPL in the Directorate of AEN, since 01st July 2020.

He acquired a vast knowledge and experience in the industry starting from the Estate level and developing skills up to the Plantation Management. Mr. Gunasekara played a major role in Spices & Allied Products Producers' & Traders' Association of Sri Lanka (SAPPTA) as a committee member and was honored with the Chairmanship of SAPPTA in the year 2018/19 in recognition of his enormous contribution made to uplift the spice industries.

Mr. Gunasekara counts over 33 years of experience in related to plantation industry in Sri Lanka.

Mr. Prins Gunasekara has been appointed as acting Chief Executive Officer of the Company with effect from 15th February 2021.

HEAD OFFICE MANAGEMENT

T I Kodithuwakku Senior Accountant	**L P Tennakoon** Manager - Plantations	**R M S S Herath** Manager - Information Systems
M P Bandara Manager - Forestry	**Janaka Gallappaththi** Manager - Coffee Planting	**J A S Fernando** Assistant Manager
L G Madhusankha Assistant Accountant	**W A C S Pushpakumara** Assistant Accountant	**N H S K Munasinghe (Mrs.)** Accounts Executive
Hansika Premachandra (Mrs.) Accounts Executive	**Chandima Niroshani (Mrs.)** Executive - Operations	**Roy Elan** Executive
R L Sunethra (Ms.) Executive	**R M S S B Ratnayake** Executive	**D R A M G Abeydissanayake** Executive

ESTATE MANAGEMENT

ALLAGOLLA ESTATE
Udapussellawa

H M I T Gunarathne
Superintendent

DOTELOYA ESTATE
Dolosbage

D V M de Runn
Superintendent

J A D K I Jayasinghe
Sathyamoorthy Sathyapradeep
Assistant Superintendents

GAMPAHA ESTATE
Udapussellawa

B P D Mahesh
Superintendent

D R A Fernando
Assistant Superintendent

KIRKLEES ESTATE
Udapussellawa

R A S B Ranawaka
Superintendent

H A Liyanage
Assistant Superintendent

PALLEGAMA ESTATE
Niyadurupola

S A A P Jayatilake
Superintendent

Y L R S Leelawansa
H V E Nuwan Madusanka
Assistant Superintendents

AMBADENIYA ESTATE
Aranayake

B P S M Cooray
Superintendent

S A S Gunasekera
Assistant Superintendent

EADELLA ESTATE
Polgahawela

S D Munasinghe
Superintendent

D A H A Gunarathna
S K S Vitharana
Assistant Superintendents

HATHBAWE ESTATE
Rambukkana

M R Vaidyakularatne
Superintendent

LUCKYLAND ESTATE
Udapussellawa

S R Aluwihare
Deputy General
Manager -Tea / Superintendent

D L Sri Lal Nanayakkara
S M A V Dilshan Subasinghe
Assistant Superintendents

PARAMBE ESTATE
Undugoda

N A M O M Navaratne
Superintendent

Shanuka Muhandiram
Assistant Superintendent

WENIWELLA ESTATE
Alawwa

H S B Aluvihare
Superintendent

A M H B Athauda
Assistant Superintendent

ATALE ESTATE
Atale

M W Liyanasekera
Superintendent

N R B Senaratne
D S P Wimaladasa
Assistant Superintendents

ETANA ESTATE
Warakapola

J R Amunupura
Superintendent

W C N De Silva
Assistant Superintendent

HIGGODA ESTATE
Undugoda

D S R Jayasinghe
Superintendent

MADENIYA ESTATE
Warakapola

A A M D V Mediwake
Superintendent

UDAPOLA ESTATE
Polgahawela

A C S Munaweera
Superintendent

T M N D B Thennakoon
Assistant Superintendent

YATADERIYA ESTATE
Undugoda

Vinoda de Silva
Superintendent

D W K K Seneviratne
Assistant Superintendent

CENTRIFUGED LATEX PROJECT, UDAPOLA ESTATE
Polgahawela

A C S Munaweera
Superintendent

P M Mudannayaka
Assistant Superintendent

M T S Krishantha
Senior Technical Assistant

K R S D Wijethilake (Mrs.)
I M P D Illankoon (Mrs.)
Technical Assistants

OUR PLANTATIONS

	Estate Name	Planting District	Location	Cultivated Area (Hectares)					Total Area (Hectares)	Elevation (Metres)	Production - kg/nut '000			No of Buildings		
				Rubber	Tea	Coconut	Others	Total			Rubber	Tea	Coconut	Factory	Other Buildings	Total
1	Allagolla	Badulla	Udapussellawa	-	176.82	-	34.71	211.53	243.75	1311	-	150	-	1	370	371
2	Ambadeniya	Kegalle	Aranayake	381.38	-	27.79	31.22	440.39	583.25	244-355	190	-	31	-	390	390
3	Atale	Kegalle	Atale	821.95	-	28.66	75.36	925.97	1,150.36	119-154	281	-	76	1	401	402
4	Doteloya	Kegalle	Dolosbage	-	178.28	-	248.22	426.50	572.64	825-955	-	260	-	1	245	246
5	Eadella	Kurunegala	Polgahawela	261.45	-	312.92	19.21	593.58	801.79	91-122	146	-	717	-	178	178
6	Etana	Kegalle	Warakapola	353.87	-	1.82	13.31	369.00	483.26	76-244	269	-	4	1	180	181
7	Gampaha	Badulla	Udapussellawa	-	213.32	-	62.33	275.65	348.99	1538	-	186	-	1	468	469
8	Hathbawe	Kegalle	Rambukkana	227.83	-	-	23.70	251.53	477.79	122-244	140	-	-	-	167	167
9	Higgoda	Kegalle	Undugoda	213.41	-	-	-	213.41	302.23	146-411	130	-	-	-	58	58
10	Kirklees	Badulla	Udapussellawa	-	246.16	-	99.46	345.62	480.70	1446	-	226	-	1	561	562
11	Luckyland	Badulla	Udapussellawa	-	371.47	-	58.68	430.15	488.75	1500	-	294	-	1	613	614
12	Madeniya	Kegalle	Warakapola	390.53	-	-	39.28	429.81	551.92	80-229	136	-	-	-	220	220
13	Pallegama	Kegalle	Niyadurupola	580.80	-	6.88	73.94	661.62	863.91	90-200	220	-	5	1	293	294
14	Parambe	Kegalle	Undugoda	462.97	22.50	14.50	24.25	524.22	795.41	122-274	320	23	-	1	393	394
15	Udapola	Kurunegala	Polgahawela	272.61	-	37.57	82.16	392.34	577.78	107-195	137	-	95	-	234	234
16	Weniwella	Kegalle	Alawwa	464.43	-	43.53	16.38	524.34	709.90	152-183	176	-	15	-	324	324
17	Yataderiya	Kegalle	Undugoda	129.70	115.66	25.90	2.35	273.61	324.30	244-290	83	326	77	1	338	339
18	Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-	2,050	-	-	2	24	26
				4,560.93	1,324.21	499.57	904.56	7,289.27	9,756.73		4,278	1,464	1,020	12	5,457	5,469

	Estate Name	Factory Details			Certifications*					Workforce			
		Crop Manufactured	Factory Type	Rated Kg '000/p.a.	1	2	3	4	5	No. of Executives	No. of Staff	No. of Harvestors & Others	Total
1	Allagolla	-	-	-	-	-	-	√	-	1	14	171	186
2	Ambadeniya	-	-	-	-	√	-	-	-	2	17	252	271
3	Atale	Rubber	Sole Crepe	950	√	-	-	-	√	3	26	336	365
4	Doteloya	Tea	Leafy/Orthodox	1,394	-	-	√	√	-	3	18	219	240
5	Eadella	-	-	-	-	√	-	-	-	3	14	242	259
6	Etana	Rubber	Scrap	228	-	√	-	-	-	2	12	222	236
7	Gampaha	Tea	Leafy/Orthodox	929	-	-	√	√	-	2	20	238	260
8	Hathbawa	-	-	-	-	-	-	-	-	1	11	150	162
9	Higgoda	-	-	-	-	-	-	-	-	1	8	157	166
10	Kirklees	Tea	Rotorvane	1,239	-	-	√	√	-	2	23	243	268
11	Luckyland	Tea	Rotorvane	1,355	-	-	√	√	-	3	31	354	388
12	Madeniya	-	-	-	-	√	-	-	-	1	11	172	184
13	Pallegama	Rubber	Sole Crepe	800	√	-	-	-	√	3	23	300	326
14	Parambe	Rubber	Crepe	636	√	-	-	-	-	2	20	338	360
15	Udapola	-	-	-	-	√	-	-	-	2	14	142	158
16	Weniwella	-	-	-	-	√	-	-	-	2	14	210	226
17	Yataderiya	Tea	Leafy/Orthodox	1,239	-	-	√	√	-	2	21	277	300
18	Udapola CLP	Rubber	Centrifuged Latex/ Skim	5,000	√	√	-	-	-	4	12	79	95
										39	309	4,102	4,450

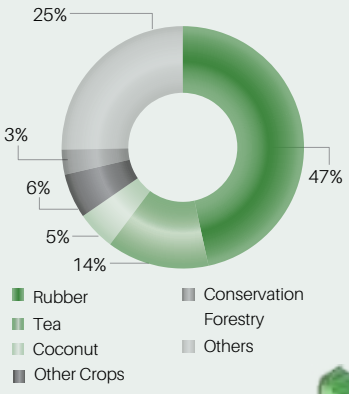
Note: Other buildings include bungalows, offices, silent factories, staff & worker quarters, dispensaries, maternity wards...etc, total usage of Company buildings is 3,507,810 sq.ft.

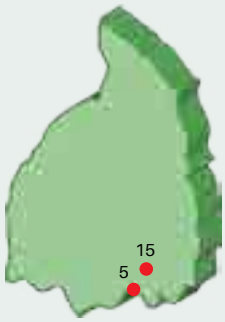
*** Certifications**

1 ISO 9001 : 2015 System Certification - Rubber
2 EU & USDA-NOP Certification - Organic Rubber
3 ISO 22000 : 2018 System Certification - Tea
4 Rainforest Alliance Certification - Tea
5 Forest Stewardship Council Certification - Rubber

OUR ESTATES - LOCATIONS

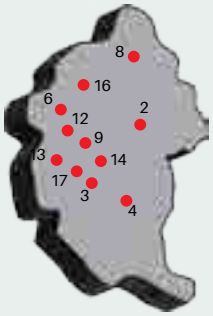
Land Base / Utilisation 2022/23





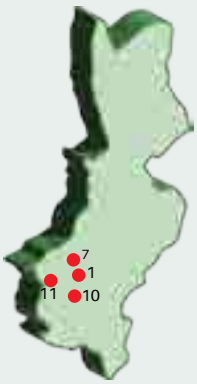
KURUNEGALA DISTRICT

1,379.57 ha



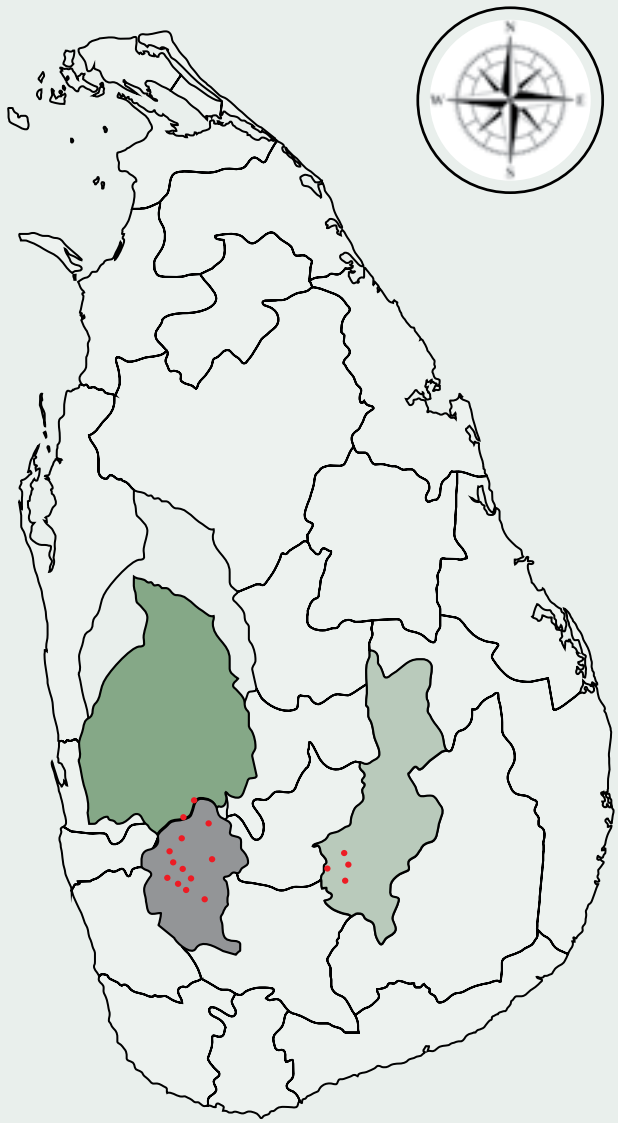
KEGALLE DISTRICT

6,814.97 ha



BADULLA DISTRICT

1,562.19 ha



Land Base	2022/23		2021/22	
	Extent	%	Extent	%
Rubber	4,561	47%	4,853	50%
Tea	1,324	14%	1,333	14%
Coconut	500	5%	485	5%
Other Crops	584	6%	488	5%
Conservation Forestry	321	3%	321	3%
Others	2,467	25%	2,277	23%
Total	**9,757**	**100%**	**9,757**	**100%**

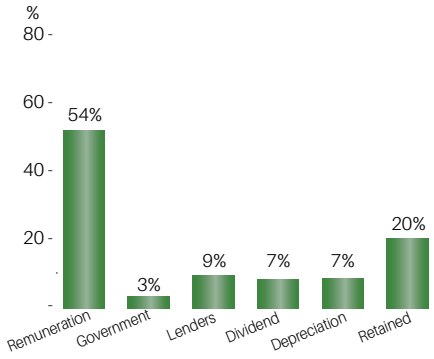
STATEMENT OF VALUE ADDED

Rupees in millions

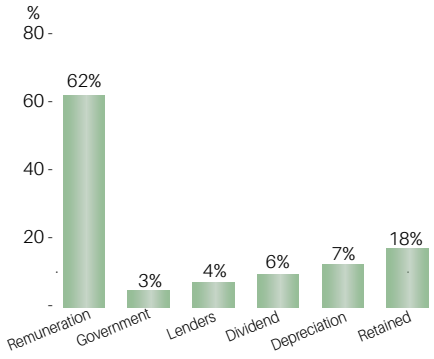
Value Added	2022/23	2021/22
Turnover	5,295	3,628
Other income	364	270
	5,659	3,898
Cost of material & services	(3,229)	(1,765)
Value added	2,430	2,132

Distribution of Value Added	2022/23	%	2021/22	%
To employees as remuneration	1,306	54%	1,315	62%
To government as taxes and lease rent	76	3%	70	3%
To lenders of capital as interest	206	9%	89	4%
To shareholders as dividend	175	7%	125	6%
Retained in the business as;				
Provision for depreciation	173	7%	156	7%
Profit retained	494	20%	378	18%
	2,430	100%	2,132	100%

Distribution of Value 2022/23



Distribution of Value 2021/22

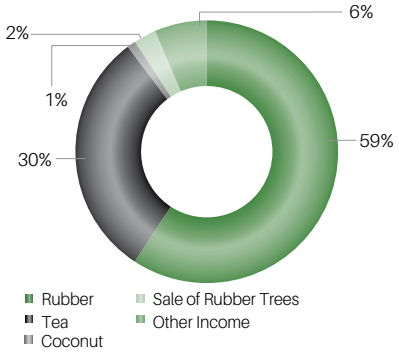


Sources and Utilisation of Income (Rupees in millions)

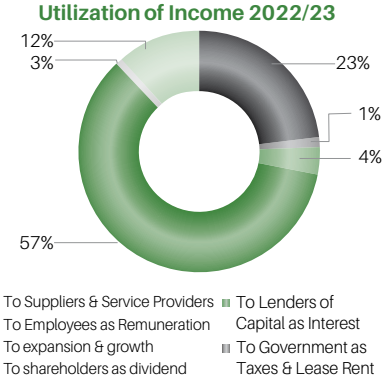
Sources of Income	2022/23	%	2021/22	%
Rubber	3,352	59%	2,419	62%
Tea	1,726	30%	1,042	27%
Coconut	59	1%	64	2%
Oilpalm	39	1%	14	0%
Other crops	1	0%	1	0%
Sale of rubber trees	118	2%	88	2%
Other income	364	6%	270	7%
	5,659	100%	3,898	100%

Utilization of Income	2022/23	%	2021/22	%
To employees as remuneration	1,306	23%	1,315	34%
To government as taxes & lease rent	76	1%	70	2%
To lenders of capital as interest	206	4%	89	2%
To suppliers & service providers	3,229	57%	1,765	45%
To shareholders as dividend	175	3%	125	3%
To expansion & growth	667	12%	534	14%
	5,659	100%	3,898	100%

Sources of Income 2022/23



Utilization of Income 2022/23



MANAGEMENT DISCUSSION & ANALYSIS

The plantation industry, which primarily comprises tea, rubber, and coconut, is vital to the Sri Lankan economy. Around two centuries ago, the British introduced tea to Sri Lanka, bringing with them the Tamil minority from southern India to serve as workers on coffee, tea, and rubber plantations. This community has worked hard to help the Sri Lankan economy grow. Since the introduction of the Land Reform Law in 1972, vast tea, rubber, and coconut estates have been nationalized and managed by the State Plantations Corporation (SPC) and the Janatha Estates Development Board (JEDB). A considerable number of these properties, almost 300, were leased to Regional Plantation Companies (RPCs) in 1992.

The Government of Sri Lanka upholds the estate business in numerous ways. Creating and moving the innovation required for the business through the government crop research institutes and expansion offices is one such action. New and replanting subsidies are paid and furthermore establishing material is given in specific occasions. There is government support for estate worker housing and welfare through advancement projects.

Economic, Political, Social, Technological, Environmental and Legal factors can be considered as main external factors affecting Company performance though out the year. The external environment plays a critical role in shaping the future of entire industries and the Company. Therefore, to keep ahead of the competition, the Company has continously adjusted strategies to reflect the environment in which it operates. Business organizations all over the world are frequently confronted with several obstacles and issues as a result of the advent of globalization and its influence. As a result of errors in decision-making, profitability, company growth, and competitiveness of organizations may be harmed to a greater extent, and companies may be forced to close their doors. Therefore, it is significantly important to understand and analyze the operating environment in which the Organization operate.

Global Economic Performance

The global economy is once again in a state of extreme uncertainty, with the cumulative impacts of the previous three years of negative shocks most notably, the COVID-19 epidemic and Russia's invasion of Ukraine showing up in unexpected ways. Global growth was robust in the third quarter of 2022, but it began to slow near the end of the year. There were signs of stabilization in early 2023, but the eruption of financial market instability in the United States and Europe in mid-March, prompted by stress in the banking sector, has thrown a shadow on global prospects as financial stability concerns have grown dramatically.

In response to mounting inflationary pressures and adverse inflation expectations, many central banks across the world began hiking their main policy rates in 2022, progressively withdrawing pandemic-related stimulus. Since 2021, inflation reached the highest levels in the recent past. Inflation in industrialized economies hit its highest level since 1982 in 2022.

The predicted increase in Chinese economic activity and the durability of Indian economic growth should benefit Sri Lanka, since the country has long-standing economic ties with both countries in areas such as tourism and foreign investment, notably in construction-related industries.

Tightening financial conditions during the worldwide fight against inflation, as well as the continuance of the Russia-Ukraine war, are projected to have an impact on global economic activity in 2023, while China's reopening is expected to counteract some of this damage. According to the January 2023 World Economic Outlook report, global growth is expected to decline to 2.9 per cent in 2023 before rebounding to 3.1 per cent in 2024. Growth in advanced economies is expected to decline dramatically from 2.7 per cent in 2022 to 1.2 per cent in 2023.

Sri Lanka Economic Performance

In 2022, the Sri Lankan economy faced its' most challenging year since independence, with considerable economic downturn causing public worry as well as political unrest. The economy's destitute conditions needed prompt and concerted policy efforts from the government and the central bank to prevent the situation from deteriorating further. Despite the frequency of such macroeconomic failures throughout its post-independence history, the 2022 socio-economic crisis highlighted several lessons that the country failed to understand. As a result, in order to avoid another catastrophe in the future, the country's efforts to emerge from the current crisis must be constant and well-coordinated.

The Sri Lankan economy declined by 7.8 percent year on year in 2022, the largest year-on-year contraction in the country's post-independence history, despite smart policy intervention averting a probable worsening of the crisis. GDP per capita reached to Rs. 1,088,667 (US dollars 3,474) in 2022 from Rs. 794,376 (US dollars 3,997) in 2021. GDP per capita raised in rupee terms due to the huge rise in GDP at current prices, however GDP per capita decreased in US dollar terms due to the significant depreciation of the Sri Lanka rupee against the US dollar throughout the year.

Consumer price inflation reached a historic peak in September 2022 and then began to fall, reflecting the impact of restrictive monetary policy and the gradual alleviation of supply-side disruptions. As a result, year-on-year headline inflation, as assessed by the Colombo Consumer Price Index (CCPI, 2013=100), which was 12.1 per cent at the end of 2021, surged to 69.8 per cent in September 2022 before easing to 57.2 percent in December 2022. Following a similar pattern, year-on-year headline inflation based on the National Consumer Price Index (NCPI, 2013=100) was 73.7 percent at the end of September 2022 and 59.2 per cent by the end of 2022, compared to 14.0 per cent at the end of 2021. Year-on-year headline inflation based on the CCPI (2021=100) decelerated further to 50.3 per cent in March 2023.

Despite the obstacles to labor productivity created by uncertain macroeconomic conditions, unemployment levels in the economy fell modestly in 2022. Despite a growing tendency in the unemployment rate in the second and third quarters of 2022, the annual unemployed rate fell to 4.7 per cent in 2022, down from 5.1 per cent in 2021.

Government income increased by 35.8 percent year on year to Rs. 1,979.2 billion in 2022, owing to revenue enhancement measures taken in 2022 and the economy's rising price level. Income taxes, Value Added Tax (VAT), Ports and Airports Development Levy (PAL), and excise levies on liquor and cigarettes all contributed to the nominal increase in government tax collection.

External Sector Performance

In April 2022, the Central Bank implemented aggressive monetary policy tightening to rein in demand pressures, which was supplemented by a robust communication strategy aimed at anchoring inflation expectations, as well as measures to stabilize the exchange rate amid exhausted levels of usable reserves by April. The Central Bank maintained its restrictive monetary policy stance during 2022, with a 700 basis point increase in policy interest rates in April 2022.

MANAGEMENT DISCUSSION & ANALYSIS

Comparative Economic Indicators

Aspect - For the Year Ended 31 December		2021	2022	Change %
Gross Domestic Product				
GDP at Current Market Price	Rs. bn	17,600	24,148	37.2
Real GDP Growth	%	3.5	(7.8)	(322.9)
GDP Deflator	%	8.5	48.8	474.1
Gross National Income by Industrial Origin at Current Market Prices				
Agriculture Crops				
Rubber	Rs. mn	49,241	62,491	26.9
Tea (Green Leaves)	Rs. mn	121,213	203,024	67.5
Growing of Oleaginous Fruits (Coconut/King Coconut/Oil Palm)	Rs. mn	169,782	182,686	7.6
Agriculture Production Index (2007-2010 = 100)				
Agriculture Crops				
Rubber		84.9	78.3	(7.8)
Tea		96.6	81.1	(16.0)
Coconut		126.9	137.9	8.7
Agriculture Crops				
Rubber				
Production	kg mn	76.9	70.9	(7.8)
Total Extent	ha'000	139	139	-
Extent under Tapping	ha'000	113	107	(5.3)
Cost of Production	Rs./kg	221.00	288.00	30.3
Average Price				
Colombo Auction - RSS1	Rs./kg	460.78	595.00	29.1
Export - FOB	Rs./kg	540.77	841.72	55.7
Replanting	hectares	1,522	1,264	(17.0)
New Planting	hectares	1,188	489	(58.8)
Value added as % of GDP		0.2	0.2	-
Tea				
Production	kg mn	299.5	251.5	(16.0)
Total Extent	ha'000	267	267	-
Extent Bearing	ha'000	267	267	-
Cost of Production	Rs./kg	618.49	638.99	3.3
Average Price				
Colombo Auction	Rs./kg	619.15	1,270.50	105.2
Export - FOB	Rs./kg	920.76	1,643.11	78.5
Replanting	hectares	1,123	1,239	10.3
New Planting	hectares	696	476	(31.6)
Value added as % of GDP		0.6	0.5	(16.7)
Coconut				
Production	nuts mn	3,120	3,391	8.7
Total Extent	ha'000	505	505	-
Cost of Production	Rs./nut	26.96	27.21	0.9
Average Price				
Producer Price	Rs./nut	71.88	74.86	4.1
Export - FOB	Rs./nut	65.36	84.54	29.3
Replanting / Under Planting	hectares	4,709	5,481	16.4
New Planting	hectares	9,622	13,913	44.6
Value added as % of GDP		0.8	0.9	12.5

Source: Annual Report 2022 - Central Bank of Sri Lanka

Furthermore, the Central Bank implemented regulatory measures, such as the abolition of maximum interest rates imposed on specified lending products and foreign currency deposits, allowing for the effective pass-through of policy interest rate adjustments to tighten monetary conditions.

The trade deficit shrank significantly in the second half of 2022 as import expenditure fell and export remained resilient. The surplus in the services account expanded to some extent as tourism profits climbed. Despite a major recovery in worker remittances in the second half of 2022, the secondary income account surplus decreased in 2022, while the primary income account deficit, calculated on an accrual basis, softened significantly during the year compared to the previous year. Gross official reserves fell to 1.9 billion US dollars at the end of 2022, down from 3.1 billion US dollars the previous year.

The trade deficit is expected to widen in 2023, due to an increase in merchandise imports caused by the gradual stabilization of economic activity and the potential removal of some trade barriers in the future. The primary income account deficit is anticipated to increase somewhat in 2023 as borrowing rates rise as a result of monetary policy tightening in advanced countries.

Outlook

Global economic activities are expected to slow considerably in 2022 as a result of synchronized policy tightening by central banks throughout the world aiming at taming excessive inflation caused by the Russia-Ukraine war and a recurrence of COVID-19 in China. According to the IMF's World Economic Outlook (WEO) update announced in July 2023, global economic growth in 2022 is expected at 3.5 per cent, a considerable decrease from the 6.2 per cent growth estimated for 2021.

The Sri Lankan economy is expected to gradually recover from its greatest economic slump since 2022. This recovery would be aided by the macroeconomic adjustment program under the IMF-Extended Fund Facility agreement, which aims to restore macroeconomic stability, debt sustainability, financial system stability, boost governance, and unlock the economy's development potential.

Agricultural Sector Review

Agricultural, industrial, and service sectors all contributed to the economy's contraction in proportions of 7.5 per cent, 27.5 per cent, and 60.5 per cent, respectively, during the fiscal year under review. According to the economy's sectorial structure, there are no significant changes in the sectorial contributions to the economy in 2022 compared to 2021.

Supplies-side challenges such as severe shortages of agricultural inputs, notably fertilizers and other agrochemicals, significant increases in production costs, and delays in fuel supplies impacted agriculture activity performance in 2022. As a result, agriculture operations decreased by 4.6 per cent in value-added terms in 2022, compared to a 0.9 per cent increase in 2021.

Company Performance

Financial year under review was one of the utmost challenging year for the entire country due to financial instability, Sevier economic downturn and socio political vulnerability prevailed throughout the year. Therein the Plantation industry was further nervous since it always challenging even under normal conditions, owing to various reasons including weather conditions, labour issues, global demand fluctuations etc.

The year under review was truly a challenging year for the whole plantation industry and the Company was operating under hostile economic conditions, stemming from volatility in external disorders during the financial year.

We are pleased to report that the Company's ultimate objective of Shareholder wealth maximization was achieved, despite all these challenges. The Company is keen on satisfying stakeholder's expectations with its' organizational strengths while minimizing weaknesses. We continuously make use of Opportunities for further value addition the Company and its shareholders.
Taking action against threats as soon as possible would our strategic priority.

As a national leader in the plantation industry, we persistently push the borders of what is potential to drive advancement across all fronts and transform the industry for the better. We are assured that the resilient foundations that we have built and the progresses that have been made throughout the Company will allow us to lead the charge for years to come.

Key Performance at a glance

Aspect	Measure		2022/23	2021/22
Revenue Growth	Turnover	Rs. Mn	5,295	3,628
Profitability	Gross Profit ratio	%	21.12%	14.68%
	Profit Before Tax ratio	%	19.22%	15.57%
Working Capital Management	Current Ratio	Times	1.57	1.47
Liquidity	Cashflow from Operations	Rs. Mn	520	507
Asset Utilization	Fixed Assets turnover	Times	0.97	0.74
Investment	Capital expenditure	As a % of Fixed Assets	10.37%	6.86%
Capital Structure	Debt to Equity ratio	%	21%	27%
	Interest cover	Times	5.45	6.46

MANAGEMENT DISCUSSION & ANALYSIS

Rubber Segment

Industry :

Rubber production continued to decline in 2022 for the second consecutive year, largely driven by the combined effect of adverse weather conditions that prevailed in rubber growing areas, fertilizer shortages, and the spread of the Pestalotiopsis disease.

Total rubber production further decreased by 7.8 per cent to 70.9 million kilogrammes, year-on-year, in 2022 which was 76.9 million kilogrammes in 2021. The average yield of rubber reduced by 2.1 per cent, year-on-year, to 665 kilogrammes per hectare in 2022 due to the reduction in tapping days.

Among major categories of rubber production, sheet rubber production accounted for 49.0 per cent of the total rubber production with a contraction of 9.6 per cent, while production of other categories of rubber recorded a decline of 11.7 per cent during the year, compared to 2021.

The prices of most varieties of rubber at the Colombo Rubber Auction reached historically high levels, driven by the favourable demand in the global market during the first half of 2022. At the Colombo Rubber Auction, the annual average price of Ribbed Smoked Sheet No.1 (RSS1) increased to Rs. 595.00 per kilogramme in 2022 from Rs. 460.78 per kilogramme in 2021, registering a year-on-year increase of 29.1 per cent, while the average price of latex crepe also increased notably by 44.2 per cent, year-on-year, to Rs. 903.27 per kilogramme from Rs. 626.32 per kilogramme in 2021.

Towards the latter part of the year, rubber prices were on a decelerating trend, mainly due to weaker demand for rubber based products in both domestic and global markets.

At end 2022, the average auction prices of RSS1 and latex crepe rubber stood at Rs. 517.67 per kilogramme and Rs. 628.33 per kilogramme, respectively. The average FOB price of rubber also marginally increased to US dollars 2.73 per kilogramme in 2022 from US dollars 2.72 per kilogramme recorded in the previous year.

Company :

The Company's activities in the rubber Segment performed better as a consequence of a large increase in Market Prices due to an escalation in macro economic factors.

As a result, KPPLC's revenue from the rubber segment increased by 39%, although total harvest decreased by 7% as compared to the previous year.

The production composition of KPPLC which mainly consist Sole Crepe, Latex Crepe, Centrifuged latex and Skim & Scrap have shown contribution of 5 per cent, 17 per cent, 65 per cent and 13 per cent respectively towards total Company Production.

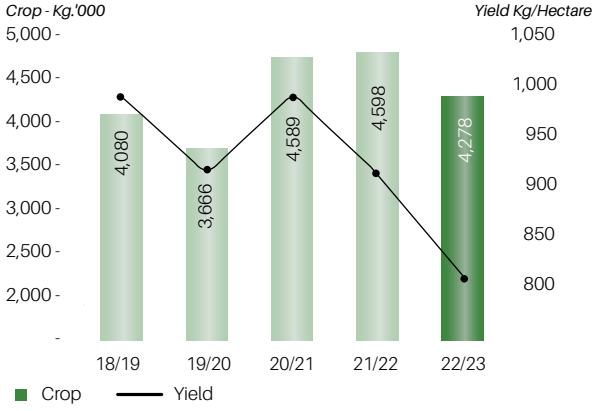
Company rubber prices increased dramatically despite global and local market changes. As a result, the Company Net Sales Average (NSA) of rubber increased by 48% to Rs. 799.50 from Rs. 541.44.

During the review period, revenue from the rubber segment increased to Rs. 3.35 billion from Rs. 2.42 billion the previous year, representing a 39% increase over the previous year.

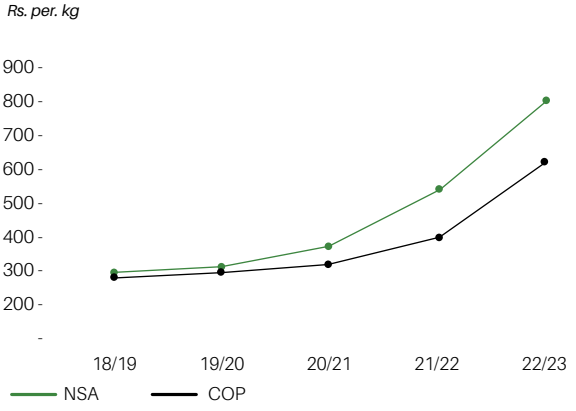
In such an environment, KPPLC's financial performance in the rubber segment was also higher than the previous year. At the end of the financial year, the company had a gross profit of Rs. 593 million, a 36% increase over the previous year's gross profit of Rs. 436 million.

The main cause for such an improvement in financial performance was an increase in the company's profit margin. The company's profit margin in 2022/23 was Rs. 173.47, up from Rs. 124.15 the previous year. It represents a 40% increase in profit margin over the course of the year.

Crop Vs. Yield - Rubber



NSA Vs. COP - Rubber



Tea Segment

Industry :

The production of tea registered a notable decline of 16 per cent to 251.5 million kilogrammes, year-on-year, in 2022, largely due to the lagged effect of acute shortages of fertilizers and agrochemicals domestically.

Production of high, medium, and low grown tea, which contributed to around 22 per cent, 16 per cent, and 62 per cent of the total production, respectively, declined by 13.8 per cent, 21.2 per cent, and 15.4 per cent, respectively, in 2022. Meanwhile, the average yield in the smallholder sector decreased to 1,193 kilogrammes per hectare, compared to 1,414 kilogrammes per hectare reported in 2021, registering a year-on-year decline of 15.6 per cent in average yield.

Tea prices at the Colombo Tea Auction (CTA) reached the historically highest level in 2022 and remained elevated throughout the year. The average price of tea increased notably by 105.2 per cent to Rs. 1,270.50 per kilogramme during the year, from Rs. 619.15 per kilogramme recorded in 2021. Accordingly, the average tea prices for high, medium, and low grown tea reported year-on-year increase of 94.6 per cent, 93.5 per cent, and 110.8 per cent, respectively, in 2022.

The average price received by smallholders for green leaves also increased significantly to Rs. 182.07 per kilogramme in 2022, compared to Rs. 93.67 per kilogramme in 2021. The average export price (FOB) of tea increased by 8.7 per cent to US dollars 5.03 per kilogramme during 2022, compared to US dollars 4.63 per kilogramme recorded in the preceding year.

The increase in average tea prices during the year was partly attributed to the decline in the quantity supplied to the CTA amidst the decline in local production, while the depreciation of the Sri Lanka rupee also contributed to the price hike in rupee terms.

The tea sector experienced a rise in production costs in 2022 due to the elevated prices of chemical fertilisers and other agricultural inputs coupled with domestic shortages of those inputs, as well as the upward adjustments in utility prices, including fuel, electricity, and water, thereby hampering the country's competitiveness in global tea markets.

Company :

The company's tea production dropped by 19 per cent during the fiscal year under review, to 1.46 million kg, compared to 1.81 million in 2021/22.

KPPLC estate production as well as bought crop has decreased by 18 per cent and 20 per cent respectively, resulting in a 19 per cent decline in total tea production. Accordingly, Estate Tea production recorded as 0.9 million kilogrammes and Bought tea crop was 0.6 million kilogrammes.

Low grown tea showed a 1 per cent increase in its production whereas Uva and medium grown tea production declined by 25 per cent and 19 per cent respectively during the year under review.

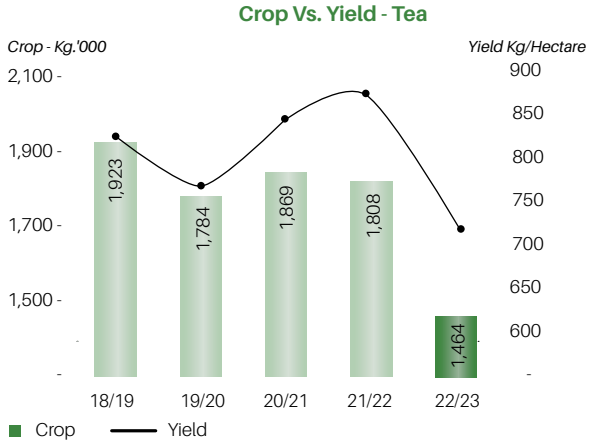
Net Sales Average of the Company Tea Segment showed a historical increase of 111 per cent from Rs. 561.08 to Rs. 1,182.97 in 2022/23. Average prices of Uva, Medium and Low grown tea increased by 116 per cent, 91 per cent and 110 per cent respectively.

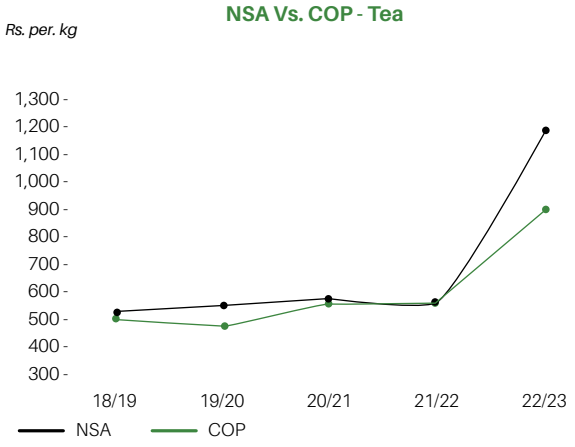
The COP of the Company also increased by 61 per cent compared to the last year to Rs. 909.70. Finally, Company recorded a gross profit margin of Rs. 273.89 at the year end, which was Rs. 2.46 loss per kg reported last year.

The Company was able to achieve a Gross Profit of Rs. 363 Mn, compared to Gross loss of Rs. 41 Mn incurred in the prior year. The revenue from tea segment has increased to Rs. 1,726 million from Rs. 1,042 million last years. It is a significant increase 66 per cent.

The Company average yield decreased by 16 per cent to 728 kilogrammes for the year 2022/23 where it was 861 kilogramme in 2021/22.

MANAGEMENT DISCUSSION & ANALYSIS





Coconut Segment

Industry :

The coconut sector registered its highest ever annual production in 2022, due to the favourable weather conditions that prevailed during 2021 and 2022.

Total nut production increased to 3,391 million nuts in 2022, recording a year-on-year increase of 8.7 per cent, over the notable increase of 11.7 per cent recorded in 2021. The increase in production was largely supported by the well-distributed rainfall from 2021 coupled with the ideal air temperature in the main coconut growing areas.

Despite the improved coconut production, prices of coconut and coconut based products remained at elevated levels throughout 2022. The average retail price of coconut increased by 8.9 per cent, year-on-year, to Rs. 91.36 per nut in 2022, with nut prices exceeding Rs.100.00 towards late 2022, reaching historically high prices for coconuts. The average auction price of coconut at the Colombo Coconut Auction recorded at Rs. 60.14 per nut in 2022, registering an increase of 6.4 per cent from Rs. 56.51 per nut in 2021.

Company :

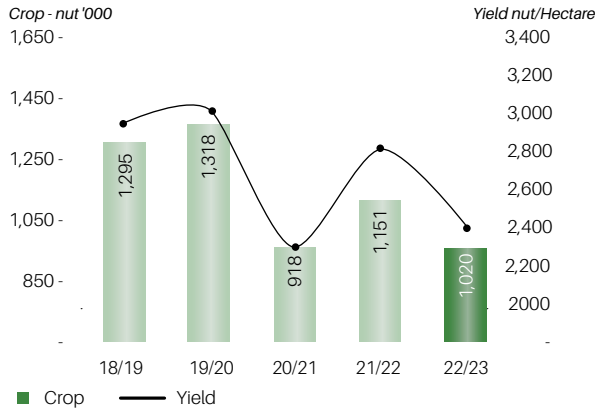
The coconut segment's financial performance was lower in the year under review.

The Company's production of coconuts has decreased to 1 million nuts in comparison to 1.2 million nuts in 2021/22 which is a decline of 11 per cent. In addition to the decline in the revenue compared to the last year, the gross profit margin also reduced by 37 per cent during the current financial year. The Gross Profit margin which prevailed at Rs. 37.33 last year has reduced to Rs. 23.46 during the current financial year.

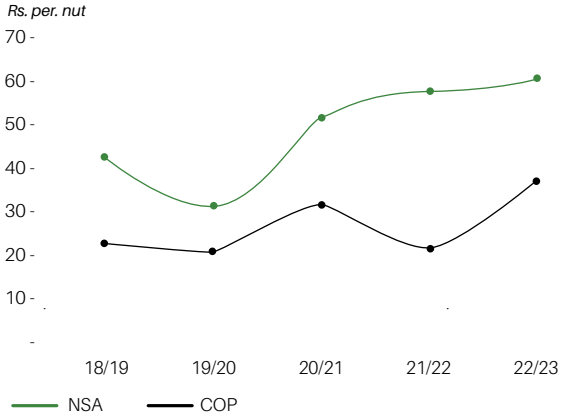
The NSA of coconut operations has increased by 3 percent to Rs. 60.55 from Rs. 58.92 per nut. On the other hand, COP of coconuts operations has increased to Rs. 37.09 from Rs. 21.59 in 2021/22 which is an upsurge of 72 per cent. Fluctuations in macro-economic conditions badly affected towards the coconut operations throughout the year.

Revenue from the coconut category fell to Rs. 60 million in 2022/23 from Rs. 64 million the previous year, representing a 6 per cent decline. In line with revenue and cost trends, the coconut plantation's gross earnings have dropped by 43 percent to Rs. 23 million from Rs. 40 million.

Crop Vs. Yield - Coconut



NSA Vs. COP - Coconut



Operating Highlights

	2022/23 Rs. '000	2021/22 Rs '000	Variance (%)
Gross Profit	1,118,421	532,621	110%
Gain/(Loss) on fair value of Biological assets	5,126	15,621	-67%
Other Income and gain	104,357	90,251	16%
Administrative Expenses	(72,172)	(56,376)	28%
Management Fee	(168,911)	(94,629)	78%
Profit From Operations	986,821	487,489	102%

The Company reported commendable results for the financial year ended 31 March 2023, registering net earnings of Rs. 690 million, a 44% year-on-year improvement despite operational, economic and political challenges experienced during the year.

During the year under review, the Company has recorded a gross Profit of Rs. 1,118 million in comparison to the gross Profit of Rs. 533 million in 2021/22 an increase of 110 per cent compared to the prior year. This growth was mainly driven by effect of the 46 per cent increase in revenue by Rs. 1,667 million. This could overcome the 35 per cent increase in cost of sales by 1,081 million in 2022/23.

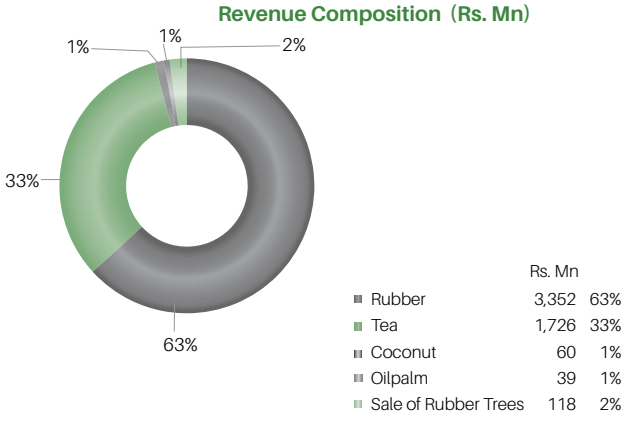
Revenue

The Company's trend of strengthening its revenue base further amplified by 46 per cent during the year by reporting Rs. 5,295 million combined Revenue.

This considerable enhancement in Revenue is mainly driven through escalation in revenue mainly from Rubber and Tea Segments. The Rubber and Tea Prices at Colombo Rubber & Tea Auctions achieved historic highest auction prices during the year in line with hyperinflation prevail throughout the year.

The Company continue to post a growth in revenue year on year. The Total Revenue of the Company is Rs. 5,295 million, a 46 per cent growth compared to the prior year. Rubber and Tea Segments continue to be the major revenue sources of the Company while Oilpalm, Coconut and Sale of Rubber Trees further contributed the Revenue generation of the company. Accordingly, Company Revenue diversification can be depicted in the Revenue composition graph as follows.

Revenue Composition (Rs. Mn)



MANAGEMENT DISCUSSION & ANALYSIS

Profitability

The Company achieved a 44% increase in net profit of Rs. 690 million for the financial year ended 31 March 2023, mainly from higher income from Tea and Rubber Segments. Our business remained resilient with a strong performance in the market, while plantation Industry faced a challenging year due to tough market conditions.

Profit from operations increased to Rs. 987 million by 102 per cent during the financial year compared to Rs. 487 million in the last year. As a result of general price increase observed in the country Administrative expenses increased by 28 per cent, and Management fee increased by 87 per cent due to exceptional operating performance of the company during the year.

The Company recoded income form exchange gain due to the Sri Lankan rupee depreciating against US dollar during the year. Accordingly, Finance income of Rs. 260 million reported in 2022/23 indicating a 44 per cent increase compared to the previous year. Finance cost of the Company also increased by 121 per cent to Rs. 229 million during the year. Higher interest rates observed as a result of tight monetary policy actions imposed by the government with the intention of controlling hyperinflation prevailed within the country.

The Company recorded a profit before tax of Rs. 1,018 million in 2022/23 displaying an 80 per cent increase over the prior year.

Asset Base

The Assets base demonstrate the effectiveness of any Company's investment decisions. Assets are the reflection of financing decisions made by the Company from its inception. The asset base increased by 07 per cent to Rs. 7.2 billion as at 31st March 2023. The current assets reduced by 3 per cent mainly due to the decline of short term investments. The Non-current assets increased by 10 per cent resulting in a 7 per cent increase of the total assets base of the Company.

The non-current assets increased, mainly due to the 26 per cent increase of Free Hold Property Plant & Equipment,11 per cent increase in Consumable Biological Assets, 10 per cent increase in Bearer Biological Assets and 10 per cent increase in Financial Assets. This indicate the companys' effort towards maximizing the future revenue generating capacity.

Company current assets declined by 3 percent as at the end of the year mainly due to reduction of Short Term Investments balance during the year. Accordingly, KPPLC short term investment balance declined by 64 per cent. Inventory balance increased by 49 per cent at the end of the year and it represent 38 per cent within the current assets composition of the Company. Trade & Other Receivable balance also represent 38 per cent within current assets of the Company increased by 46 per cent with compared to last year.

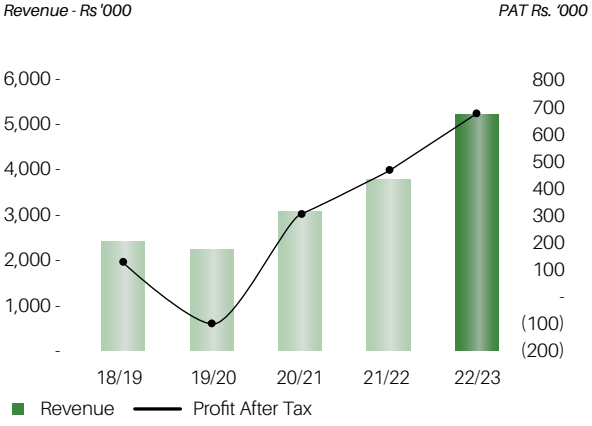
Net Assets per Share

During the year under review, the net assets per share have further increased to Rs. 151.54 from Rs. 131.63 which indicates a rise of 15 per cent over the previous year. The total asset base of the Company experienced an increase of Rs. 459 million while the total liability base reduced by Rs. 39 million. The net effect of the asset and liability increase has resulted in an increase in the net asset per share by Rs. 19.91 during the year under review.

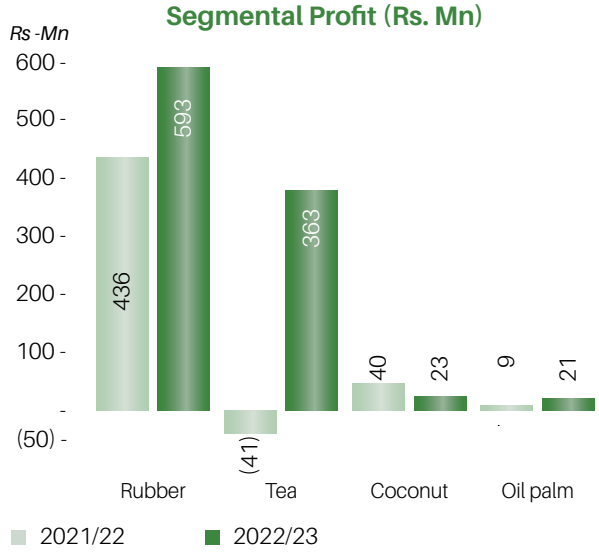
Debt Position

Total debt (Gross borrowings) of the company has bring down by 21 per cent to Rs. 983 million from Rs. 1,246 million reported in the prior year. Such borrowings have been mainly obtained on the ground of investments in plantations which is essential for the long term success of the Company.

Revenue Vs. Profit After Tax



Segmental Profit (Rs. Mn)



Liquidity Position

As at the reporting year end, the Company's working capital recorded as Rs. 630 million in comparison to Rs. 568 million showed previous year which indicate an increase of 11 per cent. Decrease in the current asset base by 03 Per cent overcome by the 10 Per cent decrease in the current liabilities, resulted in firming the working capital as at the current financial year end.

Cash Flows

Net Operating Cash Flows

In line with the Company accelerated Operating Performances Cash Generated from Operations has increased by 31 per cent reporting Rs. 787 million which was Rs. 600 million last year. Finance Cost of the Company amplified by 221 per cent during the year resulted in Rs. 520 million Net Cash from Operating Activities.

Net Cash Flow Generated

The Company has recorded cash and cash equivalent balance of Rs. 124 million at the end of the current financial year with a net cash out-flow of Rs. 568 million during the year under review. Net cash flow declined during the year adversely affected towards dropping the cash and cash equivalents balance at the end of the year to Rs. 124 million which was Rs. 692 million at the beginning of the year.

Capital Expenditure

The Company has incurred a sum of Rs. 439 million during the year under review with respect to field development. Continuous investment in field development is essential to maintain and enhance the capacity to generate crops in the long term and a significant amount needs to be allocated each year. Out of the field development expenses, Rs. 329 million, Rs. 35 million and Rs. 02 million were incurred with respect to rubber, Coconut and tea respectively.

Debt and Finance Cost

The Company's finance costs of Rs. 229 million was 221% higher than the prior year, as a result of the increase in benchmark borrowing rates offered by the banks. Net Borrowing Balance reduce by 21 per cent to Rs. 983 million at the end of the financial year 2022/23. Market interest rates increased due to the economic and social conflicts arises within the country, resulting in tightor monetory and fiscal policies.

Market Capitalization

The market price of the Company as at year end stood at Rs. 128 per share against that of Rs. 133.50 per share as at the previous year end. Accordingly, the market capitalization has decreased to Rs. 3.2 billion by 4 per cent in comparison to the market capitalization of Rs.3.3 billion at the last year end.

Earnings Per Share

Earnings per share which stood at Rs.19.12 per share in 2021/22 has improved to Rs. 27.59 per share as a result of the improved financial performance in 2022/23. Accordingly, the Company shares were traded at Colombo Stock Exchange at a price multiple of 05 times as at the end of the current financial year.

Dividends

The Board of Directors of the Company have approved a total dividend payout of Rs. 7.00 per share for Financial Year 2022/23, which represents 25% of the Company's net earnings. In line with the Company's dividend policy KPPLC distributing earnings as dividends to its shareholders with the intention of rewarding created value for investors.

The value created by the Company can be stated in terms of financial returns, non-financial returns. Therein Company's utmost financial objective is to strike a balance between satisfying shareholders through the distribution of dividends and retention of resources to support long-term growth of the Company. The Statement of Value Added shows how the Group has created and distributed the value created to stakeholders and accordingly Rs. 175 million was distributed as dividend.

ENVIRONMENTAL & SOCIAL RESPONSIBILITY REPORT

The economic, social and political disruptions arose, initially after the Covid-19 pandemic and was certainly a timely cue for us to remain steady in our all pursuit to perform business sustainably. Notwithstanding the unprecedented upheavals and worldwide hardships since early 2020, we continued with vigour and commitment to hold fast to the sustainability practices while achieving our goals and objectives. We have been persistent in developing practices that support the Company's long-term growth without adversely impacting the environment and the community, especially amongst growing global concerns.

The collective responsibility of each member of the Company which also extends to the partners we do business with and the areas where we operate will be explained under the Environmental & Social Responsibility Report. Accordingly, we have highlighted some of the accomplishments during the year to ensure progressive and long-term shared values are generated to our stakeholders whilst managing risks in a holistic way.

Our Sustainability initiatives center towards a constructive outcome on individuals, the environment, community and the networks we operate in. As a whole we concentrate towards following the principles of good governance standards throughout our operations. We recognize that if all our undertakings are managed in accordance with the proper corporate standards and best practices, then only value can be created in a sustainable manner.

Kegalle Plantations PLC manages a total land-bank of 9,757 Ha in 17 Estates comprising of rubber 4,561 ha, Tea 1,324 Ha and Coconut 500 Ha. Out of the total planted area of Rubber, tea and Others, the matured area is 2,768 Ha, 1,292 Ha and 513 Ha respectively.

Environmental Stewardship

The global environmental crisis is a stark reality that compels us to act. We are threatened with climate change, weakening of land and marine resources, deteriorating fresh water reserves, an energy crunch, biodiversity extinction and overwhelmed ecosystems. On the other hand, with increasing population causing overconsumption of natural resources and overuse of fossil fuel, unsustainable depletion patterns raise the threat to even more alarming levels. Most of the time the unobserved reality is the Increasing poverty which has resulted in glaring inequality

MANAGEMENT DISCUSSION & ANALYSIS

in the world, placing humanity at risk that could be beyond repair. Understanding these realities KPPLC further strengthened its practices of responsible stewardship towards the environment given that our business is closely related to nature and It will result in sustainable development for the benefit of current and future generations.

We continuously strengthened our ongoing efforts to reduce the Company's environmental impact outside of our agricultural areas. This aim is to reduce our carbon footprint and contribute to conservation in order to secure environmental sustainability and the well-being of our stakeholders. We perceive that sustainable development and growth implies, further developing the manner in which we produce and consume assets. Efficient management of our shared natural resources and the manner in which we oversee waste are key considerations in how we guarantee our operations are efficient and sustainable.

We acknowledge that our operations have a greater impact on the surrounding environment, and we are commit to implementing measures that minimize those effects. To do so, we continuously seek collaborate with green energy clients, and partner with conservation organizations. In accordance with this, we constantly ensure that none of our new expansions influence environmentally sensitive or protected areas, such as primary forests, wildlife reserves, peat lands.

The Company conducts awareness exercises to stimulate sustainable practices especially for those with direct interaction with the natural environment. These awareness efforts include the management of human-wildlife conflict, importance of conserving endangered wildlife animals and plants, avoidance of forest fires, and the prevention of the burning of waste.

Waste and Water Management

Efficient management of our natural resources and waste are key considerations in ensuring operations are efficient and sustainable. Attaining sustainability in waste management requires environmental friendliness. The most effective form of waste reduction is to be proactive in all the steps within our production process. By anticipating and minimizing waste at every stage of the operations and supply chain (both inbound & outbound), We significantly reduce our carbon footprint. Moreover, various programs are being held to enhance recycling initiatives, such as waste segregation at source and ensure recyclable plastic materials are converted into useful products. Our overall waste management process enconpasses strict adherence to internal waste management techniques, engagement with stakeholders mainly employee community creating awareness on the importance of proper waste disposal and the 4R's (Reduce, Reuse, Recycle, Recover) of waste management.

We continuously monitor the quality of discharged waste water, and waste water management process to attain the final the objective of maintaining clean water sources within our frontiers. We act in accordance with all local legal requirements, and are frequently striving to improve our standards.

Innovative and more efficient technologies in wastewater treatment will be continuously explored adopted in our ongoing pursuit towards zero discharge practices. Our Proper waste disposal has far-reaching consequences to the environment and the health of our community. Water is vital for our operations. We are concious that it is a shared and limited resource. We continuously monitor and strive to reduce our water usage by improving the efficiency of our operations and by maintaining the quality and availability of surface water and groundwater for our business and surrounding communities.

We constantly monitor our utilization to guarantee there is sufficient water for irrigation. This is mostly important in areas that are prone to dry spell environments because of low rainfall. Accordingly, KPPLC attempted a few water management tasks to make water bodies and expand the availability of piped water. Priority is also given to ensuring the availability of safe drinking water to our employees.

We are committed to the continuous upgrading of our water management, and are undertaking a number of initiatives to decrease our water depletion. Being a socially responsible, new approaches are being considered to continuously review the waste stream and identify forms of waste generated. Our Future key initiatives include the creation of a sustainability dashboard to address big data management for water and waste.

Energy Efficiency

Energy efficiency implies utilizing less energy to perform the similar tasks, by eliminating the energy waste. Energy efficiency reduces month to month energy bills and makes energy more affordable for our operations. At long last Using energy more efficiently is one of the fastest, most cost-effective ways to save money, reduce greenhouse gas emissions, create jobs and satisfy developing energy need.

KPPLC is committed to sound energy management that addresses energy conservation, green energy usage, and energy efficiency, having seriously considered and recognized the environmental impacts of energy. While we are aware that, while the use of nonrenewable energy sources cannot be avoided entirely for the time being, we are making concerted efforts to guarantee that these resources are used optimally and efficiently in order to achieve organizational goals and objectives.

Soil Conservation

Soil is an important component of the Earth and its many ecosystems, and play an important role in maintaining life on Earth. Accelerated soil erosion as a result of overexploitation and unsustainable development strategies have contributed to the deterioration of the soil condition. Soil conservation is critical as the damage caused by soil deterioration and acidification are long term.

Plantation industry depends on productive and sustainable land management for its sustenance and therefore soil protection is one of the highest important environmental management practices. The loss of soil fertility due to erosion, salinization or chemical pollution can be reduced using good soil conservation techniques. Having multiple different plantation management goals consideration to the environment receives the highest priority. Different fields require unique land conservation measures. Modern agricultural monitoring tools, particularly remote sensing, make it easier and less expensive to put soil conservation strategies into practice.

KPPLC's primary goals include soil conservation, to preserve the biodiversity of the eco-communities that occupy it and contribute to its fertility in their own unique ways. Water infiltration and aeration

is promoted by adding organic matter, splitting perishable organisms to release nutrients.

Bio Latex/Organic Rubber

It always seems like a good idea to buy everything natural in an environmentally conscious world.

If we care about the environment, organic is the way to go, as it allows plantations to focus on sustainability and eco-friendliness. We all have a responsibility to care for the world we live in, and buying organic enables us to fulfill that responsibility. It also encourages individuals to think about how they may use precious resources in a more sustainable way.

Because the organic approach eliminates the use of chemicals in the plantation, the natural latex is pure and unadulterated. Furthermore, organic means that no dangerous chemicals are utilized in the manufacturing process, ensuring that the mattress is not contaminated in any manner.

Biodiversity Conservation

Biodiversity and sustainable development are critical principles in maintaining our planet's long-term viability. Understanding the link between biodiversity and sustainable development is critical for fostering a sustainable future. As a result of human activities, the globe is losing biodiversity at an alarming rate. All sorts of businesses operating near protected areas should be aware of their conservation and biodiversity obligations. This applies not only to land-based sectors like forestry or farming, but also to all offices, factories, and other commercial operations situated in or near these regions.

We are conscious of the preservation of bio diversity when we assess business risk and opportunities. An in-depth understanding of the nature and bio diversity is critical. Setting goals that cover the preservation of bio diversity and raising awareness is key to this. We collect data and develop goals for land usage, freshwater use, and ecosystem integrity. We communicate our commitment to eliminate waste and emphasize environmental preservation as a vital component of our company.

Customers and consumers are increasingly expecting more ethical and ecologically sustainable products and services. Their expectation is to operate responsibly with a solid biodiversity action plan.

In response to this, KPPLC's challenge is to secure and improve agricultural yields while safeguarding biodiversity, ecosystems, and resources, as well as to provide solid supply chain infrastructure for those who rely on agriculture for a living. In other words, we must devise ways to balance agricultural output with biodiversity demands and guarantee that producers can supply their services in a consistent and sustainable manner.

KPPLC is constantly trying to develop crop technology, approaches, and procedures that improve agricultural productivity while protecting biodiversity. Energy and water-efficient irrigation systems, energy-efficient harvesting mechanisms, the use of composted organic matter to decrease chemical fertilization, and mill optimization to reduce greenhouse-gas emissions are just a few of the options.

Over many years, our agriculture best practices have revolved around: no clearing on primary/natural timber lands and High Conservation Value (HCV) regions, zero-burning for re-plantings and new developments, safeguarding and conserving endangered, rare, and threatened tree species, no hunting within our estates.

We are consistently commited to our employees, local communities, and other stakeholders about the significance of protecting rare and endangered species. Many estates have already agreed to global standards such as Rainforest Alliance (RA) and Forest Stewardship Council (FSC) under the direction of the Corporate Management, displaying their commitment to environmental and biodiversity protection.

Timber and Forestry management

Forests are vital natural ecosystems and homes for flora and fauna species, but these forests provide timber for commercial use. Sustainable management practices are of critical importance. The removal of forests will not only result in the loss of habitat for many species but it may also raise the danger of human-animal confrontations that end in injury or death.

The forest content also provides protection to the commercial crops. This include enhancement water quality, promote nutrient usage, and increase carbon sequestration.

Though we mainly engage with Commercial cultivation, KPPLC's Sustainability in forestry management is achieved through weighted decision-making that considers economic, social, and ecological aspects of development. Our Joint efforts with forestry managers, governments, ecologists, and communities can guarantee sustainable timber and forestry management.

Our Alignment with Quality Standards

We truly believe that the Quality entails much more than simply calling a product or service "good." Quality is about optimizing productivity and satisfying the expectations of customers and clients via the delivery of products and services. Therefore, We Ensure organizational quality in all processes and procedures since it benefits the organizations as a whole.

KPPLC Quality management develops and define standards in order to obtain our objectives; it consists of numerous components such as quality planning, quality improvement, quality control, and quality assurance. Our Quality management promotes consistency not just in products and processes, but also in the procedures and means by which the product is provided and delivered. The purpose of Quality Management is to consistently offer a high-quality product or service.

Our Quality philosophy and methodology is primarily concerned with boosting customer satisfaction, decreasing cycle time and costs, and eliminating failures. More broadly, our Quality management is concerned with doing the right thing for our customers, employees, stakeholders, organization, and the environment in which we all operate. Quality is about optimizing productivity and satisfying customers while safeguarding our people and resources from the harm caused by inferior procedures and negligence, from the level of the individual employee all the way up to the senior management.

MANAGEMENT DISCUSSION & ANALYSIS

Sustainable Procurement Practices

Procurement Management guarantees that all resources, products, commodities, and services are obtained conforms to the standard, developed to ensure operations and processes may run smoothly and successfully, favorably impacting the bottom line and strategic business activities. As a result, the process of procuring products and services is often complicated and involves execution across several platforms. Organizations may cut expenses and increase productivity by using procurement management. However, we must keep in mind that procurement efforts are not a one-time event; rather, they need ongoing supervision.

KPPLC introduced sustainable procurement strategies and initiatives to improve the safety and sustainability of its supply chain in response to growing concern from consumers, investors, regulators, and other stakeholders. As a result, sustainable procurement method that incorporates environmental, governance, and social corporate responsibility aspects into procurement processes is implemented. Our goal is to achieve the minimum environmental damage while producing the greatest favorable social outcomes.

Our focus is not just on internal Company activities, but also on actions related to inward and external logistical operations. As a result, the Company is maintaining a tight and mutually beneficial partnerships with its suppliers. By maintaining such ties with suppliers, the Company is be able to successfully manage the economic, social, and environmental implications of Procurement Operations.

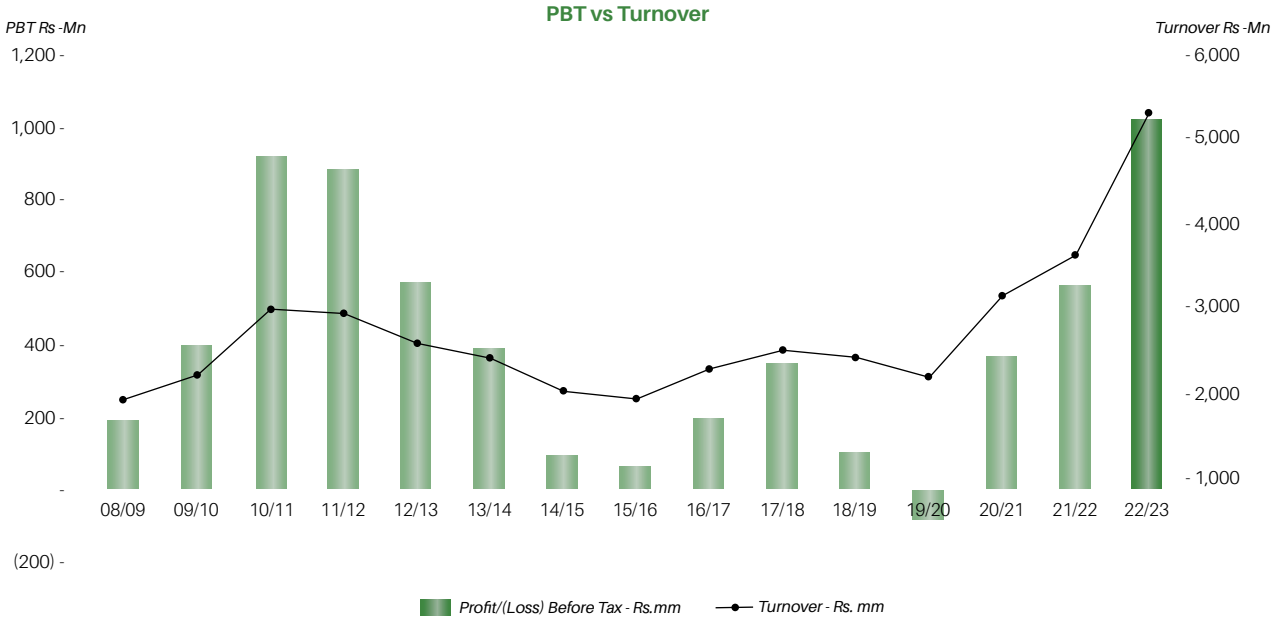
Product Responsibility & Stewardship

Product stewardship is the process of limiting a product's and its packaging's health, safety, environmental, and social implications over its entire lifespan while also maximizing economic advantages. The product's maker, or producer, has the greater ability to reduce negative effects, but other stakeholders, such as suppliers, merchants, and consumers, also play a role. Stewardship might be voluntary or mandated by legislation.

We are demonstrating an increasing commitment to sustainable goods and business practices, as the need for proactive, effective, and global product stewardship grows as a result of changes in cultural norms driving the need for safer and more ecologically sound products. In accordance with our Sustainability Policy and as part of its Responsible commitment, high priority is given on product stewardship and ensuring that products can be used safely by workers and customers, as well as the general public with the minimum environmental impact, throughout entire life cycle.

Our Product Stewardship initiatives ensures that our product portfolio complies with applicable environmental and safety regulations at the national and regional levels, as well as searching for ways to improve product safety and sustainability. Employees are regularly trained, and processes, procedures, and measurements are constantly checked both internally and through external audits.

KPPLC, a well-diversified plantation company specializing in tea, rubber, coconuts, and a variety of minor crops such as Pineapple, Pepper, Cocoa, Vanilla, Mandarin, and Agar-wood, is ever committed to superior quality. Every action within the Company is carried out with a focus on high quality and value addition for operations. KPPLC has successfully launched a bio-latex project with the goal of decreasing the usage of chemicals, stimulants, and inorganic fertilizers in order to ensure that the Company meets quality standards.



Membership Organizations

In addition to the aforementioned actions, we are closely collaborating with the following organizations and have long been members of those organizations with the goal of enhancing quality.

- The Colombo Tea Traders Association (CTTA)
- The Planters Association of Ceylon (PA)
- The Employer's Federation of Ceylon (EFC)
- The Colombo Rubber Traders Association (CRTA)
- Plantation Human Development Trust (PHDT)
- The Rubber Research Institute of Sri Lanka (RRISL)
- Rubber Development Department (RDD)
- Sri Lanka Tea Board (SLTB)
- Spices & Allied Products Producers' & Traders' Association (SAPPTA)
- The Sri Lanka Society of Rubber Industry
- National Agribusiness Council (NAC)
- Central Environment Authority (CEA)
- Coconut Growers Association of Sri Lanka (CGASL)
- Palm Oil Industry Association of Sri Lanka (POIASL)
- The Ceylon Chamber of Commerce (CCC)

Product Labeling

In product labeling and packaging, we are regulated by societal norms and regulatory rules.

Our product labeling and packaging operations adhere to the standards and requirements established by Colombo Tea Auctions and the Ceylon Tea Trade Association. As a result, in order to achieve these criteria, the Estate Name, Garden Mark, Grade, Invoice Number, Gross and Net Weight must all be appropriately reported.

Ethical Behavior

Business ethics refers to the moral principles that influence how a company acts in respect to the society in which it operates. This is significant because corporate decisions and actions may have either an advantageous or detrimental effect on people's lives. As a result, unethical behavior by a corporation may have a detrimental influence on its customers, employees, and society as a whole.

Ethical behavior should be promoted and practiced at all levels of an organization, from the top to the bottom. It should be ingrained in the culture of a company. Business ethics has become increasingly crucial in economic world, as organizations face increasing pressure to embrace ethical business practices that foster trust and promote long-term viability.

KPPLC has Implemented ethical rules and procedures in the company in developing good connections with stakeholders such as workers, customers, and investors. We have demonstrated our commitment to ethical behavior and sustainable business processes by implementing corporate social responsibility (CSR) activities. KPPLC has created a culture that always strives to comply with moral principles that go beyond the general laws and regulations prevelant within the country.

We Prioritize our business ethics to encourage acceptable business practices. This benefit us via enhanced reputation, customer loyalty, employee engagement, and greater earnings. As a result, KPPLC seeks to develop trust and ensure long-term viability by incorporating business ethics into its' objectives.

QUARTERLY PERFORMANCE

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2022/23 Total	2021/22 Total
Revenue	Rs '000	1,398,495	1,681,010	1,047,972	1,167,461	5,294,938	3,627,751
Gross Profit	Rs '000	414,280	436,569	221,664	45,910	1,118,422	532,621
Profit Before Interest & Tax	Rs '000	531,362	476,913	223,059	15,342	1,246,677	668,533
Profit / (Loss) Before Tax	Rs '000	503,488	387,306	157,576	(30,598)	1,017,772	564,971
Profit / (Loss) After Tax	Rs '000	501,277	385,095	(11,405)	(185,108)	689,858	477,903
Earnings / (Loss) per Share	Rs.	20.05	15.40	(0.46)	(7.40)	27.59	19.12
Net Assets Value per Share	Rs.	151.64	167.05	166.59	151.54	151.54	131.63
Last Traded Market Price per Share	Rs.	130.00	218.75	137.50	128.00	128.00	133.50
Highest Market Price per Share	Rs.	160.00	270.00	215.50	147.00	270.00	224.75
Lowest Market Price per Share	Rs.	80.00	129.75	125.00	120.00	80.00	93.00
Total Assets	Rs 'Mn	7,226	7,604	7,569	7,176	7,176	6,717
Total Equity	Rs 'Mn	3,791	4,176	4,165	3,788	3,788	3,291
Total Debt	Rs 'Mn	1,139	1,150	1,077	983	983	1,246
Debt Equity Ratio	%	30	28	26	26	26	35
Equity / Asset Ratio	%	52	55	55	53	53	49
Price Earnings Ratio	Times	6	14	(301)	(17)	5	7

TURNOVER
Rs. 5,295 Mn
FY 2021/22: Rs. 3,628Mn

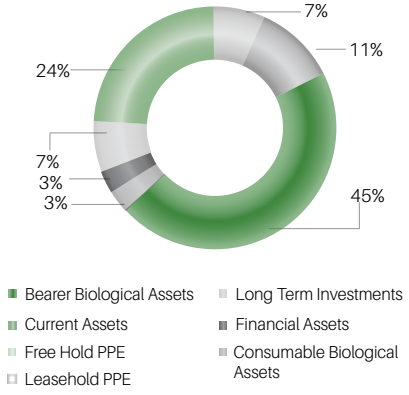
PROFIT AFTER TAX
Rs. 690 Mn
FY 2021/22: Rs. 478 Mn

RETURN ON AVERAGE EQUITY
19.49 %
FY 2021/22: 15.44 %

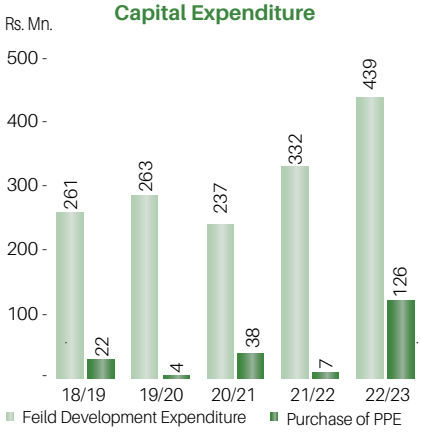
EARNINGS PER SHARE
Rs. 27.59
FY 2021/22: Rs. 19.12

NET ASSETS PER SHARE
Rs. 151.54
FY 2021/22: Rs. 131.63

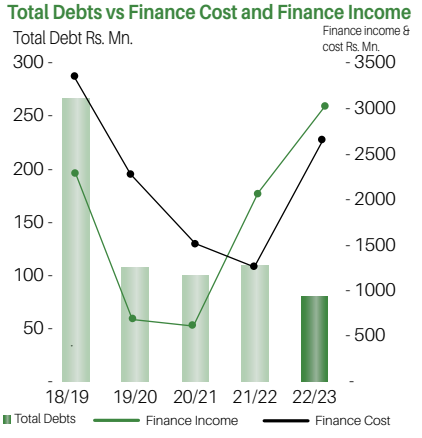
Composition of Assets 2022/23



Capital Expenditure



Total Debts vs Finance Cost and Finance Income



CERTIFICATIONS

EU & USDA NOP CERTIFICATION

Under EU & USDA NOP Certification, Organic products certified to the USDA organic or European Union (EU) organic standards may be sold and labeled as organic in both the U.S. and the EU. As a result of obtaining this globally recognized standard certification, KPPLC gained access to both economies with a single certification and reaped numerous benefits such as,

- Receive premium prices for their products
- Access fast-growing local, regional, and international markets
- Support local economies
- Access additional funding and technical assistance
- Market products to consumers

RAINFOREST ALLIANCE CERTIFICATION (RA)

Landowners benefit from Rainforest Alliance accreditation by producing better crops, adapting to climate change, increasing output, and lowering expenses. The objective of Rainforest Alliance certification is to make responsible business the new normal in order to build a better future for people and nature.

This indicates adherence to stringent worldwide standards, while also considering the well-being of its employees, families, and the environment. As a result, the Rainforest Alliance certification confirms that KPPLC meets the requirements of the Sustainable Agriculture Network (SAN), a global standard for organizations that meet stringent environmental conditions (ecosystems, wildlife, soil, and water), community relationships, and economic aspects such as integrated plant and waste management.

ISO 9001:2015 CERTIFICATION

ISO 9001's goal is to establish a practical and usable Quality Management System for improving and monitoring all aspects of business. KPPLC will end up with a system that will improve all aspects of the company with the correct support and employee understanding. It is a tremendous honor and pride to emphasize that Kegalle Plantations PLC was the first regional plantations company to receive ISO 9001: 2015 Certification in 2017.

FOREST STEWARDSHIP COUNCIL (FSC)

It is pleasure to highlight that FSC Certification is the most recent certification achieved by KPPLC during the last financial year. FSC certification provides significant economic benefits by opening up new markets, as well as social and environmental benefits to workers and local communities. FSC certifies forests worldwide to ensure that they satisfy the highest environmental and social standards.

FSC certification greatly minimizes the danger of being presented with illegal timber and, as a result, the possibility of reputational damage. Furthermore, as they seek items that support sustainable forest management, national, regional, and local governments are increasingly referencing FSC as a way to comply with their public procurement policies.

ISO 22000: 2018 SYSTEM CERTIFICATION

In order to achieve our goals about customer comfort, health and safety and well-being, KPPLC got ISO 22000: 2018 System Certification - Food Safety Management System Certification for all Tea Manufacturing Factories of the Company, Scope[1] Manufacturing of Black Tea. Food Sector (Dried Goods).

FUTURE SUSTAINABILITY EXPECTATIONS

Nature is the basis for every organism that exists, and it is critical for future generations' survival. Sustainability is a critical issue for today's economic and environmental concerns. The world is now experiencing a climatic catastrophe. Nature is under attack as a result of unsustainable human behaviors ranging from carbon emissions to rising sea levels to catastrophic weather occurrences. Due to irrigation operations, current agricultural practices are rapidly diminishing the supply of freshwater. Similarly, the rapid expansion of metropolitan areas and the quickening of industrial operations to suit rising population demands have significantly raised pollution levels and water accessibility.

We are always focused on the past, present, and future as a strategically oriented organization since the business environment in which we operate is significantly impacted by both internal and external factors such as economic, environmental, political, social, and technical concerns. Our living conditions should be in line with the world's ecological limits. Many of us, however, live beyond it and have little consideration for long-term sustainability. Economic growth and development must be proportionate to the ecological and environmental restrictions. We believe It is significantly required for sustainable development. Setting population or resource consumption limitations beyond which ecological calamity awaits is necessary for sustainable growth. It also necessitates that, long before humanity reaches these limits, the globe provides fair access to the limited resource and uses technology to achieve it.

As Sri Lanka's largest rubber producer, KPPLC continues to improve and tighten our environmental and social criteria, ensuring that we are aware of our responsibility to protect the environment in order to ensure not only the long-term viability of our business but also the larger community around us. As a result, we are striving towards local and worldwide standardization of our plantations and production processes.

CORPORATE GOVERNANCE

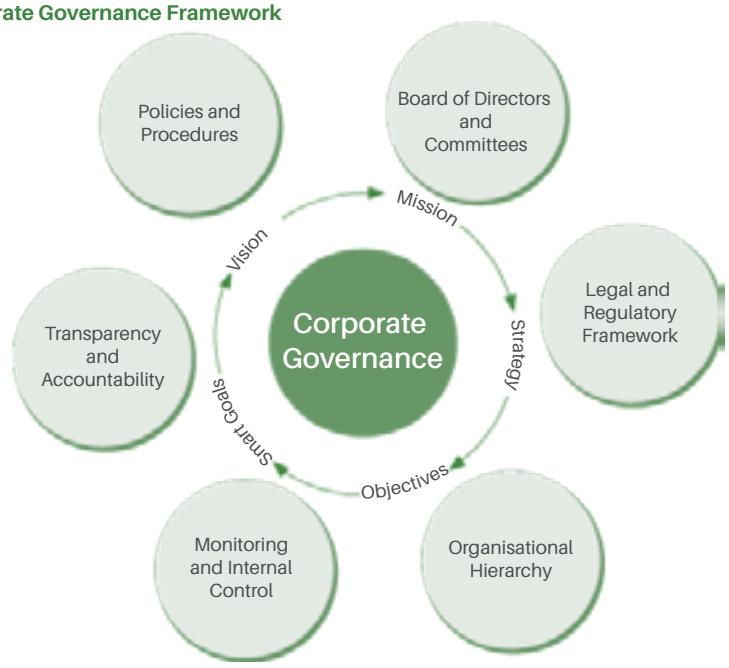
Effective corporate governance conveys our commitment to sustainable business practices in order to safeguard shareholder wealth and ensure the Company's long-term success. We acknowledge the necessity of establishing an acceptable tone from the top in order to guarantee that ethical standards of behavior cascade and become ingrained across the Company at all levels. Our Core Values are embedded across the organization, and they serve as the foundation of our business model and strategy for producing long-term shareholder value.

The Board of Kegalle Plantations PLC supports the expanded corporate governance disclosure requirements set out in the Companies Act and the Colombo Stock Exchange (the Listing Requirements) as evidence of our commitment to the proper values and ethical behavior. This statement is also prepared in accordance with the requirements of the Companies Act No 07 of 2007 and Code of Best Practice on Corporate Governance issued jointly by Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities and Exchange Commission (SEC).

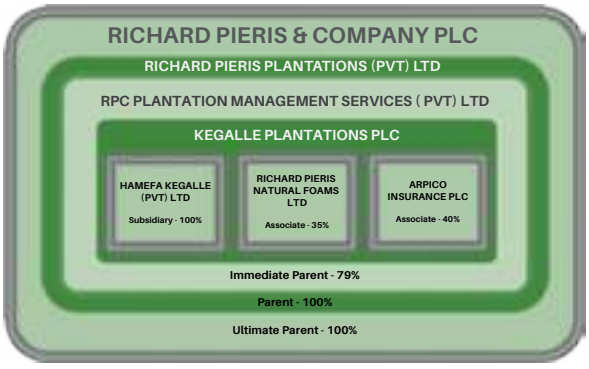
The Board believes that strong Corporate Governance standards strengthen our commitment to conducting business responsibly in order to safeguard stakeholder value and ensure the Company's long-term success. We recognize the significance of creating an acceptable tone from the top in ensuring that ethical standards of behavior pervade the company at all levels. The way our Core Values are ingrained throughout all of our operations and how they support our business model and strategy of producing long-term shareholder value demonstrates how we live and breathe our culture.

The KPPLC Board of Directors recognizes that strong corporate governance in conducting the Company's business and affairs with honesty, transparency, and professionalism are critical components for the Company's continuous development and success. These will not only protect and promote shareholders' investment and value, but will also defend the interests of other stakeholders. The

Corporate Governance Framework



Group Structure



Company's oversight under the current Board guarantees that decisions are taken objectively in the best interests of the Company, taking into account varied viewpoints and ideas.

The Company believes that strengthening corporate governance is vital to satisfying corporate social responsibilities and growing corporate value. Therefore Company will continue to support activities that are consistent with the aim of the company Governance Code in the future, with the goal of growing company value.

The Board of Directors

The Board is ultimately responsible for overseeing the Company's effective management and control on behalf of KPPLC's shareholders, as well as supervising executive management's conduct of the Company's affairs within a controlled authority framework designed to allow risk to be prudently and effectively assessed and monitored.

Corporate strategies, as well as the yearly plan, are presented to the Board as part of the continuous plans for accomplishing the Company's objectives and long-term goals, while keeping its fundamental values and standards in mind via the vision and purpose of the Company. The Board is responsible for the organization's governance and satisfying the interests of its shareholders and stakeholders, rather than actively managing the day-to-day operations.

CORPORATE GOVERNANCE

The Company's strategy is centered on building long-term value. The Board is always dedicated to building a shared future for our employees and stakeholders. The Board's primary focus remained strategy development, with corporate strategy, plans, and budgets kept for the Board. Despite the social and economic challenges, the Board and Management worked hard to maximize shared value by fulfilling its mission and guaranteeing the relevance and sustainability of the Company's business model.

Our Board is made up of people with diverse skills and educational backgrounds, worldwide and industrial experiences, as well as expertise and ideas in presenting competing views to Board meetings, guaranteeing decision-making perspectives are reinforced. This is to give valuable information and assistance in accomplishing our company's strategic goals. Constructive input and criticism on subjects discussed at Board meetings are solicited in order to build a culture of honesty and transparency that will assist the Board in achieving long-term benefits to our stakeholders.

The Board assists the Company in implementing and attaining the KPPLC's value-driven strategic objectives. The Board of Directors intend to provide realistic and reliable financial and non-financial reporting, as well as strong constructive stakeholder involvement. In terms of the public and other stakeholders' interests, we have adhered to best practices in disclosure and are subject to internal and external assurance and governance procedures.

The Board develops strategies aimed at increasing value for our shareholders while managing risks to guarantee long-term growth. The Board and Management work hard to maximize shared value by fulfilling our mission and guaranteeing the relevance and sustainability of our business model. By leveraging our efforts around sustainability, we are able to provide value to the company and our diverse set of stakeholders by achieving sustainable development. Making funds accessible and attending to the demands of stakeholders has allowed the Company to keep focus in conducting operations anchored by good governance while meeting our financial aims.

The Board of Directors is pleased to report that the Company has adhered to all of the Corporate Governance Code's fundamental principles and recommendations. KPPLC's disclosures of corporate governance structure and processes in this report have been authorized by the Board.

The Composition of the Board

Name of the Director	Position	Executive	Non-Executive	Independent	Appointment to the Board
Dr. Sena Yaddehige	Chairman	✔	-	-	January - 2003
Prof. R C W M R A Nugawela	Independent Non-Executive Director	-	✔	✔	May -2008
Dr. S S B D G Jayawardena	Independent Non-Executive Director	-	✔	✔	August - 2010
Mr. Shaminda Yaddehige	Non-Executive Director	-	✔	-	March - 2016
Mr. J L A Fernando	Non-Executive Director	-	✔		February - 2021

Two of the Board members are independent directors. The Board believes that the Independent Directors contributed objective and impartial judgment to the Board's deliberations and conclusions. The Board is robust and independent, with independent Directors constructively criticizing and aiding in the development of strategic recommendations.

The Independent Non-Executive Directors play a critical role in giving objectivity to the Board's decisions. They give independent judgment, experience, and objectivity without regard for operational concerns. They contribute to ensuring that all stakeholders' interests are considered and that the Board considers relevant matters objectively and impartially.

On pages 08 and 09, there are brief biographies of the Directors.

In accordance with listing standards, All Non-Executive Directors are required to assess their level of independence annually. The Board has always pledged to work with integrity, fairness, and transparency, and it does not accept any kind of corruption. The Organizational Principles guide how KPPLC's corporate culture fosters development and positive contributions to the host communities in which we operate.

The Board met several occasions during the year under review. All Board meetings are arranged and scheduled in advance following consultation with the Directors to ensure that meetings are held with the full involvement of the Directors. Everything is done in order for the Board as a whole to make a decision. As a result, Directors are given with all important administrative information and agenda items before to each meeting, allowing them to make informed choices. Board documentation for the Company's operations, new investments, important projects, and other issues requiring Board approval are presented in advance. A separate information memorandum is provided for official fees at each Board Meeting.

The Board continues to be dedicated to delivering long-term, sustainable wealth for our shareholders. The Board recognizes its critical role in governing and setting the strategic direction of our Company, while upholding the highest standard of corporate governance in providing valuable oversight and guidance to Management in navigating difficult and complex issues that affect our medium to long term targets. We have a strong corporate governance structure that includes systems of checks and balances to enhance accountability

and improved decision-making, as well as rules and procedures that ensure the Board and its Committees function efficiently.

The separation of the Chairman's and CEO's responsibilities from the Company provides a balance of power and authority. From a corporate governance standpoint, the separation of the roles of Chairman and CEO helps to separate the Board's supervisory function and the executive function of the CEO, limiting the manager's conflict of interests and abuse of power, which may cause damage to the company and shareholders. There is a clear and effective division of accountability and responsibility between the Chairman and the Chief Executive, with each playing a distinct but complementary role to ensure that there is a balance of power and authority and no individual has unrestricted decision and control powers.
By ensuring openness and accountability to key stakeholder groups, KPPLC is able to achieve the organization's aims and objectives in a sustainable manner. The board believes in the empowerment idea, which maintains that separating governance and management makes them more effective and efficient. Management collaborates regularly with the Non-Executive Directors and provides updates on the Company's actions. They are held accountable to the board for their performance in pursuing the long-term prosperity of the organization.

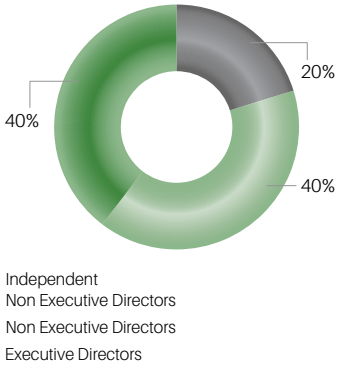
The Chairman is in charge of guiding the Board and directing its attention to strategic issues, as well as managing the company's business activities and establishing strong governance standards. He is critical to the Board's and individual Directors' success, both within and outside the boardroom. The Chairman is also in charge of establishing good communication with Association Members, serving as a sounding board for the Company CEO, and representing the Company externally. He guarantees that the Board gets accurate, timely, and clear information with the assistance of the Company Secretary. An exceptional Chairperson understands the company, its culture, people, and procedures. He also understands the broader industry and helps the company prepare for any eventuality. An experienced Chairman can swiftly see opportunities and possible threats to their firm. He can meet with their boards of directors early on to explore prospective courses of action.

As the chairman of the Board, Dr. Sena Yaddehige Provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner. With the assistance of the Board, management, and the Company Secretary, the Chairman takes the lead in the company's endeavor to attain and maintain a high standard of corporate governance. As a result, the Chairman is responsible for overall commercial, operational, and strategic development, and is aided by an Executive Management Committee comprised of Executive Directors and Heads of Companies of the Ultimate Parent Company's Strategic Business Units (SBU). The Finance role is delegated to the Group Chief Financial Officer and the Financial Controller, who attends board meetings by invitation when financial concerns are discussed. When it is judged important for decision making, the Board of Directors has access to independent expert counsel.

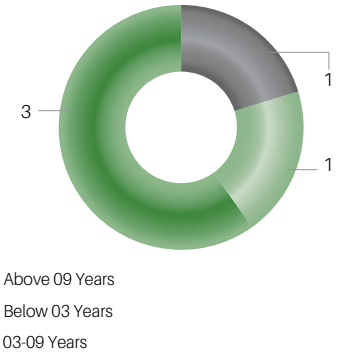
The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems in place.
- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final Financial Statements of the Company.
- Determine and recommend interim and final dividends for the approval of Shareholders.

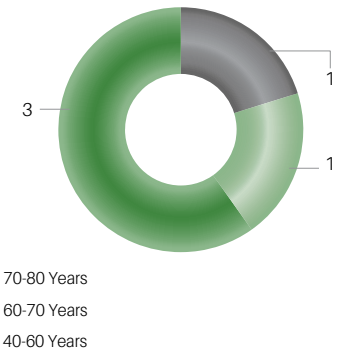
Directors Composition



Directors Tenure on the Board



Directors Age Group



CORPORATE GOVERNANCE

- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

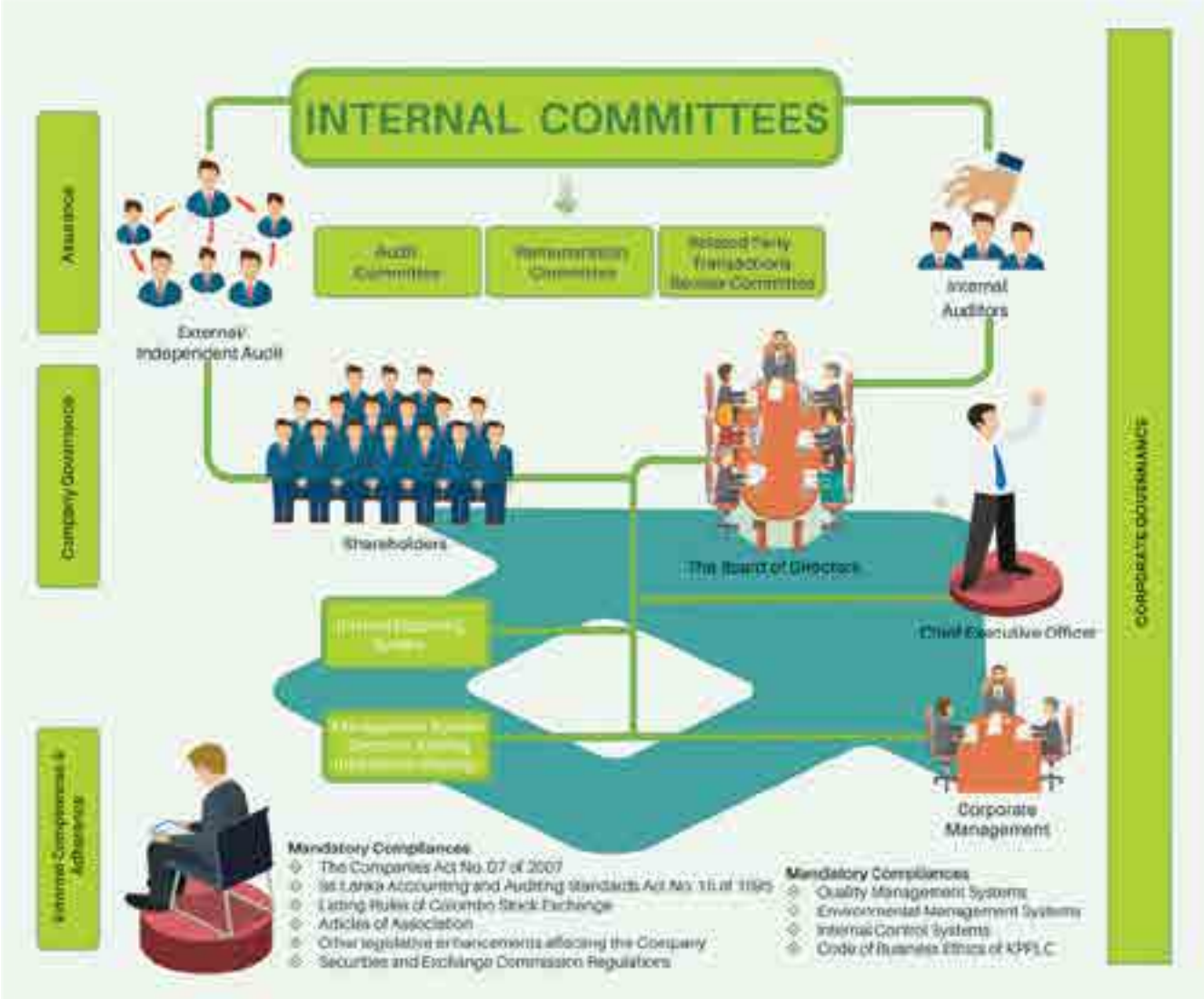
Independence of directors assist in connecting the management's interests with that of shareholders' and improve the quality of judgement in decision-making. All independent directors have no direct or indirect link with the Company and are required to submit an annual announcement in accordance with the regulations of the Colombo Stock Exchange list. Their diverse knowledge and important commercial, corporate, and financial experience provide the Board with an impartial viewpoint and judgment. Meetings between independent directors who do not have management roles in the firm, according to the Board, will promote and encourage more transparency in assessing Management performance. Any ideas or proposals resulting from private director meetings shall be forwarded to Management.

Sub Committees of the Board

Board Committees are formed to help the Board in carrying out its statutory and fiduciary duties. This involves ensuring independent risk management and internal control scrutiny. We formed the Board Committees with the purpose of ensuring that Committees stay focused on their responsibilities, allowing the Board to take a broader view, looking at enterprise-level concerns such as strategy and governance. Our Board Committees Terms of Reference establish the tone for the different Board Committees in terms of their goal, scope, duty, and accountability.

Corporate Governance Structure

The Company's Governance Framework is depicted in the following diagram.



Committees give recommendations for action to the whole board, which retains collective decision-making authority. Participation in committees helps directors to have a deeper understanding of the business, become more actively engaged, and fully use their experience. Certain board issues are so intricate that they require far more time than a board can dedicate to over one or two board meetings. To optimize their efficiency, boards can form committees for almost any necessity.

The Chairmen of the several Committees provide recommendations to the Board on all subjects covered at their meetings. Furthermore, minutes of each Board Committee meeting are sent to all Board members in order to keep the Board informed of each Board Committee's actions and conclusions.

To provide better and more concentrated attention on the Company's business, the board of KPPLC delegated certain matters to the board committees established for that purpose. Each Committee thoroughly reviews things before presenting them to the Board for consideration. Each Committee at KPPLC plays an important role in ensuring that good corporate governance standards are maintained.

Audit Committee

The Chairman of Audit Committee is Mr. J.F. Fernandopulle, an Independent Non-Executive Director of the Richard Pieris & Company PLC, the Ultimate Parent Company.

The Audit Committee guarantees that the external auditors' independence and objectivity are not compromised in accordance with the assessment criteria outlined in the business policy on External Auditors Independence. External auditors must also provide assurance to the Audit Committee that they are and have been independent throughout the audit engagement in compliance with all applicable professional and regulatory obligations.

The audit committee of a KPPLC is responsible for overseeing the financial reporting process, the audit process, the company's system of internal controls, and compliance with laws and regulations. To properly understand the possible impact on financial statements, the audit committee should anticipate to analyze important accounting and reporting issues, as well as current professional and regulatory declarations. The committee meets with management and external auditors to discuss audit results, including aspects needed to be notified to the committee under generally recognized auditing standards.

Kegalle Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. Richard Pieris & Company is also the majority shareholder and as such the Group Audit Committee acts as the Audit Committee of the Company. Audit Committee Report on Page 38 describes the activities carried out during the Financial Year.

Remuneration Committee

The Remuneration Committee reports to shareholders on their responsibility for assisting in the development of a balanced Board in terms of expertise, skills, experience, and diversity, as well as ensuring that remuneration principles for Directors adequately compensate the Directors for their time and effort in ensuring the Company's continued success.

Accordingly, the remuneration committee's role is to establish an adequate scheme of rewards that attracts and encourages executives to accomplish long-term shareholder interests. To be effective, the committee must establish both the organization's general policy on remuneration of key management people such as executives and directors, as well as individual remuneration packages for each executive director.

Remuneration must attract, retain, and motivate high-quality executives and directors while also taking shareholders' interests into account. KPPLC remuneration committees have the time and expertise to help the board with information. As a result, their boards place a great importance on their opinion. Page 39 contains the Remuneration Committee's Report, which summarizes its primary actions.

Related Party Transactions Review Committee

Related Party Transactions Review Committee Reviewed significant related party transactions entered into/to be entered into by the Company to ensure that it was in the best interest of the Company; was fair, reasonable and on the Company's normal commercial terms; and not detrimental to the interest of the minority shareholders of the Company. All Related Party Transactions must be reviewed by the Related Party Transaction Committee. Related party transactions are dealings between the company and its key management personnel that are usually connected to the compensation of senior executives and board members. Applicable rules and regulations provide procedures for monitoring, assessing, and making decisions about related party transactions, as well as disclosing performed related party transactions.

The ultimate obligation for ensuring effective processes for the detection, reporting, and oversight of related party transactions, as well as competent decision making connected thereto, rests with the Board of KPPLC. The Related Party Transaction Committee will work with the Board to monitor and evaluate how related party transactions fulfill the standards of ordinary activities and arm's-length terms.

The Report of the Related Party Transactions Review Committee is on Page 40 and highlights its main activities.

Membership of Board Sub Committees are listed below:

Committee Chairman/Member	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. J. F. Fernandopulle	Chairman	Member	Member
Dr. Jayatissa De Costa P.C.	Member	Chairman	Chairman
Mr. Prasanna Fernando	Member	Member	Member

CORPORATE GOVERNANCE

Chief Executive Officer

The chief executive officer is accountable for the day-to-day leadership and management of the business, as well as the risk appetite and yearly and long-term objectives established by the Board. Except for subjects reserved for the Board or expressly delegated by the Board to its Committees, executive committees, or subsidiary company boards, he may make decisions on all matters impacting the operations, performance, and implementation of KPPLC's strategy.
Mr. Prins Gunasekara acting as the Chief Executive Officer of the Company with effect from 15th February 2021. Mr. Prins Gunasekara does not hold any shares in the Company to date. He has extensive industry expertise, an understanding of the present market, and the foresight to assist in the formation of the company's strategic direction. With the assistance of the management team, the CEO makes decisions on all topics impacting the company's operations, performance, and strategy, with the exception of those reserved for the Board or expressly assigned by the Board to the Board Committees.

Company Secretary

All Directors have access to the advice and services of the Company Secretaries, whose appointment and removal is a matter for the Board, to whom the Company Secretaries are directly accountable. The company secretary serves as a vital link between the board of directors, the business's shareholders, and Companies House, ensuring that the company is directed and controlled in line with a set of policies, procedures, processes, and rules.
The efficiency and skill of the company secretary is critical to the success of the company management. Though the board develops the firm's major goals and policies, the implementation of such plans and policies is the responsibility of the company secretary. The volume of work and essential abilities to support the board have expanded as the board's duties have increased, enhancing the position of the company secretary. The company secretary is increasingly seen as the top governance specialist inside an organization, with increased reliance on him or her to give advice and execute good governance procedures.

Richard Pieris Group Services (Pvt) Ltd serves as the Company's Secretariat and is present at all board meetings. Company Secretaries advise the board on all legal concerns related to the Securities and Exchange Commission and the Colombo Stock Exchange. The secretaries also record the minutes of the subsequent meeting to follow up on the decisions taken. Directors can contact the Company Secretary on their own. The present Directors shall appoint the Secretary on such terms and circumstances as they deem fit.
The Company Secretary advises the Board on corporate and management issues, facilitates Director leadership and professional growth, and fosters information flow within the Board and Board committees, as well as between directors and independent directors.
The Company Secretary is in charge of advising the Board on regulatory compliance issues, as well as providing good information flow and comprehensive practical support to Directors, both individually and collectively, with a particular emphasis on assisting Non-Executive Directors in maintaining the highest standards of probity and corporate governance. To aid the fulfillment of their duties, all Directors have unrestricted access to the advice and services of the Company Secretary.

Relationship with Shareholders

As a leading plantation Company, we recognize that we must continue to sustain our growth and deliver value to our shareholders, while also serving the needs of multiple other stakeholders. A sustainable industry requires successful, profitable businesses that are also accountable to improve environmental and social performance.
As we continue our journey into the current fiscal year and beyond, our major obligation is to empower our company and our employees to handle rising economic, environmental, social, and governance risks efficiently. We will need to consistently improve our value offering as an ahead of the curve establishment that is well-positioned to recruit the greatest personnel, implement the most innovative technology, and produce long-term results for Shareholders.

To meet the expectations of our Shareholders, both individual and institutional, who are the Company's most significant stakeholder party, we are committed to promoting responsible practices among our business partners, demonstrating concern for the well-being of our Stakeholders, and upholding good corporate governance. The Board understands the importance of timely information dissemination to its shareholders and the investment community in order to keep them up to date on any key changes affecting the Company. We interact with our shareholders on a frequent basis using various channels to stay up informed on their expectations and to discuss our plans, activities, and performance. The disclosures in the Annual Report, announcements, and quarterly financial statements provide shareholders and the investing public with a periodic overview of the KPPLC's performance and activities. The board of directors and senior members of the management team are available at all times to address inquiries. The Annual General Meeting (AGM) is used by the Company as a platform for communication and interaction with all of its shareholders.

Internal Controls

The Board adopted a framework and rules to ensure that risk management and internal controls are handled within the risk appetite specified by the Board. The framework and policies are evaluated on a regular basis and if there are substantial regulatory changes to guarantee their continued effectiveness. The Company has implemented a comprehensive internal control system, which is incorporated in the Standard Operating Procedures and covers financial controls, operational and compliance controls, and risk management.
The Board made its assessments based on quarterly updates and discussions with external auditors on the adequacy and effectiveness of the Company's internal controls and risk management systems. The Board was assured by the CEO and the FC on the proper keeping of financial records and financial statements to give a true and fair view of the Company's operations and finances. The Board was also assured by the CEO and auditors that adequate and effective risk management and internal control systems were implemented to safeguard the stakeholders' interest. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 41- 46.

Apart from the strategic plans covering a three-year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by the Company are, approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

The Internal Audit Division of the Company is an independent unit that operates separately from the business and corporate activities and responsible for the internal audits of the Company's operations in accordance with the guidelines and standards set out in the Professional Practice. The Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and is satisfied with its effectiveness.

Relationship with Other Stakeholders

We are committed to building long-term relationships with our stakeholders, analysts and the media by engaging them consistently through different platforms. Through various channels, we interact, engage, and collaborate with our respective stakeholder groups in order to enhance mutual interests and establish common goals. At Kegalle Plantations, we are committed to raising the bar on long-term value creation while effectively responding to emerging global challenges, external factors driving market trends, and the expectations of our various stakeholders. In order to continue to give value to our stakeholders, we deploy comprehensive strategies that can enhance our position and improve our performance.

The Company's agribusiness operations are constantly exposed to rapidly changing opportunities and risks related to the environment, communities and stakeholders. These opportunities and risks are addressed through formal management processes, an open and responsible work culture, and partnerships with key stakeholders. Steps are taken to improve operational efficiencies and innovations as part of the KPPLC's pledge towards sustainable agriculture, community development and workplace safety. The Group's ability to consistently produce long-term value, especially in difficult times, is based on our ability to match our strategy with the interests of stakeholders such as investors, employees, policymakers, suppliers, and community etc.

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company inculcates this practice. Internal communication is mainly conducted through e-mails, memos and circulars. To alleviate any worries stakeholders may have about material issues, we maintain a high level of transparency in our communication. Two-way communication with our stakeholders will continue to pave the path for both sides to find common ground. Stakeholder feedback has been critical in the development and validation of the Group's strategies.

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. Our sustainability commitments are articulated in our Responsible Agriculture Charter, which covers responsible environmental, social and governance practices. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization.

Compliance

The Company Secretary help the Board and Board Committees by taking minutes of meetings, verifying compliance with Board procedures and statutory requirements, and aiding the Board in implementing and strengthening corporate governance policies and processes. The Board places a high value on effective internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. To the best of their knowledge and belief, the Board of Directors believes that all statutory payments have been made to date.

Financial Reporting
◈ Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs)
◈ Sri Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL)
◈ Companies Act No. 07 of 2007
Corporate Governance Reporting
◈ Listing Rules of Colombo Stock Exchange (CSE)
◈ Code of Best Practices on Corporate Governance issued jointly by ICASL and SEC

CORPORATE GOVERNANCE

Assurance
◈ Sri Lanka Auditing Standards (SLAUSs)
◈ Ernst & Young - External Auditors
◈ Internal Audit Division

Going Concern

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and maximize shareholder value.

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.

The Directors have continued to use the 'Going Concern' basis in the preparation of the Financial Statements, after careful review of the financial position and cash flow status of KPPLC. The Board of Directors believes that the Company has adequate resources to continue its operation for the foreseeable future.

Disclosures required by the Companies Act No. 07 of 2007;

Section Reference	Requirement	Annual Report Reference (Page/s)
168 (1) (a)	The nature of the business together with any change thereof during the accounting period	62
168 (1) (b)	Signed Financial Statements for the accounting period completed	56-61
168 (1) (c)	Auditors' Report on Financial Statements	53-55
168 (1) (d)	Accounting Policies and any changes therein	62-76
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	50
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	80
168 (1) (g)	Corporate donations made by the Company during the accounting period	49
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	92
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	51, 80
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	51
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	48-51

Corporate Governance Requirements listed under Section 7 & 9 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE Section Reference	Requirement	Status of Kegalle Plantations PLC
7.6 (vii)	Details of material issues pertaining to employees & industrial relations of the entity.	In Compliance
7.10.1 (a) to (c)	Non-Executive Directors	In Compliance
7.10.2 (a) to (b)	Independent Directors	In Compliance
7.10.3	Disclosures relating to Directors	In Compliance
7.10.4	Criteria for defining "Independence"	In Compliance
7.10.5	Remuneration Committee	In Compliance
7.10.6	Audit Committee	In Compliance
7.13	Rules on Minimum Public Holding	In Compliance
9	Related Party Transactions Committee	In Compliance

REPORT OF THE AUDIT COMMITTEE

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

Purpose

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
2. Review the system of internal controls and risk management.
3. Monitor and evaluate the effectiveness of the internal audit function.
4. Review the Company's process for monitoring compliance with laws and regulations.
5. Review the independence and performance of the external auditors.
6. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

Members

The Audit Committee consisted of three Independent Non-Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Dr. Jayatissa De Costa and Mr. Prasanna Fernando and a Non-Executive Director, the Chairman of the Committee, Mr. J. F. Fernandopulle. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below;

Meetings

The Audit Committee held five meetings during the year under review and reviewed the process to assess the effectiveness of the internal control system to provide reasonable assurance that assets are safeguarded, and financial reporting system can be relied upon.

Name of Committee Member	28-May 2022	12-August 2022	10-November 2022	14-February 2023	16-February 2023
Mr. J. F. Fernandopulle	√	√	√	√	√
Dr. Jayatissa De Costa	√	x	√	x	√
Mr. Prasanna Fernando	√	√	√	√	x

The Group Chief Financial Officer, Chief Executive Officer, Financial Controller, Senior Accountant and Group Internal Audit Manager were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major operational aspects of the Company.

The Group Internal Audit Manager was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and investigations carried out by his department for the period. The responses from the Chief Executive Officer of the Company to the internal audit findings were reviewed and where necessary corrective action was recommended and implementation monitored.

The Committee also had the responsibility to review the loss-making Estates of the Company and strategies for turning round these Estates and recommending suitable corrective action.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements. A comprehensive Management Report and Accounts are produced at every month end highlighting all key performance criteria pertaining to the Kegalle Plantations PLC and its Subsidiary which is reviewed by the Senior Management on a monthly basis.

Board of Directors review performance on a quarterly basis or more often, if required.

Financial Statements

The Committee reviewed the Company's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Financial Reporting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. It also reviewed the adequacy of disclosure in the published Financial Statements.

External Auditors

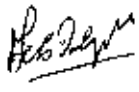
The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised.

The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The external auditors kept the Audit Committee informed on an on-going basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2024 subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been complied with. complied with.



J. F. Fernandopulle
Chairman of the Audit Committee

29 August 2023

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Kegalle Plantations PLC.

Members

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three independent Non-Executive Directors of the Richard Pieris & Company PLC, Dr. Jayatissa De Costa P.C., Mr. J. F. Fernandopulle and Mr. Prasanna Fernando. The Committee is chaired by Dr. Jayatissa De Costa.

Meetings

The Committee met on several occasions during the financial year.

Purpose

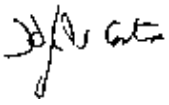
The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

1. Policy on remuneration of the Executive Staff.
2. Specific remuneration package for the Executive Directors.

In a highly competitive environment attracting and retaining high calibre executives is a key challenge faced by the Company. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Company.

Remuneration Policy

The remuneration policy of the Company is formulated to attract and retain key talent and motivate them to develop and implement the business strategy in order to optimize stakeholder value. The scope of the Committee covers the determination of the compensation of the senior management and to lay down guidelines for the compensation structure of the management staff of the Company. In its decision-making process necessary information and recommendations are obtained from the Senior Management, where necessary.



Dr. Jayatissa De Costa P. C.
Chairman - Remuneration Committee
29 August 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Ultimate Parent Company acted as the Related Party Transactions Review Committee of Kegalle Plantations PLC.

Members

The Committee consists of Three Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and Mr. J. F. Fernandopulle of the Ultimate Parent Company.

The Group Chief Financial Officer, Chief Executive Officer, and Financial Controller attended meetings by invitation. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.

Purpose

The Objectives of the Committee,

- To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Kegalle Plantations PLC is carried out and disclosed in a manner consistent with the CSE listing rules.
- To advise and update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- To ensure compliance with the CSE listing rules on the Related Party Transactions.
- To review policies and procedures of Related Party Transactions of Richard Pieris Group.
- To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee articulated and recommended a policy framework for adoption on Related Party Transactions for the Company. In such process the committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

Further, processes were introduced across the Richard Pieris Group to obtain annual disclosures from all KMPs.

Meetings

The Committee held four meetings during the period under review on following days,

Name of Committee Member	28-May 2022	12-August 2022	10-November 2022	14-February 2023
Dr. Jayatissa De Costa	√	√	√	√
Mr. J. F. Fernandopulle	√	√	√	√
Mr. Prasanna Fernando	√	√	√	√

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings, and by tabling the minutes of the Committee meetings.

Related Party Transactions during the year 2022/23

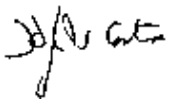
Details of the related party transactions entered into by the Company/Group are disclosed on page 107.

Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 48 to 51 for the declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2022/23, except what was disclosed in the note no. 37.

Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non-Recurrent related party transactions which are required to be disclosed under section 9.3.2 of the Listing Rules of the Colombo Stock Exchange has been made in note no. 37 to the Financial Statements given in Pages 107 to 108 to this report.



Dr. Jayatissa De Costa P. C.
Chairman

29 August 2023

RISK MANAGEMENT

In today's turbulent, unpredictable, complicated, and confusing business climate, it is critical that the Company anticipates future issues and effectively manages its risks. Our governance structure at KPPLC provides a dynamic mix of Board and Management operating within a corporate ecosystem of risk management and internal controls. This is to successfully guide the Company in attaining its long-term objectives and providing value to the Company's stakeholders while adhering to the principles of responsibility, transparency, integrity, and ethics.

Risks are an inherent and inevitable part of any company. They can, however, bring commercial potential if properly managed. To manage our risks, we strive to build a risk-aware culture and to include risk-related considerations into KPPLC and strategic decision making. We have a risk management strategy in place that will guide us as we reduce threats to our Company while maintaining a competitive edge.

At the point when the Company is focused on dealing with all the risks in a proactive and powerful way, requires greater examination to help the management choices inside the Company. A typical way to deal with risk examination and the management is adopted and is enshrined in KPPLC's Risk Management Standard and Framework. The focus of risk management activities is to guarantee that inward risks are fittingly overseen as well as to proactively identify and manage, where conceivable, outside risks with that can affect the achievement of the Company's strategies and objectives. Furthermore, KPPLC is dedicated to protecting the interests of all stakeholders in times of tragedy and/or emergency. As a result, Business Continuity Management is vital to ensuring that the Company can continue operations in the case of an interruption with little impact on stakeholders.

KPPLC's strong governance structure ensures accountability and drives improved decision making, while delivering long-term sustainable value for our stakeholders. During the last few years, our corporate ecosystem of governance, risk management, and internal controls has effectively guided the Company in rising to these challenges and delivering value to our stakeholders within the realms of accountability, transparency, integrity, and ethics.

Board Responsibilities

The Board accepts overall responsibility for the Company's risk management framework and related processes, as well as reviewing their effectiveness to ensure that these activities continue to support the Company's mission, vision, and strategic objectives while protecting stakeholders' interests. They Responsible for the establishment, oversight and monitoring of the Company Risk Management Framework (GRMF) and reviewing its effectiveness in supporting the mission, vision and strategic objectives of KPPLC whilst safeguarding shareholders' investments and Company's assets.

The Board recognizes that making proper business choices requires accepting adequate risks, and the Board's understanding of risks and how risks are managed has been critical in attaining an appropriate ratio of risks and controls in the Company. In carrying out its responsibilities for the KPPLC's Risk Management Framework and related procedures, the Board establishes the risk appetite within which Management is expected to operate and monitors the Company's operational, financial, and risk management processes. The delegation of these responsibilities to the Governance & Audit Committee guarantees independent monitoring of the Company's risk and internal control concerns.

The Company Board of Directors are recognized as the Risk Owner and is in charge of risk management actions within their area of operations. Corporate Management involves carrying out their risk management obligations and collaborating with diverse parties on risk management tasks such as ensuring the prompt identification/ updating of risks, controls, issues, and action plans, as well as risk escalation.

"KPPLC's strong governance structure ensures accountability and drives improved decision making, while delivering long-term sustainable value for our stakeholders."

The evaluation of internal and external climate-related risks included in the Company's Enterprise Risk Management Framework and is presented to the Board regularly. The Board acknowledge the ultimate responsibility of developing and supervising the Company's Risk Management Framework, as well as frequently evaluating the Framework and policies to ensure their sufficiency and effectiveness.

Risk Management Framework At KPPLC

The primary goal of the Company Risk Management Framework is to identify, assess, and manage risks that could negatively impact the Company's long-term and short-term strategy and objectives. Our risk management strategy is to instill risk awareness in every decision-making and a commitment to risk management that is proactive and successful. This involves recognizing and analyzing threats and opportunities early on, controlling and mitigating threats before they manifest and successfully responding if they do, and actively pursuing opportunities to capture value within established risk tolerances. Where applicable, our method for detecting, analyzing, and managing material business risks is meant to manage rather than eliminate threats, accepting some risk in order to create returns.

Since producing and safeguarding value is the primary driver of risk management, it is critical that the Company Risk Management Framework includes risk identification and mitigation strategies in both strategy formulation and performance management. The framework emphasizes the role of Corporate Management and their responsibility to guarantee that risk management is a vital aspect of business.

RISK MANAGEMENT

Our risk management strategy is to instill risk awareness in every decision-making and a commitment to risk management that is proactive and successful. This involves recognizing and analyzing threats and opportunities early on, controlling and mitigating threats before they manifest and successfully responding if they do, and actively pursuing opportunities to capture value within established risk tolerances.

All workers and business partners are responsible for detecting, analyzing, and managing risks, and they work within the Company-wide framework to keep risks within allowed boundaries.

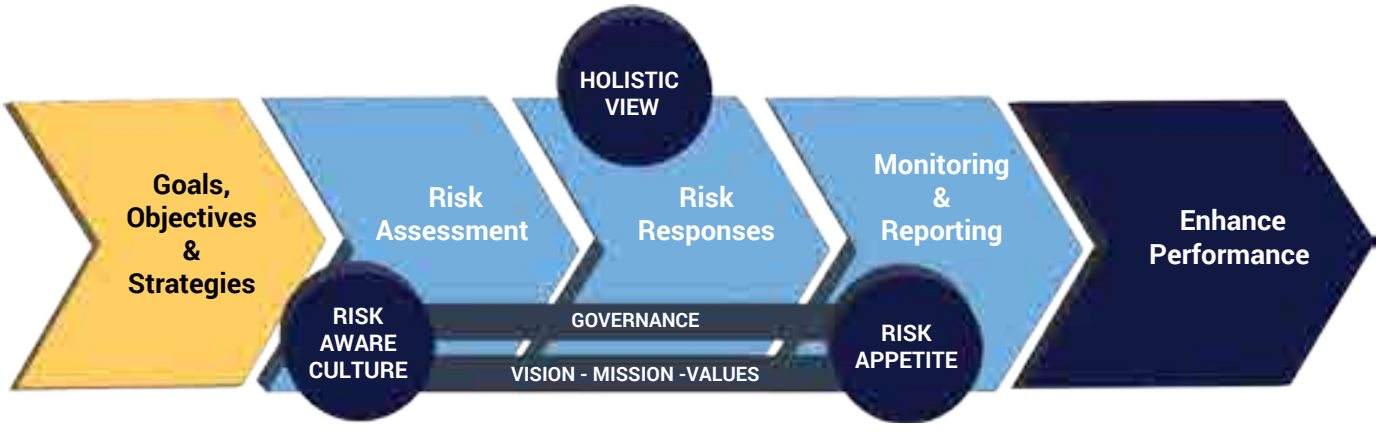
KPPLC risk assessment and mitigation methods includes in both strategy development and driving performance. Our integrated approach is a top-down strategic view that is supplemented by bottom-up operational risk assessments, while keeping the external environment in mind. These risk assessments are supplemented by strategic risk analyses and risk outlooks, as well as risk assessments for key operations and investments undertaken by the Company in order to proactively anticipate and mitigate risk events while facilitating risk understanding and management at various levels of the business.

Any potential risk detected are escalated as necessary, and mitigation measures are implemented to mitigate such risks. Furthermore, due to the ever-changing nature of risk events in the external environment in which we operate, a major risks perspective bulletin on external and emerging risks is developed and distributed to the Board and Management.

Internal Audit

Our Group of Company internal audit department provides independent, objective, and risk-based assurance and consulting services designed to add value and improve the Company's operations by assessing whether risk management, control, and governance processes are designed, implemented, and operated in a sustainable and effective manner. When control constraints are identified, remedial measures are presented to Management and then monitored for execution. The use of data analytics and continuous control monitoring capitalizes on the potential of real-time auditing to improve the control environment.

Enterprice Risk Management Model



KEY RISKS	SUB RISK	PURPOSE OF MANAGING RISK	HOW WE MANAGE
STRATEGIC RISK	Global Economic Risk	To reduce the uncertainty of global economic risks that are global in nature and impact, such as unexpected changes due to the global recession, sanctions imposed on countries, or changes in international markets.	◈ Adopt to diversify the risk by exploring and engaging to market the products in different global markets and finding reliable new markets. ◈ Identifying and investigating product mix to match the global trends and demand. ◈ Analyzing global financial trends and entering into negotiations with foreign buyers. For example entering in to Forward contracts.
	Environmental Risk	To reduce the impact of the occurrence of negative economic consequences resulting from organizational operations.	◈ Adopting sustainable agricultural practices. ◈ Closely interacting with environmental authority to align our operations with their requirements. ◈ Taking steps for soil conservation. ◈ Allocate land for forestry.
	Fiscal Policy Changing Risk	To reduce the risks associated with shifting government policies affecting foreign trade and the plantation sector.	◈ Company has employed tax & legal consultants to advice on these issues. ◈ Government lobbying through the minister by maintaining good formal relationship. ◈ Willing to deal with financial risk arising with government policy changes.
	Technological Risk	To reduce the impact of technology innovation on product obsolescence in the company.	◈ Focus on technological changes arising in the industry and adopt them where it is necessitates ◈ Upgrade the production facilities through allocation of company funds.
	Reputation Risk	To lessen the impact of risk connected with firm reputational breaches.	◈ Active and regular communication with stakeholders to enhance the image of the Company. ◈ Regular review on the Company's interactions with outside environment. ◈ Adopting stringent quality assurance standards with regard to ensure the quality of our products, including raw and packing materials.

RISK MANAGEMENT

KEY RISKS	SUB RISK	PURPOSE OF MANAGING RISK	HOW WE MANAGE
FINANCIAL RISK	Currency Risk	To reduce the impact of foreign currency rate volatility related with export proceeds, import payments, and foreign currency debt transactions.	◈ Regular analysis of major foreign currency trends which company usually deal with. ◈ Match the export proceeds with foreign currency payments to ensure foreign currency surplus. ◈ Export proceeds exceeding the import payments and foreign currency debt payments through various hedging techniques.
	Interest Rate Risk & Gearing Risk	To reduce the negative impact of interest rate volatility and currency denominated borrowings.	◈ Structuring the loan portfolio to combine foreign currency and local. ◈ Minimize interest rate risk through internal hedging techniques such as matching by having balance between variable & fixed portion of interest income & expense. ◈ Maximum utilization of the concessionary funding available to Plantation Companies. To ensure cost of borrowing is at the optimum level, appropriate gearing ratio will be maintained with the assistance of Group Treasury.
	Liquidity & Cash Management Risk	To take advantage of chances to raise funds at the lowest possible cost while maintaining a strong liquidity position.	◈ Funding of long term assets through Equity and Long Term Loans. ◈ Ensure availability and effective utilization of short term facilities where necessary. ◈ Ensuring proper management of working capital via maintaining adequate level of funds. ◈ Maximum utilization of the concessionary funding available to Plantation Companies.
	Capital Investments Risk	To maximize shareholder wealth by investing in the most suitable investment opportunity.	◈ Adopting a stringent approval procedure for Capital expenditure. ◈ In depth analysis of investment in both long term and short term capital employments. ◈ Use various approaches for systematically analyze the feasibility of capital budgeting including NPV, Payback, Profitability ratio etc.
	Credit Risk	To reduce the impact of risks connected with debtor defaults.	◈ Insure the export debtors to secure the payment of receivables of foreign transactions. ◈ Sales are made through auction and brokers assure the settlement. ◈ Work towards obtaining collaterals from major local customers with high outstanding. ◈ Follow stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.

KEY RISKS	SUB RISK	PURPOSE OF MANAGING RISK	HOW WE MANAGE
OPERATIONAL RISK	Inventory & Asset Risk	To get the best possible result, reduce stock obsolescence, fire and theft risks, manage stock holding expenses, and minimize machinery and equipment malfunction.	◈ Frequent physical check and adapting to a monthly declaration policy. ◈ Identify slow moving stocks and effectively laying out a channel for these to be sold off. ◈ Obtaining comprehensive insurance covers for all tangible assets. ◈ Carrying out mandatory preventive maintenance programs. ◈ Carrying out frequent employee training programs in areas such as fire prevention.
	Human Capital & Labor Risk	To maintain a smooth flow of activities with minimal disruptions while maximizing human capital productivity.	◈ Maintaining healthy relationships with trade unions through regular dialogues. ◈ Entering in to collective agreements with trade unions. ◈ Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates. ◈ To protect our self as a human employer being successful in motivating, developing, retaining and attracting the best of human capital. ◈ Improving employee benefits by way of financial incentives and welfare activities. ◈ Arrange in-house and external training in order to develop the human resources.
	Product Risk & Risk of Competition	To increase our market share and ensure our ability to compete in our respective industries by sustaining leadership.	◈ Ensure high standards of quality of Products through obtaining local and global Certificates and recognition such as ISO certificates. ◈ Increasing productivity and efficiency in order to ensure an adequate margin despite increasing wage, energy and transportation cost. ◈ Carrying out Research & Development activities to meet the competition. ◈ Regular attention towards competitor behavior to secure and improve the market.
	Procurement Risk	To reduce the risk connected with material pricing and availability.	◈ Continuous replanting activities of all crops for meet the increasing demand. ◈ Ensure the availability of all required materials through regular investigation of Procurement. ◈ Establishing relationships with many suppliers for latex and bought leaf in order to reduce over-dependency on a single supplier. ◈ Entering into forward contracts for purchases of certain raw material items.

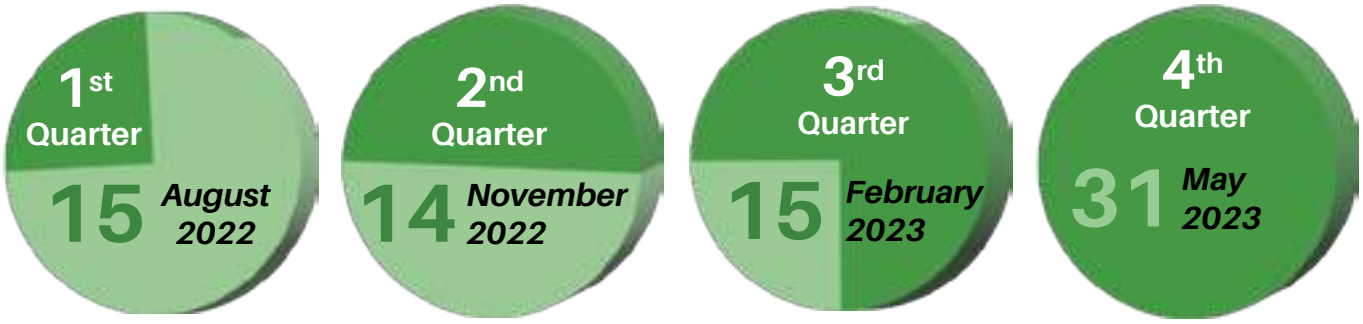
RISK MANAGEMENT

KEY RISKS	SUB RISK	PURPOSE OF MANAGING RISK	HOW WE MANAGE
HAZARD RISK	Information Systems Risk	To reduce the risk of information system failures and increase data security, hardware, communication, and software.	◈ Maintaining of spare servers. ◈ Mirroring of hard disks with critical data. ◈ Data back-ups stored in offsite locations. ◈ Vendor agreements for support service and maintenance. ◈ Regular updating of Virus scanners, Firewalls etc. ◈ Compliance with statutory requirements for environmental preservation. ◈ Carrying out Application Control Audits.
	Industrial Accident Risk	To eliminate the possibility of an industrial accident occurring in order to secure internal security.	◈ Implementing safety measures in the factories and estates. ◈ Improving the awareness of the employees on the possible accidents. ◈ Facilitating the employee education on first aid treatment. ◈ Aligning the production processes with relevant safety standards.
	Natural Disaster Risk	To lessen the harmful consequences of natural disasters.	◈ Analyzing the seasonal trends of usual disasters such as floods and getting prepared to minimize avoidable losses. ◈ Obtaining insurance covers for the risky areas. ◈ Preparation of the staff to face unexpected disasters by improving their knowledge on such events.

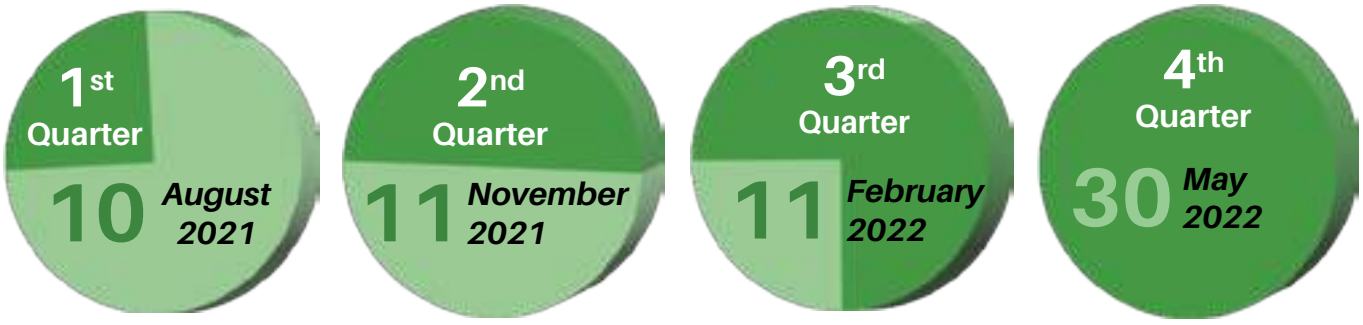
FINANCIAL CALENDAR

Interim Financial Statements

2022/23



2021/22



Dividend Announcements	2022/23	2021/22
Date of Announcement	09 January 2023	25 March 2022
Interim Dividend	Rs. 7.00 Per Share	Rs. 5.00 Per Share
Date of Payment	08 February 2023	27 April 2022

Annual Report	Published	Meetings	Date
2013/14	30 May 2014	21st Annual General Meeting	30 June 2014
2014/15	28 May 2015	22nd Annual General Meeting	30 June 2015
2015/16	31 May 2016	23rd Annual General Meeting	30 June 2016
2016/17	31 May 2017	24th Annual General Meeting	30 June 2017
2017/18	30 May 2018	25th Annual General Meeting	29 June 2018
2018/19	12-Jun-2019	26th Annual General Meeting	26 July 2019
2019/20	28-Sep-2020	27th Annual General Meeting	12 February 2021
2020/21	31-Aug-2021	28th Annual General Meeting	11 January 2022
2021/22	31-Aug-2022	29th Annual General Meeting	29 September 2022
2022/23	**31-Aug-2023**	**30th Annual General Meeting**	**27 September 2023**

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Kegalle Plantations PLC have pleasure in presenting to the Members, their report together with the Audited Financial Statements of the Company and its subsidiary for the year ended 31 March 2023 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 29 August 2023.

The details set out herein provide pertinent information required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission and are guided by recommended best Accounting Practices. The Company's new registration number is PQ 135.

Principal Activities and Operational Review

The principal activity of Kegalle Plantations PLC is cultivation and processing of Rubber, Tea, Coconut and other crops and remains unchanged from the previous year. The number of estates manage remained the same as last year - 17 estates with a total extent cultivated being 7,289 hectares (7,480 hectares in 2021/22).

The Company continues to be managed by RPC Plantation Management Services (Pvt) Ltd. The basis of computation of Management Fees was same as that of the previous year and was in accordance with the Agreement signed between both parties.

Future Development

Profound changes take place in the global commodity market. In order to stay ahead of its competitors, the strategic direction of the Company is regularly monitored by the Board of Directors in the key areas of operations and financial management, in pursuit of improving yields, value addition, diversification and product differentiation to reduce price sensitivity, to improve quality and get the best return on investment.

Review of the Company Performance

The Chairman's Review, Management Discussion & Analysis and other reports attached, briefly describe the performance of the Company and the Group in the current financial year. These Reports together with the Financial Statements reflect results and the state of affairs of the Company and its subsidiary.

Turnover

The Turnover of the Company was Rs. 5,294,937,809/- (2021/22 - Rs. 3,627,750,663/-) which is a 46% increase over last year, Composition of the Revenue is given in Note 6 to the Accounts.

Results and Appropriations

Summary of the results and appropriations are given below.

Year ended 31 March	2022/23 Rs.'000	2021/22 Rs.'000
Profit from Operations after deducting all expenses, depreciation and all known liabilities	1,017,770	564,971
(-) Taxation	(327,912)	(87,068)
Profit after Tax	689,858	477,903
(+) Other Comprehensive Income	(16,244)	39,587
Total Comprehensive Income	673,614	517,490
(+) Un-appropriate profit brought forward	2,717,300	2,339,042
(-) Surcharge tax	(877)	-
Profit available for Distribution	3,390,037	2,856,532
Appropriation		
Dividends paid	(175,000)	(125,000)
Timber Reserve	(4,117)	(14,232)
Un-appropriated profit carried forward	3,210,920	2,717,300

Details of the Company's profits are given in pages 56 -57.

Investments

Information relating to the movement of investments is given in Notes 17 and 18 to the Accounts.

Property, Plant and Equipment

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 565,000,757/- (2021/22 - Rs. 338,505,661/-), out of which expenditure on Biological Assets amounts to Rs. 438,807,468/- (2021/22 - Rs. 331,735,642/-). Further information relating to the movement of Fixed Assets is given in Notes 14 to 16 of the Accounts. Capital expenditure has been financed by either long or short-term borrowings depending on the pay- back period and or internally generated funds.

Loans & Borrowings

A breakdown of the total loans outstanding as at the Statement of Financial Position date is given in Note 25 to the Accounts.

Stated Capital

The Stated Capital of the Company as at 31 March 2023 was Rs. 250,000,010/-. A detail of the Stated Capital is given in Note 24 to the Financial Statements.

Reserves

The Reserves of the Company as at 31 March 2023 was Rs. 3,538,453,262/- (2021/22 - Rs. 3,040,715,799/-). The details are given in the Statement of Changes in Equity on Page 59 to the Financial Statements.

Corporate Donations

During the year under review the Company has not made any donations. (2021/22 – Nil).

Taxation

According to the New Inland Revenue Act No. 24 of 2017 (i.e. effective from 1 April 2018), the Company was liable to pay income tax at the rate of 14% on its agricultural business for the year of assessment 2019/20 and as per the Inland Revenue (Amendment) Act was passed in Parliament on 4 May 2021, The sale of produce from agro farming is exempt for a period of 5 years from 1 April 2019. Agro processing is taxed at a concessionary rate of 14% and all the other sources taxed at the standard rate of 24% from 1 January 2020 onwards.

Effect of changes in tax rate in current year

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 1 October 2022) for income taxation. The following rates have been used for income tax calculation.

Accordingly, deferred taxes of the company have been computed at 30% (2021/22 - 14%).

Further details of Taxation are given in Note 12 to the Financial Statements

Source of Taxable income	Description	Effective tax rate (%)	
		First Six Months	Second Six Months
Agro farming	Exempted	-	-
Agro processing	Tax on taxable income at special rates - (After allowing for 25% tax rebate)	10.5%	22.5%
Dividend income	Tax on dividend	14%	15%
Other investment income	Tax on balance taxable income	24%	30%

Share Information

Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 113 to 115 of this report.

Major Shareholders

The twenty five largest shareholders of the Company as at 31 March 2023 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 115.

Directorate

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 08 to 09.

Name of the Director	
Dr. Sena Yaddehige	Chairman
Prof. R C W M R A Nugawela	Director
Dr. S S B D G Jayawardena	Director
Mr. Shaminda Yaddehige	Director
Mr. J L A Fernando	Director

Appointment, Re-election and Resignation

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja -Ela, who is 81 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena"

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Mr. Ananda Fernando of No. 17- 4, Park Tower, Havelock City, Colombo 06, who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Mr. Ananda Fernando"

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Mr. Shaminda Yaddehige, who retires by rotation at the Annual General Meeting will offer himself for re-election.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Directors' Interest in Contracts

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 37 (Related Party Disclosures) to the Financial Statements.

Interest Register

The Company maintains an interest register as required by the Companies' Act No. 07 of 2007. Information pertaining to directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

Directors'/CEO's Interest in Shares

Shareholding of Directors/CEO who held office during the financial year is as follows: -

Directors' and CEO's Shareholding		
Name of Director/CEO	As at 31/03/2023	As at 31/03/2022
Dr. Sena Yaddehige, Chairman	-	-
Prof. R C W M R A Nugawela, Director	-	-
Dr. S S B D G Jayawardena, Director	-	-
Mr. Shaminda Yaddehige, Director	-	-
Mr. J L A Fernando, Director	100	100
Mr. Prins de S A Gunasekara, Chief Executive Officer	-	-

Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2023 is given in Note 8 of the Financial Statements.

Vision, Mission & Objectives

The Company's Vision, Mission and Long-Term Objectives are given front inner page of this report.

Environmental Protection

The Companies activities can have both direct and indirect effects on the environment. It is the policy of the Company to minimize any adverse effects by recycling resources as much as possible and creating awareness among staff on current global environmental threats.

Employment Policy

The Company's recruitment and employment policy is non discriminatory. Appraisals of individual employees are carried out by the respective departmental heads in order to evaluate their performances and realize their potential and through this process to benefit the Company and themselves.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date.

Events after the Reporting Date

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment or disclosure in the Accounts.

The Company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees in Tea Centers, Factories and fields to control the outbreak of Corona Virus. The Company will continue its policy of Human Resources development to meet the future challenges that will arise in skill and competency levels.

In this context, ensuring health and safety of our employees is of paramount important and we have facilitated work from home for head office employees, sanitization and other safety measures have been implemented at all our estates and manufacturing facilities. Several welfare measures such as providing dry rations, cash advances to maintain livelihood of our estate employees during this period were undertaken.

Board Committees

The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in Pages 38 to 40 of this report.

Related Party Transactions

There are no non recurrent related party transactions which exceed 10 percent of the Equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in note 36 on Pages 107 to 108.

Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Pages 30 to 37.

The Board has overall responsibility for the Group's system of Internal Financial Control. Although no system of Internal Control can provide absolute assurance against material misstatement or loss the Group's internal

control system has been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions authorized and properly recorded and material errors and irregularities either prevented or detected within a reasonable period of time.

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for financial reporting of the Company and the Group is set out in Page 52 of this report.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene the Laws and the regulations applicable in Sri Lanka. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange.

The Company is in compliance with the CSE rules on related party transactions which was made mandatory with effect from 1st of January 2016.

Company Auditors

The Financial Statements for the year ended 31 March 2023 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Pages 53 to 55.

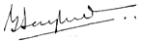
In accordance with the Companies Act No. 7 of 2007, a resolution proposing their re-appointment as Auditors to the Company and authorizing the Directors of the Company to fix their remuneration will be proposed at the Annual General Meeting.

The Audit Fee of Messrs. Ernst & Young for the current year was Rs. 4,208,374/- (2021/22 Rs. 3,691,556/-). In addition, Rs. 1,157,484/- (2021/22 Rs. 1,428,817/-) was paid by the Company for non-audit related work which consists mainly of certifications issued to the Department of Inland Revenue and Tax related work. As far as the Directors were aware the Auditors do not have any relationship other than that of an Auditor with the Company.

Annual General Meeting

The Annual General Meeting will be held on 27 September 2023 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the Annual General Meeting is on Page 122 of the report.

This Annual Report is signed for and on behalf of the Board of Directors.



Dr. S S B D G Jayawardena
Director

J L A Fernando
Director

Mrs. R J Siriweera
Company Secretary

Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna, Maharagama.

29 August 2023

STATEMENT OF THE DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No.7 of 2007, the Directors of Kegalle Plantations PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on pages 53 to 55 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2023 included in this report have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards. They provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements given on pages from 62 to 76 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that all Companies within the Group maintain adequate accounting records, which are sufficient enough to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company and its subsidiary. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company and its subsidiary as at 31 March 2023 and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them which comprise internal checks, internal audit, financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors are of the view that the Company and its subsidiary have adequate resources to continue operations in the foreseeable future, as a going concern. Accordingly, the Directors have continued to use the going-concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors Messrs. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Company's Auditors, Messrs. Ernst & Young, Chartered Accountants have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on pages 53 to 55 of this report. In arriving at their opinion, they have carried out reviews and sample checks on the system of internal controls.

By order of the Board,

Mrs. R J Siriweera
Company Secretary

Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna
Maharagama.

29 August 2023

INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KEGALLE PLANTATIONS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kegalle Plantations PLC ("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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Measurement of Bearer Biological Assets	
The Bearer Biological Assets are a significant non-current asset of the Group representing 38% of the total assets consisting with Rs. 1,754 Mn as Mature Plantations and Rs. 1,507 Mn as Immature Plantations as at 31 March 2023 as disclosed in notes 3.8.8.1 and 16.1 to the financial statements. Measurement of Bearer Biological asset in the financial statements was a key audit matter due to following: ◈ Materiality of the balance and its significance to total assets (38%) of the Group.	Our audit procedures included the following : ◈ Assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations. ◈ Validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidence.

Partners: D R Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms Y A De Silva FCA, Ms G S Munasinghe FCA, W A R S P Fernando FCA FCMA, B F Wijesuriya FCA FCMA, R de Saram ACA FCMA, Ms N A De Silva FCA, N Y Sultan ACA ACMA, Ms L K H L Fonseka FCA, Ms K R V Fernando FCA ACMA, Ms P Y N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yaapala ACA ACMA

Principals: T J M Rupesh FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms P S Pathiranage ACA ACMA LLB (Colombo), D L P Karunathilaka ACMA, W S J De Silva BSc (Hons) - V-S Mr - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

Key Audit Matter	How our audit addressed the key audit matter
Measurement of Bearer Biological Assets (Contd.)	
◈ Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers to be made from immature plantations to mature plantations and for the identification of triggers of impairment.	◈ Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations. ◈ Assessed the reasonableness of depreciation provided on the matured plantations by performing independent computations. ◈ Inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment have been identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements. We also assessed the adequacy of the related disclosures given in Notes 3.8.8.1 and 16.1 in the financial statements.
Retirement Benefit Obligation	
The retirement benefit obligation as at 31 March 2023 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group. Measurement of the retirement benefit obligation was a key audit matter due to following reasons: ◈ The retirement benefit obligation of the Group is significant (Rs. 448 Mn) in the context of the total liabilities of the Group (13 % of total liabilities). ◈ The actuarial valuation involves making significant assumptions about Discount rate. Further, the complexity of the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation. ◈ The determination of the base salary/wage rate and the future salary/wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end. Key areas of significant judgments, estimates and assumptions are disclosed in note 26 to the financial statements.	Our audit procedures included the following: ◈ We assessed the competency, capability and objectivity of the external actuary engaged by the Group. ◈ We read the external actuary's report and understood the key estimates made and the approach taken by the valuer in determining the present value of retirement benefit obligation. ◈ We assessed reasonableness the discount rate used, with our internally developed benchmarks. ◈ We validated the key data used by the actuary to the underlying data held by the Group. We have also assessed the adequacy of the disclosures made in Notes 26 to the financial statements relating to the significant judgements and estimates.

Other Information included in the Company's 2022/23 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

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

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

Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M -4169.

Ernst & Young

Chartered Accountants

29 August 2023
Colombo

STATEMENT OF PROFIT OR LOSS

		Group		Company	
		2023	2022	2023	2022
Year ended 31 March	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	6	5,294,938	3,627,751	5,294,938	3,627,751
Cost of Sale		(4,176,515)	(3,095,130)	(4,176,515)	(3,095,130)
Gross Profit		1,118,422	532,621	1,118,422	532,621
Gain on fair value of Biological Assets	16.4	5,126	15,621	5,126	15,621
Other Income	7	106,696	92,566	104,357	90,251
Administrative Expenses		(75,996)	(60,139)	(72,171)	(56,375)
Management Fee		(168,911)	(94,629)	(168,911)	(94,629)
Profit from Operations	8	985,338	486,040	986,823	487,489
Finance Income	9	259,854	181,044	259,854	181,044
Finance Cost	10	(228,904)	(103,562)	(228,904)	(103,562)
Share of Result of Equity Accounted Investees	11	131,301	396,156	-	-
Profit Before Taxation		1,147,589	959,678	1,017,772	564,971
Tax Expenses	12.1	(396,433)	(163,099)	(327,914)	(87,067)
Profit After Taxation		751,156	796,579	689,858	477,904
Attributable to:					
Equity holders of the Parent		751,156	796,579	689,858	477,904
Non-controlling interest		-	-	-	-
Profit for the year		751,156	796,579	689,858	477,904
Basic Earnings Per Share - Rs.	13	30.05	31.86	27.59	19.12
Dividend Per Share - Rs.	13.3	7.00	5.00	7.00	5.00

The accounting policies and notes on Pages 62 through 112 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
		2023	2022	2023	2022
Year ended 31 March	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year		751,156	796,579	689,858	477,904
Other Comprehensive Income					
Other Comprehensive income that will not be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans	26	(13,784)	12,501	(13,784)	12,501
Income tax effect	12.2	4,135	(1,750)	4,135	(1,750)
Other Comprehensive income/(loss) that will not be reclassified to profit or loss in Subsequent periods (net of tax)		(9,649)	10,751	(9,649)	10,751
Share of Other Comprehensive Income of Equity Accounted Investees					
Other Comprehensive income that will not be reclassified to profit or loss in Subsequent periods					
Actuarial Gains / (Losses) on Defined Benefit Plans	11.2	1,984	(3,336)	-	-
Income tax effect	11.2	(595)	467	-	-
		1,389	(2,869)	-	-
Net Gain / (Loss) on Fair Value Through Other Comprehensive Income Financial Assets	11.2 & 17.1	(46,928)	3,700	(7,328)	32,040
Income tax effect	12.2	733	(3,204)	733	(3,204)
		(46,195)	496	(6,595)	28,836
Net Other Comprehensive income / (Loss) that will not be reclassified to profit or loss in Subsequent periods		(44,805)	(2,373)	(6,595)	28,836
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods		-	-	-	-
Other Comprehensive Income/(Loss) for the year, net of tax		(54,456)	8,378	(16,244)	39,587
Total Comprehensive Income/(Loss) for the year, net of tax		696,700	804,957	673,614	517,491
Attributable to:					
Equity holders of the Parent		696,700	804,957	673,614	517,491
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		696,700	804,957	673,614	517,491

The accounting policies and notes on Pages 62 through 112 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
		2023	2022	2023	2022
As at 31 March	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non Current Assets					
Right of Use Assets	14	498,113	488,108	498,113	488,108
Free hold Property, Plant and Equipment	15	782,538	628,466	768,288	610,680
Bearer Biological Assets	16.1	3,260,126	2,952,415	3,260,126	2,952,415
Consumable Biological Assets	16.2	212,354	190,705	212,354	190,705
Financial Assets	17	219,144	199,080	219,144	199,080
Long Term Investments	18.3	1,959,609	1,935,038	491,850	491,850
Total Non Current Assets		6,931,883	6,393,812	5,449,874	4,932,838
Current Assets					
Produce on Bearer Biological Asset	16.3	8,794	7,784	8,794	7,784
Inventories	19	663,667	445,465	663,554	445,352
Trade and Other Receivables	20	666,672	455,787	664,166	454,166
ESC Recoverable		-	8,846	-	8,846
VAT Recoverable		21,066	21,066	21,066	21,066
Income Tax Recoverable		16,131	16,131	16,131	16,131
Amounts due from Related Companies	21	19,860	11,681	49,348	38,508
Short Term Investments	22	281,822	776,496	281,822	776,496
Cash and Bank Balances	23	21,273	15,841	21,273	15,841
Total Current Assets		1,699,285	1,759,097	1,726,155	1,784,190
TOTAL ASSETS		8,631,168	8,152,909	7,176,029	6,717,028
EQUITY AND LIABILITIES					
Equity					
Stated Capital	24	250,000	250,000	250,000	250,000
General Reserve	24.1	225,000	225,000	225,000	225,000
Timber Reserve	24.2	53,932	49,816	53,932	49,815
Fair Value Through Other Comprehensive Income Reserve	24.3	48,588	48,588	48,600	48,600
Retained Earnings		4,659,964	4,143,258	3,210,921	2,717,302
Total Equity		5,237,484	4,716,661	3,788,453	3,290,718
Non Current Liabilities					
Interest-bearing Loans & Borrowings	25	529,152	804,160	529,152	804,160
Retiring Benefit Obligations	26	447,967	443,213	447,967	443,213
Deferred Income	27	213,503	211,001	213,503	211,001
Deferred Tax Liability	28	561,604	247,401	561,604	247,401
Lease Creditor	29.3	539,084	504,396	539,084	504,396
Total Non Current Liabilities		2,291,310	2,210,171	2,291,310	2,210,171
Current Liabilities					
Trade and Other Payables	30	380,930	363,931	376,074	359,114
Interest-bearing Loans & Borrowings	25	453,866	441,549	453,866	441,549
Lease Creditor	29.3	7,550	6,303	7,550	6,303
Dividend Payable	31	42,488	162,553	42,488	162,553
Amounts due to Related Companies	32	217,540	251,740	216,287	246,620
Total Current Liabilities		1,102,374	1,226,076	1,096,265	1,216,139
TOTAL EQUITY AND LIABILITIES		8,631,168	8,152,909	7,176,029	6,717,028

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

Eksith Kurukulasooriya
Financial Controller

The Board of Directors is responsible for these Financial Statements.

approved and signed for and on behalf of the Board of Directors of Kegalle Plantations PLC.

Dr. S S B D G Jayawardena
Director

J L A Fernando
Director

The accounting policies and notes on Pages 62 through 112 form an integral part of the Financial Statements.

29 August 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March

Group	Stated Capital	General Reserve	Retained Earnings	FVTOCI Reserve	Timber Reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April 2021	250,000	225,000	3,477,533	48,588	35,583	4,036,704
Profit for the year	-	-	796,579	-	-	796,579
Other Comprehensive Income						
Actuarial Gains and (Losses) on Defined Benefit Plans	-	-	10,751	-	-	10,751
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on FVTOCI financial assets	-	-	496	-	-	496
Actuarial Gains and (Losses) on Defined Benefit Plans	-	-	(2,869)	-	-	(2,869)
Timber Reserve	-	-	(14,232)	-	14,232	-
Dividend paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2022	250,000	225,000	4,143,257	48,588	49,815	4,716,661
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	-	-	(877)	-	-	(877)
Adjusted Balance as at 31 March 2022	250,000	225,000	4,142,380	48,588	49,815	4,715,784
Profit for the year	-	-	751,156	-	-	751,156
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(9,649)	-	-	(9,649)
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on Fair Value Through Other Comprehensive Income Financial Assets	-	-	(46,195)	-	-	(46,195)
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	1,389	-	-	1,389
Timber Reserve	-	-	(4,117)	-	4,117	-
Dividend paid	-	-	(175,000)	-	-	(175,000)
Balance as at 31 March 2023	250,000	225,000	4,659,964	48,588	53,932	5,237,484

Company	Stated Capital	General Reserve	Retained Earnings	FVTOCI Reserve	Timber Reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April 2021	250,000	225,000	2,339,043	48,600	35,584	2,898,227
Profit for the year	-	-	477,904	-	-	477,904
Other Comprehensive Income/(Loss)	-	-	39,587	-	-	39,587
Timber Reserve	-	-	(14,232)	-	14,232	-
Dividend paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2022	250,000	225,000	2,717,302	48,600	49,816	3,290,718
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	-	-	(877)	-	-	(877)
Adujusted Balance as at 31 March 2022	250,000	225,000	2,716,424	48,600	49,816	3,289,839
Profit for the year	-	-	689,858	-	-	689,858
Other Comprehensive Income/(Loss)	-	-	(16,244)	-	-	(16,244)
Timber Reserve	-	-	(4,117)	-	4,117	-
Dividend paid	-	-	(175,000)	-	-	(175,000)
Balance as at 31 March 2023	250,000	225,000	3,210,922	48,600	53,932	3,788,453

The Timber Reserve relates to the change in fair value of managed trees which includes commercial timber plantations cultivated on estates.
The accounting policies and notes on Pages 62 through 112 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Year ended 31 March	Notes	Group 2023 Rs. '000	Group 2022 Rs. '000	Company 2023 Rs. '000	Company 2022 Rs. '000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit before Taxation		1,147,589	959,678	1,017,762	564,971
ADJUSTMENTS FOR					
Interest Income	9	(259,854)	(181,044)	(259,854)	(181,044)
Depreciation/Amortisation	8	170,965	155,544	172,725	155,544
Provision for Defined Benefit Plan Costs	26	99,342	65,559	99,342	65,559
Amortisation of Grants	27	(12,697)	(12,200)	(12,697)	(12,200)
Finance Costs	10	157,559	36,954	157,559	36,954
Interest on Government Finance Lease	29	71,345	66,608	71,345	66,608
Impairment of Property, Plant & Equipment		3,536	3,624	-	-
Reassessment on Lease Liability		142	107	142	107
(Gains) / Losses on Fair Value of Biological Assets	16.4	(5,126)	(15,621)	(5,126)	(15,621)
Share of result of Associates	11	(131,301)	(396,156)	-	-
Operating Profit before Working Capital Changes		1,241,500	683,053	1,241,209	680,878
(Increase)/Decrease in Inventories		(218,202)	(116,167)	(218,202)	(116,167)
(Increase)/Decrease in Trade and Other Receivables		(210,885)	(88,912)	(210,000)	(88,912)
Increase/(Decrease) in Trade and Other Payables		16,999	19,824	15,200	19,813
(Increase)/Decrease in amounts due from Related Companies		(8,179)	(344)	(10,840)	1,843
Increase/(Decrease) in amounts due to Related Companies		(34,201)	102,712	(30,334)	102,713
Cash Generated from / (used in) Operations		787,032	600,167	787,032	600,167
Interest on Government Finance Lease	29	(71,345)	(66,608)	(71,345)	(66,608)
Finance Costs Paid	10	(157,559)	(36,954)	(157,559)	(36,954)
Defined Benefit Plan Costs Paid	26	(108,373)	(55,962)	(108,373)	(55,962)
Surcharge Tax Paid		(877)	-	(877)	-
Net Cash from / (used in) Operating Activities		448,878	440,643	448,877	440,643
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Investments in Projects / FVTOCIFA	15.(a). / 17.1	(85,854)	(372,681)	(85,854)	(372,681)
Interest Income	9	259,854	181,044	259,854	181,044
Grant/Subsidies Received	27	15,199	14,758	15,199	14,758
Field Development Expenditure	Note A	(438,808)	(331,736)	(438,808)	(331,736)
Purchase of Property, Plant & Equipment	Note B	(126,193)	(6,769)	(126,193)	(6,769)
Net Cash from / (used in) Investing Activities		(375,802)	(515,384)	(375,802)	(515,386)
Dividend Paid		(295,062)	(95,755)	(295,062)	(95,755)
Payment of Government Lease Rentals - Capital	29	(4,566)	(3,745)	(4,566)	(3,745)
Proceed from Loans	25	-	450,000	-	450,000
Repayment of Loans	25	(341,548)	(335,453)	(341,548)	(335,453)
Net Cash from / (used in) Financing Activities		(641,176)	15,047	(641,176)	15,047
Net Increase / (Decrease) in Cash & Cash Equivalents		(568,099)	(59,694)	(568,099)	(59,694)
Cash & Cash Equivalents at the beginning of the year	Note C	692,336	752,030	692,336	752,030
Cash & Cash Equivalents at the end of the year	Note D	124,237	692,336	124,237	692,336

The accounting policies and notes on Pages 62 through 112 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

NOTE A	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in field development expenditure				
Investment in Immature Plantations				
Rubber	329,006	248,176	329,006	248,176
Tea	1,820	3,459	1,820	3,459
Coconut	35,076	29,178	35,076	29,178
Unallocated	72,906	50,923	72,906	50,923
	438,808	331,736	438,808	331,736

NOTE B	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in Property, Plant & Equipment				
Rubber	83,926	5,612	83,926	5,612
Tea	41,846	1,013	41,846	1,013
Unallocated	421	144	421	144
	126,193	6,769	126,193	6,769

NOTE C	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	15,841	18,181	15,841	18,181
Bank Overdrafts	(100,000)	(131,617)	(100,000)	(131,617)
Short term Investments	776,496	865,467	776,496	865,467
	692,336	752,031	692,336	752,031

NOTE D	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	21,273	15,841	21,273	15,841
Bank Overdrafts	(178,858)	(100,000)	(178,858)	(100,000)
Short term Investments	281,822	776,496	281,822	776,496
	124,237	692,337	124,237	692,337

The accounting policies and notes on Pages 62 through 112 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

Kegalle Plantations PLC was incorporated on 22nd June 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 310, High Level Road, Nawinna, Maharagama and Plantations are situated in the planting districts of Kegalle, Kurunegala and Badulla.

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The Consolidated Financial Statements of Kegalle Plantations PLC, as at and for the year ended 31 March 2023 comprise the Company, its Subsidiary and Associates namely, Hamefa Kegalle (Pvt.) Ltd, Richard Pieris Natural Foams Ltd, and Arpico Insurance PLC.

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31st March.

1.2 Principal activities and the nature of the operations

During the year, the principal activities of the Company were the producing and processing of Rubber, Tea and Coconut.

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

Company	Relationship of Business	Nature of the business/Principal Place
Hamefa Kegalle (Pvt) Ltd	Subsidiary	Currently no business operation other than Rent Income.
Richard Pieris Natural Foams Ltd	Associate	Manufacture of latex foam products.
Arpico Insurance PLC	Associate	Providing life insurance services.

1.3 Holding Company

The Company is a subsidiary of RPC Plantation Management Services (Pvt) Ltd., which is a wholly owned subsidiary of Richard Peiris Plantations (Pvt) Ltd whose ultimate parent enterprise is Richard Peiris & Co. PLC.

1.4 Date of Authorization for issue

The financial statements of Kegalle Plantations PLC for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the board of directors on 29 August 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.

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements ("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 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 the following material items in the Financial Statements, which are measured at fair value less cost to sell.

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

Where appropriate, the specific policies are explained in the succeeding Notes

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

2.3 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.

2.4 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except the changes mentioned, all the accounting policies set out below have been applied consistently to all the periods presented in the financial statements.

3.1 New and amended standards and interpretation

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: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to LKAS 16-Property, Plant & Equipment: Proceeds before Intended Use
- Amendments to SLFRS 3 Business Combinations: Updating a Reference to Conceptual Framework

3.2 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 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.

3.3 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2023. Subsidiaries are those entities controlled by the group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Company level investments in subsidiaries are recognized at cost.

3.3.1 Business Combinations and Goodwill

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in statement of profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

3.3.2 Equity Accounted Investees (Investment in Associates)

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the equity accounted investee. Any change in OCI of those investees is presented as part of the Group's OCI. When there has been a change recognized directly in the equity of the equity accounted investee, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealized gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The consolidated financial Statements include the Group's share of profit net of tax and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

The financial Statements of the equity accounted investees are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the equity accounted investee and its carrying value and recognizes the amount in the share of profit of an equity accounted investee, in the Statement of Profit or Loss.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In the Company level, investments in subsidiaries and associates are recognized at cost.

3.4 Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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

- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

3.5 Fair Value Measurement

The Group 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 summarized in the following notes:

- Managed Consumable Biological Assets - Note 16.2
- Produce Growing on Bearer Biological Assets - Note 16.3
- Equity investment at fair value through OCI, which are financial instruments – Note 17

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 Group.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 managed biological assets. 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 Group 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.

3.6 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

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

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

3.7 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

3.8 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.8.1 Basis of Recognition.

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

NOTES TO THE FINANCIAL STATEMENTS

3.8.2 Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

3.8.3 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 recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

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

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

The amount so capitalised and the capitalization rates are disclosed in Notes to the Financial Statements.

3.8.4 Cost of Owned Assets

The cost of Property, Plant & 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 terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised 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 Profit or Loss Statement 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.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.8.5 Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group 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 liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.8.5.1 Right of Use Assets

The Group recognises right to use of assets at the commencement date of a 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 to use of assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.8.5.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

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 Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.8.6 Derecognition

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

3.8.7 Land Development Cost

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

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

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

3.8.8 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, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber 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 recognizes the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.8.8.1 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 fertilising, 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, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.8.8.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

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

3.8.8.3 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 incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

The amount so capitalised and the capitalisation rates are disclosed in Notes to the Financial Statements.

3.8.8.4 Consumable Biological Asset

Consumable biological assets include 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 16.2.

The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate 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
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change

NOTES TO THE FINANCIAL STATEMENTS

in fair value less cost to sell of consumable biological assets are included in profit or loss for the period in which it arises.

Permanent 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

3.8.8.5 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.

3.8.9 Depreciation and Amortisation

a) Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the 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 & Roads	40	2.50
Plant & Machinery	12	8.00
Furniture and Fittings	10	10.00
Motor Vehicle	05	20.00
Equipment	08	12.50
Computer Accessories	08	12.50
Right of Use Building	02	50.00

Mature Plantations (Replanting and New Planting)

		No. of Years	Rate (%)
Mature Plantations	- Tea	33	3.33
	- Rubber	20	5.00
	- Coconut	50	2.00
	- Oil Palm	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. 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 less.

No depreciation is provided for immature plantations.

(b) 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 of Use Land	23	4.35 (Over the remaining lease period)
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Machinery	15	6.67

3.8.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite live are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.8.10.1 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.9 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.

3.9.1 Financial assets

3.9.1.1 Initial Recognition and Measurement

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

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 recognised 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 & bank, trade and other receivable and amount due from related parties.

3.9.1.2 Subsequent Measurement

For the purpose 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 amortised cost (Debt Instruments)

The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes Trade Receivables and Amounts Due From Related Parties, Deposits, Advance and Other Receivables.

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

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

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

And

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

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

The Group does not have any debt instruments at fair value through OCI.

c) Financial assets at fair value through OCI

Upon initial recognition, the Group 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 Group 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 Group has opted to classify investment in shares Richard Pieris Finance Ltd under Financial assets at fair value through OCI.

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

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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.

3.9.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired.
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in the asset. In that case, the Group 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 Group 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 Group could be required to repay.

3.9.1.4 Impairment of financial assets

The Group 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 Group 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).

3.9.2 Financial liabilities

3.9.2.1 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 recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities includes Trade and Other Payables, Bank overdraft, Loans and Borrowings.

3.9.2.2 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 liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payable and amounts due to related parties.

3.9.2.3 Derecognition

A financial liability is derecognised 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 recognised in the Profit or loss.

3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.10 Harvestable Agricultural Produce Growing on Bearer Biological Assets

In accordance with LKAS 41, Company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

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

- Tea – Bought leaf rate (current month) less cost of harvesting & transport.
- Rubber – Latex price (95% of current RSS1 Price) less cost of tapping & transport.
- Oil Palm – Bought Mill NSA less cost of harvesting & transport.
- Coconut - Farm Gate rate (current month) less cost of harvesting & transport.

3.11 Inventories

Agricultural produce harvested from biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

Finish goods manufactured from agricultural produce of biological assets

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

Input Material, Spares and Consumables

At actual cost on weighted average basis.

3.12 Cash and Cash Equivalents

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

3.13 Impairment of Non-Financial Assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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 Group 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.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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3.14 Provisions

Provisions are recognised when the Group 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 Group 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.

3.15 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and 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 recognised as an expense in profit and loss in the periods during which services are rendered by employees.

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

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

(b) Defined Benefit Plan

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through comprehensive income. Past service costs are recognised immediately in the 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 26.

3.16 Capital Commitments and Contingencies

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

3.17 Events occurring after the date of Financial Position.

All material post events occurring after the date of financial position have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.18 Earnings per Share

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

3.19 Deferred Income

3.19.1 Grants and Subsidies

Government grants are recognised 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 recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group 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 instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows:

Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings 40 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.20 Profit or Loss Statement

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 group's performance.

3.20.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of

payment and excluding taxes or duty. Revenue is recognised upon satisfaction of performance obligation.

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

3.20.1.1 Revenue from contracts 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 are transferred to the customer. Black tea and Rubber produce are sold at the Colombo Tea/Rubber 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. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group'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.

3.20.1.2 Other Source of Income

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

a) Rental Income

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

b) Dividend Income

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

c) 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 other income.

3.20.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the period.

3.20.2.1 Financing Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. 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 payments 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. Foreign currency gains and losses are reported on a net basis.

3.20.3 Taxes

3.20.3.1 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 Group 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.

3.20.3.2 Surcharge Tax

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note no.12.4 on Income Taxes.

3.20.3.3 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.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
  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

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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.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.21 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, interest and 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 Statement of Cash Flow.

3.22 Segment Reporting

Segmental information is provided for the different business segments of the Company Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards 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. The Company is primarily engaged in the production of tea, rubber and coconuts which are multiple business segment.

The Company evaluates the performance of its geographical segments. Therefore, geographical segments have been presented.

The activities of the segments are described in Note 06 in the Notes to the Financial Statements. The group 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

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

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

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

4.1 Taxation

Current 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.

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. In addition to above the prevailing tax rate up to 31 December 2022 was 14%. This was increased with effect from 01 October 2022 to 30%. As per tax amendment issued by IRD, companies have to allocate business income based on pro-rata basis for 06 months and 06 months periods. Accordingly, where applicable, the Company has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates.

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 18.03.2021, company 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.

The details of deferred tax computation are given in Note 28 to the Financial Statements.

4.2 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 26.

4.3 Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various 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 to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 16.2.1.

4.3.1 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating 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 company of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

The Group 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.

4.4 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.

4.5 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating.

5. STANDARDS 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 Group's financial statements are disclosed below. The Group 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 that was issued in 2005. SLFRS 17

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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 Group.

5.2 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

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

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

5.3 Amendments to LKAS 12 Income Taxes: 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.

The amendments are not expected to have a material impact on the Group.

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.

The amendments are not expected to have a material impact on the Group.

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

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

The amendments are not expected to have a material impact on the Group.

6. REVENUE

6.1 Summary

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sale of Goods				
Rubber	3,351,652	2,419,091	3,351,652	2,419,091
Tea	1,725,740	1,042,144	1,725,740	1,042,144
Coconut	59,499	63,589	59,499	63,589
Oilpalm	39,250	14,020	39,250	14,020
Other Crops	1,081	712	1,081	712
Sale of Rubber Trees	117,715	88,195	117,715	88,195
Total Revenue	5,294,938	3,627,751	5,294,938	3,627,751

6.2 Operating Segments

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Geographical Segments - Revenue				
Local Revenue	4,996,570	3,440,770	4,996,570	3,440,770
Export Revenue	298,368	186,981	298,368	186,981
Total Revenue	5,294,938	3,627,751	5,294,938	3,627,751

NOTES TO THE FINANCIAL STATEMENTS

6.3 Business Segments

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rubber				
Revenue	3,351,652	2,419,091	3,351,652	2,419,091
Revenue Expenditure	(2,552,850)	(1,823,463)	(2,552,850)	(1,823,463)
Depreciation & Amortisation	(133,739)	(118,560)	(133,739)	(118,560)
Other Non Cash Expenditure - Gratuity	(71,566)	(40,925)	(71,566)	(40,925)
Segment Result - Gross Profit	593,498	436,143	593,498	436,143
Tea				
Revenue	1,725,740	1,042,144	1,725,740	1,042,144
Revenue Expenditure	(1,298,400)	(1,022,083)	(1,298,400)	(1,022,083)
Depreciation & Amortisation	(36,992)	(36,783)	(36,992)	(36,783)
Other Non Cash Expenditure - Gratuity	(27,777)	(24,635)	(27,777)	(24,635)
Segment Result - Gross Profit /(Loss)	362,572	(41,358)	362,572	(41,358)
Coconut				
Revenue	59,499	63,589	59,499	63,589
Revenue Expenditure	(36,444)	(23,300)	(36,444)	(23,300)
Segment Result - Gross Profit	23,055	40,289	23,055	40,289
Oilpalm				
Revenue	39,250	14,020	39,250	14,020
Revenue Expenditure	(18,658)	(5,097)	(18,658)	(5,097)
Segment Result - Gross Profit	20,592	8,922	20,592	8,922
Other Crops				
Revenue	1,081	712	1,081	712
Revenue Expenditure	(90)	(273)	(90)	(273)
Segment Result - Gross Profit	990	440	990	440
Sale of Rubber Trees				
Revenue	117,715	88,195	117,715	88,195
Revenue Expenditure	-	(11)	-	(11)
Segment Result - Gross Profit	117,715	88,184	117,715	88,184
Total Segments				
Revenue	5,294,938	3,627,751	5,294,938	3,627,751
Revenue Expenditure	(3,906,442)	(2,874,227)	(3,906,442)	(2,874,227)
Depreciation & Amortisation	(170,731)	(155,343)	(170,731)	(155,343)
Other Non Cash Expenditure - Gratuity	(99,342)	(65,560)	(99,342)	(65,560)
Total Segment Results - Gross Profit	1,118,422	532,621	1,118,422	532,621

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total Segment Results - Gross Profit	1,118,422	532,621	1,118,422	532,621
Gain/(Loss) on fair value of biological assets	5,126	15,621	5,126	15,621
Other Income	106,696	92,566	104,356	90,251
Administrative Expenses	(72,460)	(60,139)	(72,171)	(56,376)
Impairement Loss	(3,536)	(3,624)	-	-
Management Fee	(168,911)	(94,629)	(168,911)	(94,629)
Finance Income	259,854	181,044	259,854	181,044
Finance Cost	(228,904)	(103,562)	(228,904)	(103,562)
Share of Result of Associates	131,301	396,156	-	-
Profit Before Tax	1,147,589	959,678	1,017,772	564,972

6.4 Business Segments - Assets

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Non Current Assets				
Rubber	2,407,460	2,358,489	2,407,460	2,358,489
Tea	820,321	527,520	820,321	527,520
Other Crops	603,357	518,743	603,357	518,743
Unallocated	3,100,745	2,989,059	1,618,736	1,528,085
Total Non Current Assets	6,931,883	6,393,812	5,449,874	4,932,838
Current Assets				
Rubber	972,661	650,102	972,661	650,102
Tea	353,009	182,790	353,009	182,790
Other Crops	39,397	40,129	39,397	40,129
Unallocated	334,219	886,076	361,088	911,169
Total Current Assets	1,699,285	1,759,097	1,726,155	1,784,190

6.5 Business Segments - Liabilities

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Rubber	188,390	111,184	188,390	111,184
Tea	352,038	287,836	352,038	287,836
Other Crops	162,301	152,908	162,301	152,908
Unallocated	1,588,581	1,658,243	1,588,581	1,658,243
Total Non Current Liabilities	2,291,310	2,210,171	2,291,310	2,210,171
Current Liabilities				
Rubber	192,877	156,315	192,877	156,315
Tea	143,621	108,565	143,621	108,565
Other Crops	21,145	20,075	21,145	20,075
Unallocated	744,731	941,122	738,623	931,186
Total Current Liabilities	1,102,374	1,226,077	1,096,265	1,216,141

NOTES TO THE FINANCIAL STATEMENTS

6.6 Segment Capital Expenditure

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Rubber	412,931	253,788	412,931	253,788
Tea	43,666	4,472	43,666	4,472
Coconut	35,076	29,178	35,076	29,178
Unallocated	73,327	51,067	73,327	51,067
Total Capital Expenditure	565,001	338,506	565,001	338,506

7. OTHER INCOME

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Amortisation of Capital Grants/Subsidy	12,697	12,200	12,697	12,200
Disposal of PPE	-	1,278	-	1,278
Sundry Income	93,999	79,088	91,660	76,773
Total Other Income	106,696	92,566	104,356	90,251

There are no unfulfilled conditions or contingencies attached to the grants.

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWING

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Auditors' Remuneration	5,319	4,725	5,319	4,725
Depreciation & Amortization	172,725	155,543	172,725	155,543
Directors' Remuneration	800	800	800	800
Defined Benefit Plan Cost	99,342	65,560	99,342	65,560
Defined Contribution Plans - EPF & ETF	162,068	164,619	162,068	164,619
Others - Staff Cost	1,043,938	1,083,539	1,043,938	1,083,539

9. FINANCE INCOME

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Foreign Exchange Gain	203,590	151,234	203,590	151,234
Interest income from Treasury bills, savings and FDs	56,264	29,810	56,264	29,810
Total Finance Income	259,854	181,044	259,854	181,044

10. FINANCE COST

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Overdraft Interest	24,306	1,924	24,306	1,924
Lease interest on JEDB lease	71,345	66,608	71,345	66,608
Interest on lease liabilities (right-of-use assets) - SLFRS 16	376	341	376	341
Term Loan Interest	181,774	86,477	181,774	86,477
	277,800	155,350	277,800	155,351
Less: Interest Capitalised	(48,896)	(51,789)	(48,896)	(51,789)
Total Finance Cost	228,904	103,562	228,904	103,562

11. SHARE OF RESULT OF ASSOCIATES

The Group can influence upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd and upto 40.29% of the voting rights of the Arpico Insurance PLC.

The Group's share of the income of the entities for the years ending 31 March 2023 and 2022, which are accounted under the equity method are as follows.

11.1 Statement of Profit or Loss

	Group	
	2023	2022
	Rs. '000	Rs. '000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit Before Tax	83,373	256,314
Tax on associate results	(41,997)	(35,467)
Group Share of Profit After Tax	41,376	220,847
Arpico Insurance PLC		
Group's Share of Profit Before Tax	47,928	139,842
Tax on associate results	(26,522)	(40,565)
Group Share of Profit After Tax	21,406	99,278
Total Group Share of Result		
Group's Share of Profit Before Tax	131,301	396,156
Tax on associate results	(68,519)	(76,032)
Group Share of Profit After Tax	62,782	320,125

NOTES TO THE FINANCIAL STATEMENTS

11.2 Statement of Other Comprehensive Income (OCI)

	Group	
	2023	2022
	Rs. '000	Rs. '000
Richard Pieris Natural Foams Ltd		
Gain/(Loss) on Acturial Valuation	1,984	(3,336)
Income Tax Effect	(595)	467
Group Share of Other Comprehensive Income/(Loss)	1,388	(2,869)
Arpico Insurance PLC		
Gain(/Loss) on Acturial Valuation	-	-
Net Gain / (Loss) on FVTOCI financial assets	(39,600)	(28,340)
Group Share of Other Comprehensive Income/(Loss)	(39,600)	(28,340)
Total Group Share of Result		
Gain/(Loss) on Acturial Valuation	1,984	(3,336)
Net Gain / (Loss) on FVTOCI financial assets	(39,600)	(28,340)
Income Tax Effect	(595)	467
Total	(38,212)	(31,210)

12. CURRENT TAX EXPENSES

12.1 Statement of Profit or Loss

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(I) Current Income Tax:				
Current income tax charge/(reversal)	77,365	88,286	8,846	12,254
Tax on dividend paid by Group Companies	-	-	-	-
(II) Deferred Tax (Note 28.1):				
Relating to origination and (reversal) of temporary differences	319,071	74,814	319,071	74,814
Deffered tax adjustment for prior year	(3)	-	(3)	-
Income Tax charge/(reversal) reported in Statement of Profit or Loss	396,433	163,099	327,914	87,068

12.2 Statement of Other Comprehensive Income (OCI)

Deferred tax relating to items (charges)/credited directly to OCI during the year:

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net gain/(loss) on actuarial gains and losses on defined Benefit Plans (Note 28.1)	4,135	(1,750)	4,135	(1,750)
Net gain/(loss) on fair value through OCI financial assets (Note 28.1)	733	(3,204)	733	(3,204)
Income Tax (charge)/reversal directly to Other Comprehensive Income	4,868	(4,954)	4,868	(4,954)

12.3 Reconciliation between Current Tax Expense and Accounting Profit/(Loss)

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Accounting Profit Before Tax	1,147,589	959,678	1,017,772	564,971
Aggregate Disallowed Items	359,927	240,691	359,927	240,691
Aggregate Allowable Items	(907,574)	(674,267)	(907,574)	(674,267)
Total Statutory Income	599,942	526,102	470,125	131,395
Statutory Income from Agro Farming	516,679	218,272	516,679	218,272
Statutory Income from Agro Processing	(46,555)	(86,877)	(46,555)	(86,877)
Total Statutory Income	470,125	131,395	470,125	131,395
Tax exempt income from Agro Farming/Interest	526,664	242,004	526,664	242,004
Interest Income	46,280	6,078	46,280	6,078
Total tax exempt income	(526,664)	(242,004)	(526,664)	(242,004)
Tax losses/refund claimed during the year	(46,280)	(6,078)	(46,280)	(6,078)
Total Assessable Income / Taxable Income	-	-	-	-
Income Tax @ 10.5%	-	-	-	-
Income Tax @ 14%	-	-	-	-
Income Tax @ 15%	-	-	-	-
Income Tax @ 22.5%	-	-	-	-
Income Tax @ 24%	-	-	-	-
Income Tax @ 30%	-	-	-	-
ESC write off	8,846	12,254	8,846	12,254
	8,846	12,254	8,846	12,254
Share of Equity Accounted Investees' Income Tax Expenses/(Reversal)	68,519	76,032	-	-
Current Income Tax Expenses/(Reversal)	77,365	88,286	8,846	12,254
Details of Business Losses Carried Forward				
Loss Brought Forward	1,259,344	1,172,467	1,259,344	1,172,467
Loss incurred during the year	46,555	86,877	46,555	86,877
Tax losses claimed during the year	-	-	-	-
Loss Carried Forward	1,305,898	1,259,344	1,305,898	1,259,344

12.4 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Company is liable for the surcharge tax of Rs. 0.8Mn out of the taxable income of Rs. 3.5 Mn pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

NOTES TO THE FINANCIAL STATEMENTS

13. EARNINGS PER SHARE

13.1 The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

13.2 The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amounts used as the Numerator :				
Net profit applicable to Ordinary Shareholders for basic earnings per share	751,156	796,579	689,858	477,904
	751,156	796,579	689,858	477,904
Amounts used as the Denominator :				
Weighted average number of Ordinary Shares in issue applicable to basic earnings per share (No.'000)	25,000	25,000	25,000	25,000
	25,000	25,000	25,000	25,000
Earnings Per Share (EPS) - Rs.	30.05	31.86	27.59	19.12

13.3 Dividend per Share

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interim Dividend - Rs. 7.00 per share (Rs. 5.00 for the year 2021/22)	175,000	125,000	175,000	125,000
Dividend Per Share (DPS) - Rs.	7.00	5.00	7.00	5.00

Interim dividend of Rs. 7.00 per share for the financial year ended 31 March 2023 was declared on 09 January 2023 and was paid on 08 February 2023.

14. RIGHT OF USE ASSESTS

		Group		Company	
		2023	2022	2023	2022
As at 31 March	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Right of use of land	14.1	478,591	460,164	478,591	460,164
Right of use asset - Building	14.2	1,936	1,760	1,936	1,760
Right of use Immovable leased bearer biological assets	14.3	17,581	26,177	17,581	26,177
Right of use Immovable Leased assets (other than right of use land and bearer biological assets)	14.4	5	7	5	7
		498,114	488,107	498,113	488,107

14.1 Right Of Use of Land (Revalued)

"Right Of 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, SLFRS 16 was applicable with effect from 01 January 2019, and therefore, above "Right-To-Use of Land " has accounted in accordance with SLFRS 16 with effect from 01 April 2019. "Right Of Use of 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 24 years.

The effect to the Statement of Financial Position and amortization of the right to use of land up to 31 March 2023 are as follows:

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised Value				
As at 01 April 2022	518,352	501,504	518,352	501,504
Adjustment on Reassessment of lease Liability at 01st April 2022	40,182	16,848	40,182	16,848
As at 31 March 2023	558,533	518,352	558,533	518,352
Amortisation				
As at 01 April 2022	58,188	38,181	58,188	38,181
Transferred out due to initial application of SLFRS 16	-	-	-	-
Amortization charge for the year	21,754	20,007	21,754	20,007
As at 31 March 2023	79,942	58,188	79,942	58,188
Carrying amount	478,591	460,164	478,591	460,164

14.2. Right of use asset - Building

Kegalle Plantations PLC (Head Office) as a tenant, occupying a building which belongs to Richard Pieris & Company PLC (Ultimate Parent) The effect to the Statement of Financial Position and depreciation of building to 31 March 2023 are as follows:

	Group / Company	
	2023	2022
	Rs. '000	Rs. '000
As at 01 April 2022	6,881	5,121
Effect of adoption SLFRS 16, as at 01 April 2022	-	-
Additions	1,936	1,760
As at 31 March 2023	8,817	6,881
Amortisation		
As at 01 April 2022	5,121	3,360
Amortization charge for the year	1,760	1,760
As at 31 March 2023	6,881	5,121
Carrying amount	1,936	1,760

14.3. Right of use Immovable leased bearer biological assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka which prevailed at the time of privatisation of Plantation Estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the Sri Lanka State Plantation Corporation (SLSPC), on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Statements of Financial Position and the amortisation of immovable estate assets to 31 March 2023 are as follows.

	Group		Company	
	Mature Plantations		Mature Plantations	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised Value as at 22nd June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
As at 01 April 2022	236,503	227,880	236,503	227,880
Amortisation for the year	8,596	8,623	8,596	8,623
As at 31 March 2023	245,099	236,503	245,099	236,503
Carrying amount	17,581	26,177	17,581	26,177

NOTES TO THE FINANCIAL STATEMENTS

Investment in Immature Plantations at the time of handing over to the Company as at 22 June, 1992 by way of estate leases were shown under Immature Plantations.

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber 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 16.1

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

	Group				Company			
	Improvement to Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Total Rs. '000	Improvement to Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Total Rs. '000
Capitalised Value as at 22.06.1992	192	53,935	24,289	78,416	192	53,935	24,289	78,416
Amortisation								
Accumulated Amortisation as at 01.04.2022	186	53,935	24,289	78,409	186	53,935	24,289	78,410
Amortisation for the year	1	-	-	1	1	-	-	1
Accumulated Amortisation as at 31.03.2023	187	53,935	24,289	78,411	187	53,935	24,289	78,411
Written down value as at 31.03.2023	5	-	-	5	5	-	-	5
Written down value as at 31.03.2022	7	-	-	6	6	-	-	6

Note:
The useful lives as follows;

Mature plantations/improvement to land	30 years
Buildings	25 years
Machinery	15 years

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	Balance as at 01.04.2022 Rs. '000	Additions for the year Rs. '000	Disposals / Adjustment during the year Rs. '000	Balance as at 31.03.2023 Rs. '000	Balance as at 01.04.2022 Rs. '000	Additions for the year Rs. '000	Disposals / Adjustment during the year Rs. '000	Balance as at 31.03.2023 Rs. '000
Cost/Valuation								
Buildings	112,250	2,200	-	114,450	71,701	2,200	-	73,901
Motor Vehicles	155,901	-	-	155,901	155,901	-	-	155,901
Furniture & Fittings	5,852	22	-	5,874	5,776	22	-	5,797
Equipment	61,667	7,973	-	69,640	60,994	7,973	-	68,967
Water Sanitation	2,473	-	-	2,473	2,473	-	-	2,473
Computers & Computer Software	21,292	1,361	-	22,653	20,915	1,361	-	22,276
Plant & Machinery	459,369	115,044	-	574,413	390,338	115,044	-	505,382
Other Assets on Grants	214,647	-	-	214,647	214,647	-	-	214,647
	1,033,451	126,600	-	1,160,051	922,744	126,600	-	1,049,343

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT CONTD.

	Group				Company			
	Balance as at 01.04.2022	Charge for the Year	Disposal/ Impairment Loss during the year	Balance as at 31.03.2023	Balance as at 01.04.2022	Charge for the Year	Disposal/ Impairment Loss during the year	Balance as at 31.03.2023
	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	63,765	1,760	1,608	67,133	30,826	1,760	-	32,586
Motor Vehicles	147,413	5,123	-	152,536	147,413	5,123	-	152,536
Furniture & Fittings	4,043	31	-	4,074	3,991	31	-	4,022
Equipment	58,018	474	-	58,492	57,725	474	-	58,199
Water Sanitation	2,302	30	-	2,332	2,302	30	-	2,332
Computers & Computer Software	17,855	1,177	-	19,032	17,347	1,177	-	18,524
Plant & Machinery	360,919	12,461	1,928	375,308	301,787	12,461	-	314,248
Other Assets on Grants	125,071	5,994	-	131,064	125,071	5,994	-	131,064
	779,386	27,049	3,536	809,971	686,465	27,049	-	713,513
Written Down Value	254,064			350,080	236,279			335,830

The group has been recognized Rs. 3,536,000/- impairment loss for the 2022/23 financial year (Rs. 3,624,000 - 2021/22) which was allocated Rs. 1,928,000/- to Plant & Machinery and Rs.1,608,000/- to Building. The valuation for the Property,Plant & Equipments has been carried out by the Messrs. A.Y.Daniel & Son.

	Group				Company			
	Balance as at 01.04.2022	Additions for the year	Capitalised/ Transfer during the Year	Balance as at 31.03.2023	Balance as at 01.04.2022	Additions for the year	Capitalised/ Transfer during the Year	Balance as at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work-in-Progress								
Work-in-Progress	374,402	58,463	(407)	432,458	374,402	58,463	(407)	432,458
Total Written Down Value	628,466			782,538	610,681			768,288

The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of he Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 14.

Further, the valuation of immovable JEDB estate assets on finance lease (other than leasehold land) and tangible assets other than immature/mature plantations taken over as at June 22, 1992 is based on net book value as at such date. These values were not available to Company by individual asset.

No borrowing costs have been capitalised into Capital Work-in-Progress.

Depreciation expense amounts to Rs. 26,815,243/- (2021/22 - Rs. 27,330,224/-) has been charged in cost of sales and Rs. 233,672/- (2021/22 - Rs. 199,878/-) in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

15(a). **Capital Work-in-Progress (Rs. '000)**

	Project	Others	Total
Total work-in-progress as at 01/04/2022	372,682	1,720	374,402
Incurred during the Year	58,463	(407)	58,056
Total Capital Work-in-Progress as at 31/03/2023	431,144	1,313	432,458

The project will be for the construction of a building by the Company & renting out the floor area & other production related services to Arpitech (Pvt) Ltd for its manufacturing of latex & polyurethane foam mattresses for a conversion fee. Arpitech (Pvt) Ltd is a subsidiary Company of Richard Pieris and Company PLC and under Arpico Group of Companies.

Kegalle Plantations PLC will be investing on this project in view of the Company policy for diversifying its operations for the new income generating projects thus uplifting the rural economy in meeting with future requirements.

Location	: Serapis Division, Eadella Estate, Polgahawela
Total Project Cost (Rs.)	: 450,000,000/-
Means of finance	: Company owned funds
Project Manager	: Arpico Construction (Pvt) Ltd
Main Contractor	: Mavik Enterprises (Pvt) Ltd

16. BIOLOGICAL ASSETS - GROUP/COMPANY

16.1 Bearer Biological Assets- Group/Company

16.1.1 Immature Plantations	Tea	Rubber	Coconut	Oil-palm & Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost					
At the beginning of the year 01.04.2022	71,882	966,588	34,166	211,468	1,284,104
Inter crop transfer	-	(14,856)	-	14,856	-
Additions	1,820	329,006	35,076	55,374	421,276
Transfers	-	(134,529)	(13,861)	(50,428)	(198,818)
At the end of the year 31.03.2023	73,701	1,146,208	55,381	231,270	1,506,560
Cost as at 31.03.2023	73,701	1,146,208	55,381	231,270	1,506,560
Cost as at 31.03.2022	71,882	966,588	34,166	211,468	1,284,104

16.1.2 Mature Plantations	Tea	Rubber	Coconut	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost					
At the beginning of the year 01.04.2022	364,233	1,964,955	48,007	182,481	2,559,676
Additions	-	-	-	-	-
Transfers	-	134,529	13,861	50,428	198,818
At the end of the year 31.03.2023	364,233	2,099,484	61,868	232,909	2,758,494
Depreciation					
At the beginning of the year 01.04.2022	135,045	734,319	7,239	14,762	891,365
Charge for the year	15,078	91,778	1,150	5,558	113,564
At the end of the year 31.03.2023	150,123	826,097	8,389	20,320	1,004,929
Written down value as at 31.03.2023	214,110	1,273,386	53,479	212,589	1,753,565
Written down value as at 31.03.2022	229,188	1,230,636	40,768	167,719	1,668,311
Bearer Biological Assets as at 31.03.2023	287,812	2,419,595	108,860	443,859	3,260,126
Bearer Biological Assets as at 31.03.2022	301,070	2,197,224	74,934	379,187	2,952,415

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 14. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved 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.

Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs Rs. 36,024,820/- (2021/22 - Rs. 51,789,445/-) were capitalized during the year under Immature Plantations, at an average borrowing rate of 3.54% (2021/22 - 4.81%).

16.2. Consumable Biological Assets - Timber Plantations

	Group/Company	
	2023	2022
	Rs. '000	Rs. '000
As at 01 April	190,705	160,028
Increase due to development	17,532	16,445
Gain/(loss) fair value of Biological Assets	4,117	14,232
As at 31 March	212,354	190,705

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

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Mr. W. M. Chandrasena , Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates.

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Following associated factors are taken into consideration in determining the present value of timber prices.

NOTES TO THE FINANCIAL STATEMENTS

16.2. Consumable Biological Assets - Timber Plantations Contd.

16.2.1 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relationship of Unobservable Inputs to Fair Value
			2022/23	2021/22	
Consumable Managed Biological Assets	DCF Method	Discounting Rate	19.0%	19.0%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20-25 Years	20-25 Years	Lower the rotation period, the higher the fair value
		Price per Cu.Ft.	Rs. 200/- to Rs. 800/- per Cu.Ft	Rs. 200/- to Rs. 800/- per Cu.Ft	The higher the price, the higher the fair value

Other key assumptions used in valuation;

1. The harvesting is approved by the Plantation Management Monitoring Division (PMMD) and 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 cost are not taken into 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. 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 their own assumptions.

Sensitivity Analysis

Sensitivity variation on 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 an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Company	Rs. '000	Rs. '000
Managed Timber	-10%	+10%
As at 31 March 2023	(21,235)	21,235
As at 31 March 2022	(19,071)	19,071

Sensitivity variation on 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 an increase or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

Company	Rs. '000	Rs. '000
Managed Timber	-1.5%	+1.5%
As at 31 March 2023	11,698	(10,289)
As at 31 March 2022	11,438	(9,941)

16.3 Produce on Bearer Biological Assets

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April - as previously reported	7,784	6,395	7,784	6,395
Change in fair value less cost to sell	1,009	1,389	1,009	1,389
At the end of the year	8,793	7,784	8,794	7,784

16.4 Gain/(Loss) on fair value of Biological Assets

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Consumable Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.2)	4,117	14,232	4,117	14,232
Produce on Bearer Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.3)	1,009	1,389	1,009	1,389
Total change in fair value of Biologcal Assets	5,126	15,621	5,126	15,621

17. FINANCIAL ASSETS

17.1 Unquoted Investment

Fair Value Through Other Comprehensive Income Financial Assets (FVTOCIFA)

		Group		Company	
		2023	2022	2023	2022
Non-Quoted Equity Shares held by the Company					
Non-Quoted Ordinary Shares of Richard Pieris Finance Ltd					
No of Shares	No	13,826	12,000	13,826	12,000
% Holding	%	7.83	7.83	7.83	7.83
Face Value Per Share	Rs.	10.00	10.00	10.00	10.00
Carrying Value as at 31 March	Rs. '000	199,080	167,040	199,080	167,040
Invested during the year	Rs. '000	27,391	-	27,391	-
Carrying Value as at 01 April	Rs. '000	226,471	167,040	226,471	167,040
Equity Value Per Share as at 31 March	Rs.	15.85	16.59	15.85	16.59
Gain/(Loss) on FVTOCI Financial Asset	Rs. '000	(7,327)	32,040	(7,327)	32,040
Carrying Value as at 31 March	Rs. '000	219,144	199,080	219,144	199,080

NOTES TO THE FINANCIAL STATEMENTS

17.2 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

Financial Asset	Valuation methodology	Unobservable inputs	Range of unobservable inputs 2023
Investment in non-quoted Ordinary Shares of Richard Pieris Finance Ltd	Market Approach (trading multiples) - Primary methodology	Price to Book Value multiple	Price to Book multiple range of 1.05 - 1.10

Key assumptions used in valuation;

1. Screening was conducted on similar companies listed on the Colombo Stock Exchange based on similiarities in Net Asset Value and total Revenue.
2. Results of screening based on publicly available information as at the latest practicable date.
3. Valuation exercise was concluded on Price to Book Value multiples of identified similar Companies.

The fair value of the retained interest of the Richard Pieris Finance Ltd on initial recognition identified in profit or loss statement and Gain or Loss on subsequent fair valuation recognised in Other Comprehensive income.

17.3 Fair Value Hierarchy

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.

NON FINANCIAL ASSETS - CONSUMABLE BIOLOGICAL ASSETS

As at 31 March	Date of Valuation	Level 1		Level 2		Level 3	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Assets measured at fair value							
Fair Value Through OCI Financial Assets		-	-	219,144	199,080	-	-
Consumable Biological Assets - Timber		-	-	-	-	212,354	190,705
Produce on Bearer Biological Assets		-	-	8,794	7,784	-	-

18. LONG TERM INVESTMENTS

18.1 Investments in Subsidiaries

Company
Unquoted Investment
Hamefa Kegalle (Pvt) Ltd
Initial Investment in Hamefa Kegalle (Pvt) Ltd stated at cost of Rs. 14.0 Mn. Since it was provided for diminishing in value of Rs. 14.0 Mn upto 2008, the carrying amount of investment shows no balance at the end of the year.

Directors of the Subsidiary,

Subsidiary incorporated in 2003.
- Dr. Sena Yaddehige, Chairman
- Mr. Lalith Wijesinghe, Director
- Mr. Viville Perera, Director

18.2 Investments in Associates

Quoted Investment - Arpico Insurance PLC	Group		Company	
	2023	2022	2023	2022
	%	%	%	%
% Holding	40.29	40.29	40.29	40.29
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	26,685	26,685	26,685	26,685
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Carrying Value - Rs.	808,561	826,755	266,850	266,850

Movement of the Investment - Arpico Insurance PLC	Group	
	2023	2022
	Rs. '000	Rs. '000
At the beginning of the year	826,756	755,818
Share of Profit, net of tax	21,406	99,278
Share of Other Comprehensive Income/(loss), net of tax	(39,600)	(28,340)
Dividends Received, gross	-	-
At the end of the year	808,561	826,755

Unquoted Investment - Richard Pieris Natural Foams Ltd	Group		Company	
	2023	2022	2023	2022
	%	%	%	%
% Holding	35.11	35.11	35.11	35.11
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	22,500	22,500	22,500	22,500
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Carrying Value - Rs.	1,151,048	1,108,283	225,000	225,000

Movement of the Investment - Richard Pieris Natural Foams Ltd	Group	
	2023	2022
	Rs. '000	Rs. '000
At the beginning of the year	1,108,283	890,305
Share of Profit, net of tax	41,376	220,847
Share of Other Comprehensive Income/(loss), net of tax	1,389	(2,869)
Dividends Received, gross	-	-
At the end of the year	1,151,048	1,108,283

Total investments in associates	1,959,609	1,935,038	491,850	491,850

NOTES TO THE FINANCIAL STATEMENTS

18.3 Other Long Term Investments

	Group		Company	
	2023	2022	2023	2022
No of Shares	**Nos**	**Nos**	**Nos**	**Nos**
Maskeliya Tea Garden Ceylon Ltd	1	1	1	1
Exotic Horticulture (Pvt) Ltd	1	1	1	1
Total Investment	2	2	2	2
Value	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**
Maskeliya Tea Garden Ceylon Ltd	0.01	0.01	0.01	0.01
Exotic Horticulture (Pvt) Ltd	0.01	0.01	0.01	0.01
Total long Term Investments - Others	0.02	0.02	0.02	0.02
Long Term Investments - Total	1,959,609	1,935,038	491,850	491,850

18.4 Summarised Financial Information of Associates

	Group	
Richard Pieris Natural Foams Ltd	**2023**	**2022**
	Rs. '000	**Rs. '000**
Revenue	5,869,667	(4,122,654)
Profit Before Tax	237,463	730,031
Profit After Tax	117,847	629,014
Other Comprehentive Income/(Loss)	3,955	(8,172)
Total Comprehentive Income	121,802	620,842
Group's Share of Profit Before Tax	83,373	256,314
Group's Share of Other Comprehensive Income/(Loss)	1,389	(2,869)
Group's Share of Total Comprehentive Income	84,762	253,445
Dividends Received, net of tax	-	-
Current Assets	2,358,261	2,473,358
Non Current Assets	2,698,679	2,138,713
Total Assets	5,056,940	4,612,071
Current Liabilities	2,186,040	1,537,949
Non Current Liabilities	304,986	408,998
Total Liabilities	2,491,026	1,946,947

The Group can influence upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd with effective date from 31 March 2010.

18.4 Summarised Financial Information of Associates Contd.

Arpico Insurance PLC	Group 2023 Rs. '000	2022 Rs. '000
Revenue	2,133,861	2,133,861
Profit Before Tax	118,958	347,089
Profit After Tax	53,131	246,408
Other Comprehentive Income/(Loss)	-	-
Total Comprehentive Income	53,131	246,408
Group's Share of Profit Before Tax	47,928	139,842
Group's Share of Other Comprehensive Income/(Loss)	-	-
Group's Share of Total Comprehentive Income	47,928	139,842
Current Assets	1,371,269	1,636,327
Non Current Assets	3,422,702	2,875,839
Total Assets	4,793,971	4,512,166
Current Liabilities	513,149	449,209
Non Current Liabilities	2,290,906	2,027,884
Total Liabilities	2,804,055	2,477,093
Market Price Per Share - Close (Rs.)	22.90	17.10

The Group can influence upto 40.29% of the voting rights of the Arpico Insurance PLC with effective date from 01 April 2015.

18.5 Summarised Financial Information of Associates Contd.

	Richard Pieris Natural Foams Ltd		Arpico Insurance PLC	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash and cash equivalents	(588,006)	(42,602)	98,620	165,211
Trade & Other Payables	129,918	212,971	305,374	336,390
Amounts due to related Parties	899,979	383,960	36,909	14,115
Interest Bearing Borrowings	150,000	254,167	-	-
Liability to make lease payments	170,808	149,506	170,866	148,150
Income Tax Payable	24,903	10,884	-	-
Retirement Benefit Obligation	30,294	36,395	19,008	17,662
Deferred Tax Liability	70,712	87,547	-	-
Deprecation	101,042	90,066	25,822	28,000
Interests Income	4,527	9,637	524,725	269,283

NOTES TO THE FINANCIAL STATEMENTS

19. INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Input Materials	147,828	50,199	139,957	42,329
Growing Crop - Nurseries	48,290	40,360	48,290	40,360
Produce Stock	428,338	337,711	428,338	337,711
Spares and Consumables	46,968	24,953	46,968	24,953
	671,424	453,223	663,554	445,352
(-) Provision for slow moving stocks	(7,757)	(7,757)	-	-
	663,667	445,466	663,554	445,352

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Produce Debtors (Related Companies, Note. 20.1)	372,633	292,488	372,633	292,488
Produce Debtors (Others)	122,819	15,362	122,819	15,362
Total Produce Debtors	495,452	307,850	495,452	307,850
Advances & Prepayments	88,001	76,089	88,001	76,089
Other Debtors	83,219	71,848	80,714	70,227
	666,672	455,787	664,166	454,166

The age analysis of produce debtors is as follows;

	Neither past due nor impaired					
	0 - 7 days	8 - 30 days	31 - 90 days	91-364 days	> 365 days	Total
Balance as at 31 March 2023	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group - Produced Debtor (Related Company)	-	372,633	-	-	-	372,633
- Produce Debtor (Other)	122,819	-	-	-	-	122,819
Company - Produced Debtor (Related Company)		372,633	-	-	-	372,633
- Produce Debtor (Other)	122,819	-	-	-	-	122,819

20.1 Trade Receivables From Related Companies

		Group		Company	
		2023	2022	2023	2022
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Richard Pieris Natural Foams Ltd	Associate Company	336,069	269,326	336,069	269,326
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	30,903	15,362	30,903	15,362
Richard Pieris Rubber Products Ltd	Related Company	1,039	-	1,039	-
Richard Pieris Distributors Ltd	Related Company	1,234	1,235	1,234	1,235
Maskeliya Tea Garden Ceylon (Pvt) Ltd	Related Company	438	-	438	-
Arpitalian Compact Soles (Pvt) Ltd	Related Company	-	340	-	340
Arpitech (Pvt) Ltd	Related Company	2,950	6,225	2,950	6,225
		404,688	324,543	404,688	324,543
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		372,633	292,488	372,633	292,488

21. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2023	2022	2023	2022
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maskeliya Plantations PLC	Related Company	19,766	11,556	19,766	11,556
Hamefa Kegalle (Pvt) Ltd	Subsidiary Company	-	-	80,512	81,718
Richard Pieris & Company PLC	Ultimate Parent Company	-	-	3,867	-
Richard Pieris Rubber Products Ltd	Related Company	-	33	-	33
RPC Management Services (Pvt) Ltd	Related Company	77	75	77	75
Exotic Horticulture (Pvt) Ltd	Related Company	18	17	18	17
		19,860	11,680	104,239	93,399
(-) Provision for doubtful receivables		-	-	(54,891)	(54,891)
		19,860	11,680	49,348	38,508

22. SHORT TERM INVESTMENT

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in Treasury Bills, REPO, USD Deposits & Others	281,822	776,496	281,822	776,496
	281,822	776,496	281,822	776,496

23. CASH & CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash & Bank Balances	21,273	15,841	21,273	15,841
Bank Overdrafts (Note 25)	(178,858)	(100,000)	(178,858)	(100,000)
Short term Investments (Note 22)	281,822	776,496	281,822	776,496
Total cash & cash equivalants for the purpose of cash flows	124,237	692,337	124,237	692,337

NOTES TO THE FINANCIAL STATEMENTS

24. STATED CAPITAL

		Group		Company	
		2023	2022	2023	2022
Issued and Fully Paid Ordinary Shares					
Number of Ordinary Shares including one golden share held by the Treasury which has special rights	Nos'000	25,000	25,000	25,000	25,000
Number of Ordinary Shares including one golden share held by the Treasury which has special rights	Rs.'000	250,000	250,000	250,000	250,000

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. Special rights of the Golden Share are given in the Annual Report under the caption "Shareholder & Investor Information".

24.1 General Reserve

General Reserve represents amounts set-aside from time to time by the Directors of the Company for purpose of general application. These have been appropriated by the Board in compliance with the Articles, which provides for such amounts being set-aside for future and utilized after appropriate Board Approvals.

24.2 Timber Reserve

Timber reserve represents the fair value changes in the carrying value of managed timber plantations of the Company since 1st April 2011.

24.3 Fair Value Through Other Comprehensive Income Reserve

Fair Value Through Other Comprehensive Income Reserve represents the change in fair value of financial assets with Richard Pieris Finance Limited from the Financial Year 2015/16.

25. LOANS AND BORROWINGS

Group/ Company	Repayable within 1 year Rs. '000	Repayable after one year less than five years Rs. '000	Total as at 31.03.2023 Rs. '000	Total as at 31.03.2022 Rs. '000
Long Term Loans (Note: 25.1)				
Seylan Bank PLC	100,008	266,652	366,660	450,000
Commercial Bank of Ceylon PLC	175,000	262,500	437,500	695,709
	275,008	529,152	804,160	1,145,709
Short Term Loans	100,000	-	100,000	100,000
Bank Overdraft	78,858	-	78,858	-
	453,866	529,152	983,018	1,245,709

25.1 Long Term Loans (Secured)

Group/Company	2023			2022		
	Repayable within 1 year Rs. '000	Repayable after one year less than five years Rs. '000	Total as at 31.03.2023 Rs. '000	Total as at 31.03.2022 Rs. '000	Rate of interest	Terms of Repayment
Commercial Bank of Ceylon PLC COVID Loan - Term Loan Facility Rs. 25 Mn	-	-	-	2,778	Fixed Rate 04%	1 Month Installment @ Rs. 1,388,904 and 17 installments @ Rs. 1,388,888 commencing from 30.11.2020
Commercial Bank of Ceylon PLC Term Loan Facility Rs. 700 Mn	175,000	262,500	437,500	612,500	Fixed Rate 09%	1 Month Installment @ Rs.14,583,302 and 47 Installments @ Rs.14,583,334 commencing from 25.10.2021
Commercial Bank of Ceylon PLC Term Loan Facility USD 5 Mn	-	-	-	80,431	1 Month LIBOR+4.0%	1 Month Installment @ Rs.16,020,885 and 48 Installments @ Rs.16,018,423 commencing from 31.01.2018
Seylan Bank PLC Term Loan Facility Rs. 450 Mn	100,008	266,652	366,660	450,000	Monthly AWPLR + 2.0%	1 Month Installment @ Rs. 8,298,000 and 53 Installments @ Rs.8,334,000 commencing from 19.12.2021
	275,008	529,152	804,160	1,145,708		
Short Term Loans / Bank Overdraft	178,858	-	178,858	100,000		
	453,866	529,152	983,018	1,245,708		

NOTES TO THE FINANCIAL STATEMENTS

26. RETIRING BENEFIT OBLIGATIONS

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision for retiring gratuity				
At the beginning of the year	443,213	446,116	443,213	446,116
Interest Cost	64,266	39,035	64,266	39,035
Current Service Cost	35,076	32,084	35,076	32,084
Past Service Cost	-	(5,560)	-	(5,560)
Gratuity Payments for the year	(108,373)	(55,962)	(108,373)	(55,962)
Actuarial (Gain) / Loss arising from Changes in financial assumptions	(36,958)	(84,757)	(36,958)	(84,757)
Actuarial (Gain) / Loss arising from Experience Adjustments	50,743	72,256	50,743	72,256
At the end of the year	447,967	443,213	447,967	443,213

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

Use of Discount Rate under the uncertain economic conditions

The Company uses market yields for the year ended 31st March 2023 on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate, as disclosed in its accounting policy. However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation. The based disclosures of methods , Input used and assumptions are as follows,

Adopting Method :

Company used Projected Unit Credit Method (PUC) as the method of valuation. The PUC is the benchmark method recommended by Sri Lanka Accounting Standard as per LKAS 19.

Input Used for the valuation

Basic input data used for the retirement benefit obligation is employee date who were expected to be in service as at 31st March 2023. Such as retirement Age , Wage Rate etc. This input data mainly used to conduct the valuation.

Assumptions used for valuation

In order to carry out the valuation, there are two main assumptions regarding the future experience and trends of two groups of elements.

i. Demographic Assumptions -

This assumptions covers item such as mortality rates, ill health retirement rate and staff turnover rate and these are generally referred to as the demographic assumptions. Sudden Changes in these are rare and the past experience can provide a reasonable guide to the future.

ii . Financial Assumptions -

This assumption covers the financial elements such as the rate of increase in salaries / Wages, the rate of discount (i.e. the rate of interest used to discount future cash flows in order to determine the present value). The assumptions regarding the financial elements , of necessity, have to be based on more general considerations of long-term economic trends and outlook.

According to the actuarial valuation report issued by the Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31 March 2023, the actuarial present value of promised retirement benefits amounted to Rs. 447,966,813 /-. If the Company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 741,043,594 /-.

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

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

Future Working Life Time	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Within the next 12 months	99,192	93,430	99,192	93,430
Between 2 and 5 years	150,264	136,355	150,264	136,355
Beyond 5 years	198,511	213,428	198,511	213,428
Total RBO	447,967	443,213	447,967	443,213

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is as follows.

Weigted Average Duration	2023	2022
Workers	6.73 years	6.37 years
Staff	6.18 years	7.5 years

The key assumptions used by Messrs. Actuarial & Management Consultants (Pvt) Ltd when determining the retirement benefit obligations are as follows.

26. RETIRING BENEFIT OBLIGATIONS CONTD.

Key Assumptions		2023	2022
i)	Rate of discount	17.00% (per annum)	14.50% (per annum)
ii)	Retirement age		
	Workers	60 years	60 years
	Staff	60 years	60 years
	Executives & Head Office staff	60 years	60 years
iii)	The Company will continue as a going concern.		

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

Sensitivity Analysis - Salary/ Wage Escalation Rate

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

Company	Workers		Staff	
A one percentage point change in the discount rate.	+1%	-1%	+1%	-1%
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2023	(21,281)	23,843	(3,056)	3,417
As at 31 March 2022	(24,048)	27,250	(2,993)	3,375
A one percentage point change in the salary / wage increment rate.	+1%	-1%	+1%	-1%
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2023	24,538	(22,147)	3,870	(3,499)
As at 31 March 2022	27,760	(24,805)	3,799	(3,407)

NOTES TO THE FINANCIAL STATEMENTS

27. DEFERRED INCOME

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Grants and Subsidies				
Balance at the beginning of the year	211,001	208,443	211,001	208,443
Add : Grants/Subsidy received during the year	15,199	14,757	15,199	14,757
Less : Amortisation for the year	(12,697)	(12,200)	(12,697)	(12,200)
Balance at the end of the year	213,503	211,001	213,503	211,001

The Company has received funding from the Plantation Human Development Trust and Asian Development Bank for the development of worker facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Grants and Subsidies.

28. DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Temporary Differences,				
At the beginning of the year	1,776,309	1,201,191	1,776,309	1,201,191
Amount originating / (Reversal) during the year	90,820	575,118	90,820	575,118
At the end of the year	1,867,129	1,776,309	1,867,129	1,776,309
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	3,101,582	3,160,118	3,101,582	3,160,118
Retirement Benefit Obligations	(380,516)	(396,852)	(380,516)	(396,852)
Leased Asset	467,762	427,315	467,762	427,315
Lease Creditor	(541,474)	(501,687)	(541,474)	(501,687)
Deferred Income	(28,407)	(27,632)	(28,407)	(27,632)
Carried forward Tax Losses	(751,818)	(884,953)	(751,818)	(884,953)
At the end of the year	1,867,129	1,776,309	1,867,129	1,776,309
Tax Effect,				
At the beginning of the year	247,402	167,634	247,402	167,634
Transfer from/ (to) Income Statement	314,203	79,768	314,202	79,768
At the end of the year	561,605	247,402	561,604	247,402
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	931,940	441,135	931,940	441,135
Leased Asset	140,329	59,824	140,329	59,824
	1,072,269	500,959	1,072,269	500,959
Deferred Tax Assets				
Retirement Benefit Obligations	(114,155)	(55,559)	(114,155)	(55,559)
Carried forward Tax Losses	(225,545)	(123,893)	(225,545)	(123,893)
Lease Creditor	(162,442)	(70,236)	(162,442)	(70,236)
Deferred Income	(8,522)	(3,868)	(8,522)	(3,868)
	(510,664)	(253,557)	(510,665)	(253,557)
Deferred Tax (Asset)/ Liability	561,605	247,402	561,604	247,402

A deferred tax asset has been recognized in the financial statements for carried forward tax losses to the extent that the company has assessed that it will generate sufficient taxable profits in future. Accordingly, a deferred tax asset for tax losses of Rs. 1,100,254,318/- (2022 - Rs. 884,952,511/-) has been recognized. Further unutilized tax losses are given below.

	2022/23 Temporary Difference Rs.	Tax Effect Rs.
Unutilized tax losses	549,245	164,774

28.1 Income Tax Expense - Rate change impact

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
At the beginning of the year	247,402	167,634	247,402	167,634
Tax (charge)/ reversal during the year recognised in Statement of profit or loss.	33,579	74,814	33,579	74,814
Tax (charge)/ reversal during the year recognised in Statement of Other Comprehensive Income	(4,868)	4,954	(4,868)	4,954
Tax (charge)/ reversal during the year recognised in other Comprehensive Income.	285,491	-	285,491	-
	561,605	247,402	561,604	247,402

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March 2023 is 30% (2021/22 - 14%) for the Company.

29. LEASE LIABILITY

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Lease liability on right to use land	544,243	508,627	544,243	508,627
Lease liability on Right-of-Use asset - building	2,390	2,073	2,390	2,073
	546,633	510,700	546,633	510,700

29.1 Lease liability on right of use asset land

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
As at 1 April 2022	508,627	495,524	508,627	495,524
Transition adjustment due to initial application of SLFRS 16	-	-	-	-
Reassessment Adjustment	40,182	16,848	40,182	16,848
Accretion of interest	71,345	66,608	71,345	66,608
Payment	(75,911)	(70,353)	(75,911)	(70,353)
As at 31 March 2023	544,243	508,627	544,243	508,627
Current	5,159	4,231	5,159	4,231
Non Current	539,085	504,395	539,084	504,396
	544,244	508,626	544,243	508,627

NOTES TO THE FINANCIAL STATEMENTS

29.1.2 Maturity analysis of lease liabilities are as follows

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Payable within one year				
Gross liability	75,911	70,353	75,911	70,353
Finance cost allocated to future periods	(70,752)	(66,122)	(70,752)	(66,122)
Net liability transferred to current liabilities	5,159	4,231	5,159	4,231
Payable within two to five years				
Gross liability	303,643	281,411	303,643	281,411
Finance cost allocated to future periods	(275,369)	(258,223)	(275,369)	(258,223)
Net liability	28,274	23,188	28,274	23,189
Payable after five years				
Gross liability	1,290,483	1,266,352	1,290,483	1,266,352
Finance cost allocated to future periods	(779,672)	(785,145)	(779,672)	(785,145)
Net liability	510,811	481,207	510,810	481,207
Net liability payable after one year	539,085	504,395	539,084	504,396

The base rental payable per year Rs. 75,910,748/-.
The lease rental during the current year charged to the Income Statement is based on GDP deflator of 7.9% (2022 - 3.4%).

29. LEASE LIABILITY CONTD.

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Lease Interest for the Year	71,345	66,608	71,345	66,608
Capital for the Year	4,566	3,745	4,566	3,745
Lease Rental Paid for the year	75,911	70,353	75,911	70,353

29.2 Lease liability on Right-of-Use asset - Building

	Group / Company	
	2023 Rs. '000	2022 Rs. '000
As at 31 March 2022	2,073	1,965
Effect of adoption SLFRS 16		-
As at 01 April 2022	2,073	1,965
Additions	1,936	1,897
Accretion of Interest	376	341
Payments during the year	(1,994)	(2,131)
Balance as at 31 March 2023	2,390	2,073
Current Liability	2,390	2,073
Non Current Liability	-	-
Total Lease Liability as at 31 March 2023	2,390	2,073

29.3 Current & Non-Current Classification of Lease Liability

	Group / Company	
	2023 Rs. '000	2022 Rs. '000
Current Liability	7,550	6,304
Non Current Liability	539,084	504,396
Total Lease Liability as at 31 March 2023	546,634	510,700

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade Creditors	322,783	304,114	320,919	302,288
Other Creditors	58,147	59,817	55,155	56,826
	380,930	363,931	376,074	359,114

31. DIVIDEND PAYABLE

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Dividends for 2022/23- Rs. 7.00 per Share (Paid on 08 February 2023)	-	125,000	-	125,000
Dividend Payable	42,488	37,553	42,488	37,553
	42,488	162,553	42,488	162,553

32. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Namunukula Plantations PLC	Related Company	112,596	129,115	112,596	129,115
Arpico Interiors (Pvt) Ltd	Related Company	4	4	4	4
Arpico Construction (Pvt) Ltd	Related Company	-	776	-	776
RPC Logistics (Pvt) Ltd	Related Company	1,059	218	1,059	218
Richard Pieris & Company PLC	Ultimate Parent Company	1,252	6,081	-	961
RPC Plantation Management Services (Pvt) Ltd	Parent Company	101,897	114,115	101,897	114,115
Richard Pieris Distributors Ltd	Related Company	36	120	36	120
Richard Pieris Tyre Company Ltd	Related Company	626	558	626	558
Arpitec (Pvt) Ltd	Related Company	-	683	-	683
Maskeliya Tea Garden Ceylon Ltd	Related Company	70	70	70	70
		217,540	251,740	216,287	246,621

33. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs./USD (Mn)	Security
Bank of Ceylon	35.0 Mn	Primary mortgage over leasehold rights of Gampaha Estate.
Hatton National Bank PLC	50.0 Mn	Primary mortgage over leasehold rights of Luckyland Estate.
Commercial Bank of Ceylon PLC	USD 05.0 Mn 25.0 Mn 700.0 Mn	Primary and secondary mortgage over leasehold rights of Etana and Kirklees Estates and a negative pledge over leasehold rights of Allagolla, Eadella and Doteloya Estates.
Nations Trust Bank PLC	150.0 Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).
Seylan Bank PLC	450.0 Mn	Primary mortgage over leasehold rights of Pallegama Estate.

Carring values of the assets pledged are as follows.

NOTES TO THE FINANCIAL STATEMENTS

Name of Bank	Nature of Liability	Outstanding Rs. Mn	Carring Amount Pledged 2023 Rs. '000	2022 Rs. '000
Bank of Ceylon	Overdraft	-	134,083	129,639
Hatton National Bank PLC	Overdraft	-	208,224	193,982
Commercial Bank of Ceylon PLC	Term Loan	Rs. 437.5	705,970	652,890
Seylan Bank PLC	Term Loan	Rs. 366.6	422,342	366,030

Notes:

1. Corporate guarantee dated 16th September 2011 has been given to Hatton National Bank PLC for Rs. 50.0 million from the Company on behalf of Maskeliya Tea Gardens Ceylon Ltd.

2. Corporate guarantee dated 29th January 2013 has been given to Hongkong & Shanghai Banking Corporation (HSBC) for USD 450,000/- from the Company together with supporting board resolution on behalf of Richard Pieris Natural Foams Limited.

34. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date;

	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Approved by the Board & Contracted for	Nil	Nil	Nil	Nil
Approved by the Board & not Contracted for	692,675	775,498	692,675	775,498
	692,675	775,498	692,675	775,498

35. COMMITMENTS AND CONTINGENCIES

No known contingent liabilities exist as at the date of financial position other than the matters disclosed below in the notes to the Financial Statements.

35.1 - Two assessments for Value Added Tax (VAT) under the Value Added Tax Act No. 14 of 2002 and its amendments thereto in relation to the taxable period from 1st April 2006 to 31st March 2011 were issued by the Commissioner General of Inland Revenue. The Tax Appeals Commission hearing the appeal made by us, has determined the VAT assessment in favour of the Department of Inland Revenue. The Company has also appealed against the determination to the Court of Appeal to the Supreme Court and the case is currently pending before the Supreme Court.

The estimated contingent liability to the Company is Rs. 21.1 mn. exclusive of any penalties that may arise for said period. Based on the Expert advice, the Directors are of the opinion that the ultimate determination of the case will not have a material impact on the financial position of the Company.

36. EVENTS AFTER REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments or disclosure in the financial statements except following disclosure,

36.1 Inland Revenue Act (Amendment) No. 04 of 2023 Passed in May 2023

The Inland Revenue (Amendment) Act No. 04 of 2023 was passed in Parliament and certified by the Hon.Speaker on 08th May 2023.

37. RELATED PARTY DISCLOSURES

37.1 Transaction with related entities

Nature of Transaction	Group		Company	
	2023	2022	2023	2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
37.1.1 Parent Company				
Amount Payable/Recoverable as at 31 March	(101,897)	(114,115)	(101,897)	(114,115)
Managing Agent's Fee	(168,911)	(94,629)	(168,911)	(94,629)
Settlement of Management Fee	180,998	-	180,998	-
Recovery of expenses	131	(314)	131	(314)
37.1.2 Subsidiaries				
Amount Receivable as at 31 March	-	-	81,870	83,947
Administration Expenses	-	-	(1,206)	(2,186)
37.1.3 Associates				
Amount Receivable as at 31 March	2,295,678	2,204,364	827,919	761,176
Amount Payable as at 31 March	-	-	-	-
Sale of Latex	1,812,189	1,516,569	1,812,189	1,516,569
Settlement Amount	(1,745,446)	(1,462,967)	(1,745,446)	(1,462,967)
Share of Result of Equity Accounted Investees	24,571	288,915	-	-
Insurance Premium	(1,709)	(1,597)	(1,709)	(1,597)
Insurance Premium Settlements	1,709	1,597	1,709	1,597
Dividend Receivable	-	-	-	-
Dividend Settlement	-	-	-	-
37.1.4 Related Companies				
Amount Receivable as at 31 March	252,044	201,868	252,044	201,868
Amount Payable as at 31 March	(114,391)	(132,505)	(114,391)	(132,505)
Salaries, Rent, Vehicle repairs & other Expenses	53,497	(4,146)	53,497	(4,146)
Purchase of Goods	(83,383)	(151,081)	(83,383)	(151,081)
Settlement of Dues	69,708	142,081	69,708	142,081
Sale of Goods	285,315	349,724	285,315	349,724
Sales cash receipts	(333,920)	(365,362)	(333,920)	(365,362)
Secretarial Fees	-	-	-	-
Freight Charges	11,857	1,865	11,857	1,865
Dividend/Repo/Debenture Interest Receivable	43,222	5,943	43,222	5,943
Dividend/Repo/Debenture Interest settlement	-	-	-	-
Deemed Disposal Gain/(Loss) - Sudsequent Recognition	(7,328)	32,040	(7,328)	32,040

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES CONTD.

37.1.5 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an arm's length basis. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2022 audited Financial Statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2022 audited Financial Statements, which required additional disclosures in 2022/23 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act, except following related party transactions exceeds 10% of the gross revenue/income as required.

	Group		Company	
Recurrent Related Party Transactions	**2023**	**2022**	**2023**	**2022**
	Rs. '000	**Rs. '000**	**Rs. '000**	**Rs. '000**
Disclosures				
a. Name of the related party : Richard Pieris Natural Foams Ltd				
b. Relationship : Associate Company				
c. Nature of transaction : Sale of Centrifuged Latex				
d. Aggregate value of related party transactions entered into during the financial year	1,812,189	1,516,569	1,812,189	1,516,569
Consolidated revenue as per latest audited financial statements	5,294,937	3,627,751	5,294,937	3,627,751
e. Aggregate value of related party transactions as a % of net revenue/income	34.2%	41.8%	34.2%	41.8%
f. Terms and conditions of the related party transactions				
Transactions with related parties are carried out in the ordinary course of business on an arm's length basis				

37.1.6 Management Fees

As per the agreememt is made and entered into at Colombo as of 10 September 2018, the Managing Agent shall be paid for each fiscal year fifteen percent (15%) of the earnings of the Company before interest received/paid, corporate tax, depreciation and amortization of land and managment fees (EBITDA) applicable in that fiscal year.

37.2 Transactions with key management personnel of the Company

There were no transactions with the key management personnel of the Company and its parent for the year ended 31 March 2023. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

37.3 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 11, 17.1, 18, 20.1, 21, 32, 33 & 37 to the Financial Statements.

37.4 Details of material issues pertaining to employees and Industrial relations of the Company.

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds available-for-sale investments and held to maturity investment.

Accordingly, the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

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

38.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

38.2 Credit Risk

Credit Risk is the risk of financial loss to the Group's if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers.

38.2.1 Trade and other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and the country in which the customers operate, as these factors may have an influence on credit risk.

The Group reviews external ratings and bank references of the customer when available. Purchase limits are established for each customer, which are reviewed quarterly. In monitoring credit risk, customers are categorised according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, geographical location, industry, aging profile, maturity and existence of previous financial difficulties. The Group 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 and other receivables at the reporting date is Rs. 667 Mn (2021/22 – Rs. 456 Mn).

Kegalle Plantations PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber Auction Systems.

The Company's main customers (Brokers) have been transacting with the Company more than 10 years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

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

The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held)
Or
The financial asset is more than 21 days past due

Trade & Other Receivables Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

The Movement of in the allowance for the impairment for trade and other receivables during the year was,

	2023 Rs. '000	2022 Rs. '000
Balance as at 01 April	86,945	86,945
Charge for the year	-	-
Write-off	-	-
Recoveries	-	-
Balance as at 31 March	86,945	86,945

38.2.2 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.

The Group held short term investments of Rs. 282 Mn as at 31 March 2023 (2021/22 – Rs.776 Mn) which represents the maximum credit exposure on these assets.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

38.2.3 Cash And Cash Equivalents

The Group held cash at bank and in hand of Rs. 21 Mn as at 31 March 2023 (2021/22 – Rs. 16 Mn) which represents its maximum credit exposure on these assets.

38.3. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's 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 Group's reputation.

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

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

As at 31 March 2023	On Demand Rs. '000	Less than 3 Months Rs. '000	3 to 12 Months Rs. '000	2 to 5 years Rs. '000	>5 years Rs. '000	Total Rs. '000
Group						
Interest bearing loans & borrowing	182,200	72,606	240,938	1,003,696	-	1,499,439
	182,200	72,606	240,938	1,003,696	-	1,499,439
Company						
Interest bearing loans & borrowing	182,200	72,606	240,938	1,003,696	-	1,499,439
	182,200	72,606	240,938	1,003,696	-	1,499,439

As at 31 March 2022	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Interest bearing loans & borrowing	100,789	87,409	274,355	1,108,776	-	1,571,328
	100,789	87,409	274,355	1,108,776	-	1,571,328
Company						
Interest bearing loans & borrowing	100,789	87,409	274,355	1,108,776	-	1,571,328
	100,789	87,409	274,355	1,108,776	-	1,571,328

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

38.4 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 & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

38.4.1 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 Group's's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.The Group has not engaged in any interest rate swap agreements.

The Group held long term borrowings with floating interest rates of Rs. 804 Mn (2021/22 – Rs.1,146 Mn) which represents its maximum credit exposure on these liabilities.

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 Group'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.'000
Group		
2022/23	5%	(18,718)
	-5%	18,718
2021/22	1%	(17,150)
	-1%	17,150
Company		
2022/23	5%	(18,718)
	-5%	18,718
2021/22	1%	(17,150)
	-1%	17,150

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

38.4.2 Foreign currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in Interest rate	Effect on Profit Before Tax Rs.'000
Group/Company		
2022/23		
USD	5%	(46)
USD	-5%	46
Group/Company		
2021/22		
USD	5%	(411)
USD	-5%	411

38.4.3 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. Equity price risk is not material to the Financial Statements.

38.4.4 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 and retained earnings. The Group manages its capital structure and re-structures the capital base time to time in light of changes in economic conditions as per the directives given by the Board of Directors. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital through share buy backs or infuse capital through new share issuance.

The Group monitors capital using indicative leverage ratios preferably through gearing ratio, which is net debt as a percentage of total equity and net debt. The Group includes within net debt, interest bearing loans & borrowings, short term borrowings less Cash & Cash Equivalents, excluding discontinued operations.

The gearing ratio at the reporting date is as follows.

	As at 31.03.2023 Rs. '000	As at 31.03.2022 Rs. '000
Interest Bearing Borrowings		
Current portion of long term interest bearing borrowings	453,866	441,548
Payable after one year	529,152	804,160
Total Debts	983,018	1,245,708
Equity	3,788,454	3,290,717
Total Equity & Debts	4,771,472	4,536,425
Gearing Ratio	21%	27%

SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

The issued Ordinary Share of Kegalle Plantations PLC, are listed with Colombo Stock Exchange (CSE) of Sri Lanka (Quoted 1996.01.08).

2. Distribution of Shareholders

As at 31 March	2022/23			2021/22		
	No of Share Holders	No of Shares	% Holdings	No of Share Holders	No of Shares	% Holdings
Range of						
1 - 1,000	8,716	1,839,240	7.36%	8,610	1,827,304	7.31%
1,001 - 10,000	283	986,916	3.95%	293	1,022,941	4.09%
10,001 - 100,000	51	1,330,796	5.32%	52	1,515,355	6.06%
100,001 - 1,000,000	5	922,804	3.69%	5	863,924	3.46%
1,000,001 - & above	1	19,920,245	79.68%	1	19,770,477	79.08%
Total	**9,056**	**25,000,001**	**100.00%**	**8,961**	**25,000,001**	**100.00%**

3. Composition of Shareholders

As at 31 March	2022/23			2021/22		
	No of Share Holders	No of Shares	% Holdings	No of Share Holders	No of Shares	% Holdings
Resident & Non-Resident						
Resident Investors	9,035	24,623,354	98.49%	8,943	24,699,590	98.80%
Non-Resident Investors	21	376,647	1.51%	18	300,411	1.20%
Total	**9,056**	**25,000,001**	**100.00%**	**8,961**	**25,000,001**	**100.00%**
Individual & Institutional						
Individual Investors	8,922	3,414,022	13.66%	8,820	3,355,032	13.42%
Institutional Investors	134	21,585,979	86.34%	141	21,644,969	86.58%
Total	**9,056**	**25,000,001**	**100.00%**	**8,961**	**25,000,001**	**100.00%**
Public & Other Shareholding						
Related Company	3	19,933,645	79.73%	3	19,783,877	79.14%
Company Directors Holding	1	100	0.00%	1	100	0.00%
General Public including Employees	9,052	5,066,256	20.27%	8,957	5,216,024	20.86%
Total	**9,056**	**25,000,001**	**100.00%**	**8,961**	**25,000,001**	**100.00%**

4. Minimum Public Holding

The percentage of shares held by the public is 20.27% of the issued Share Capital of the Company as at 31 March 2023 (31 March 2022 – 20.86%).

The Company complies with Option 5 of the Listing Rules 7.13.1 (a) - Less than Rs. 2.5 Bn, Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

SHAREHOLDER & INVESTOR INFORMATION

		Year Ended 31 March 2023	Year Ended 31 March 2022
Market Capitalization	Rs.'000	3,200,000	3,337,500
Price Earning Ratio	Times	4.64	6.98
Public Holding Percentage	%	20.27%	20.86%
Total number of Shareholders representing the Public Holding	Nos	9,052	8,957
Float Adjusted Market Capitalization	Rs.'000	648,481	696,339

5. The Golden Shareholder

The Golden Share of Rs. 10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned Public Company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights;

1) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantations.

2) The concurrence of the Golden Shareholder will be required to amend any clause in the article of association of the Company which grants special rights to the Golden Shareholder.

3) The Golden Shareholder or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks of written notice.

4) The Company will be required to be submitted a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each financial year.

5) The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once in every quarter to discuss issues related to the Company's operation of interest to the Government.

6. Share Information

Market Value		2022/23		2021/22	
Highest Price	Rs.	270.00	(01 September 2022)	224.75	(25 January 2022)
Lowest Price	Rs.	80.00	(27 April 2022)	93.00	(6 April 2021)
Closing Price	Rs.	128.00	(30 March 2023)	133.50	(31 March 2022)

Share Trading		2022/23	2021/22
No. of Shares Traded		3,832,621	5,151,216
No. of Trades		6,782	12,815
Value of Shares Traded	Rs.	635,900,178	679,645,026

Key Ratios		2022/23	2021/22
Earnings per Share	Rs.	27.59	19.12
Net Assets per Share	Rs.	151.54	131.63
Dividends per Share	Rs.	7.00	5.00
Dividend pay out	%	25.37%	26.16%

7. Twenty-five Largest Shareholders of the Company

As at	Name of the Shareholder	31 March 2023 Number of Shares	31 March 2023 % of the Holding	31 March 2022 Number of Shares	31 March 2022 % of the Holding
1	RPC Plantation Management Services (Pvt) Ltd	19,920,245	79.68%	19,770,477	79.08%
2	Dhanasiri Recreation (Pvt) Ltd	319,305	1.28%	319,305	1.28%
3	Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
4	Macksons Holdings (Pvt) Ltd	172,332	0.69%	-	-
5	Deutsche Bank AG Singapore A/c 02 (DCS CLT ACC)	130,000	0.52%	130,000	0.52%
6	Hatton National Bank PLC/Arunasalam	116,167	0.46%	116,167	0.46%
7	Mr. D. M. Kodikara	87,000	0.35%	87,000	0.35%
8	Sezeka Limited	63,658	0.25%	-	-
9	Sampath Bank PLC/Aruna Enterprises (Pvt) Ltd	55,912	0.22%	55,912	0.22%
10	Mr. W. D. N. H. Perera	52,961	0.21%	-	-
11	Mrs. M. S. E. V. E. A. U. Von Stumm	50,703	0.20%	50,703	0.20%
12	Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
13	Mr. H. A. Cabraal	45,000	0.18%	42,000	0.17%
14	Peoples Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	45,000	0.18%	45,000	0.18%
15	Mr. P. F. Nandasiri	42,500	0.17%	42,500	0.17%
16	Mr. N. V. De Silva	41,581	0.17%	-	-
17	Peoples Leasing & Finance PLC/Hi Line Towers (Pvt) Ltd	40,619	0.16%	40,619	0.16%
18	Mr. D. A. Cabraal	40,000	0.16%	-	-
19	Mr. R. Gautam	38,300	0.15%	-	-
20	Mr. S. S. Sithambaranathan	32,207	0.13%	-	-
21	Hatton National Bank PLC/Arumapurage Peter	31,400	0.13%	-	-
22	Peoples Leasing & Finance PLC/Mr. J. M. S. Brito & Mrs. B. S. Brito	30,000	0.12%	-	-
23	Mr. G. D. M. Ranasinghe	30,000	0.12%	-	-
24	Sampath Bank PLC/Mr. V. Gajanayake	30,000	0.12%	-	-
25	Mr. E. J. Gnanam	28,000	0.11%	-	-
	Sub Total	**21,678,490**	**86.71%**	-	-
	Balance held by 9,031 Shareholders (31 March 2022 - 8,936 Shareholders)	3,321,511	13.29%	3,605,840	14.42%
	Total Shares	**25,000,001**	**100.00%**	**25,000,001**	**100.00%**

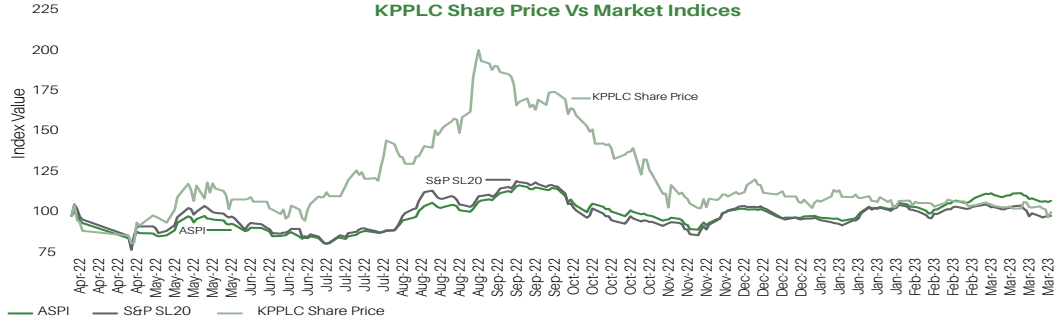
There were no non-voting shares as at 31 March 2023.

8. Exchange Rates - US $

	2023	2022	2021	2020	2019
United States (Buying US$)	318.27	288.74	197.62	187.35	174.16
United States (Selling US$)	336.01	298.99	202.04	192.45	178.02

9. Other Share Information

The performance of Kegalle Plantations PLC's share is as follows compared to the performances of All Share Price Index (ASPI), and Standard & Poor's Sri Lanka 20 Index (S&P SL20) in the Share Market during the year 2022/23.



Kegalle Plantations PLC's share information from Colombo Stock Exchange (CSE) website:

- Log on to Colombo Stock Exchange - website: www.cse.lk
- Enter Company Code (KGAL.N000) in the search box at the top right hand corner of CSE home page and go to the Company description.

TEN YEAR SUMMARY

Year Ended 31 March		2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Operating Results											
Turnover	Rs.'000	5,294,938	3,627,751	3,148,122	2,185,536	2,421,797	2,508,167	2,287,161	1,933,063	2,023,911	2,414,220
Gross Profit/(Loss)	Rs.'000	1,118,422	532,621	321,587	(36,460)	112,054	366,198	227,194	8,287	66,116	429,836
Operating Profit before Mgt Fee	Rs.'000	1,155,734	582,117	497,887	50,883	222,284	511,708	302,804	85,345	62,710	409,416
Profit before Interest and Tax	Rs.'000	1,246,677	668,533	495,290	107,554	385,673	625,499	457,275	262,086	274,227	564,605
Profit/(Loss) After Tax	Rs.'000	689,858	477,903	315,126	(67,003)	102,038	235,859	217,263	101,330	127,034	345,993
Other Comprehensive Income/(Loss)	Rs.'000	(16,244)	39,587	56,207	(49,291)	(25,337)	(2,671)	93,124	122,147	(7,161)	(2,929)
Total Comprehensive Income/(Loss)	Rs.'000	673,614	517,490	371,333	(116,294)	76,701	233,187	310,387	223,476	119,873	343,064
Dividends Distributed	Rs.'000	175,000	125,000	100,000	-	125,000	187,500	125,000	1,125,000	50,000	337,500
Financial Position											
Fixed Assets	Rs.'000	4,738,881	4,241,908	3,655,183	3,512,363	3,018,590	2,866,712	2,622,327	2,553,641	2,437,195	2,232,039
Investments	Rs.'000	710,994	690,930	658,890	645,570	735,810	1,738,450	1,692,730	1,636,150	1,611,850	611,850
Current Assets	Rs.'000	1,726,155	1,784,190	1,683,129	1,387,012	3,449,045	2,297,949	2,089,323	2,168,563	3,078,052	4,102,606
Current Liabilities	Rs.'000	1,096,265	1,216,141	1,107,263	1,464,213	2,965,963	2,129,542	1,879,266	1,476,509	771,499	560,053
Shareholders' Funds	Rs.'000	3,788,453	3,290,716	2,898,226	2,626,892	2,619,083	2,667,383	2,621,697	2,436,309	3,412,393	3,342,520
Share Capital	Rs.'000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Reserves	Rs.'000	3,538,453	3,040,716	2,648,226	2,376,890	2,369,083	2,417,383	2,371,697	2,186,309	3,162,393	3,092,520
Key Financial Indicators											
Current Ratio	Times	1.57	1.47	1.52	0.95	1.16	1.08	1.11	1.47	3.99	7.33
Quick Asset Ratio	Times	0.96	1.09	1.22	0.69	1.04	0.92	0.97	1.31	3.64	6.76
Debt Equity Ratio	Times	0.21	0.27	0.29	0.32	0.54	0.52	0.50	0.53	0.41	0.41
Interest Cover	Times	5.45	6.46	3.96	0.57	1.36	2.23	1.77	1.32	1.55	3.15
Equity /Asset Ratio	Times	0.53	0.49	0.48	0.47	0.36	0.39	0.41	0.38	0.48	0.48
Earnings per Share	Rs.	27.59	19.12	12.61	(2.68)	4.08	9.43	8.69	4.05	5.08	13.84
Dividend Per Share	Rs.	7.00	5.00	4.00	-	5.00	7.50	5.00	45.00	2.00	13.50
Net Assets Per Share	Rs.	151.54	131.63	115.93	105.08	104.76	106.70	104.87	97.45	136.50	133.70
Market Price of a Share	Rs.	128.00	133.50	97.20	40.80	55.00	65.90	52.00	50.70	85.80	105.00
Market Capitalization	Rs.'000	3,200,000	3,337,500	2,430,000	1,020,000	1,375,000	1,647,500	1,300,000	1,267,500	2,145,000	2,625,000
Return On Capital Employed	%	26.13	14.74	12.20	2.77	6.71	11.23	8.80	5.08	4.72	9.95
Price Earning Ratio	Times	4.64	6.98	7.71	(15.22)	13.48	6.99	5.98	12.51	16.89	7.59
Dividend Cover	Times	3.94	3.82	3.15	-	0.82	1.26	1.74	0.09	2.54	1.03
Dividend Pay Out Ratio	%	25.37	26.16	31.73	-	122.50	79.50	57.54	1,110.28	39.36	97.55
Annual Production											
Rubber	kg '000	4,278	4,598	4,589	3,666	4,080	3,495	3,742	3,353	3,534	4,016
Tea	kg '000	1,464	1,808	1,869	1,784	1,923	1,962	2,165	2,375	2,094	2,243
Coconuts	nuts '000	1,020	1,151	918	1,318	1,295	1,117	1,471	1,559	1,549	1,596
Capital Expenditure											
Field Development	Rs '000	438,807	331,736	237,085	262,615	260,837	300,895	172,757	219,068	263,195	290,313
Purchase of PPE	Rs '000	126,193	6,770	37,761	4,246	21,915	33,844	3,168	1,580	42,656	4,155
Total Capex	Rs '000	565,000	338,506	274,846	266,861	282,752	334,739	175,925	220,648	305,851	294,468

RUBBER

		2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Production	kg'000	4,278	4,598	4,589	3,666	4,080	3,495	3,742	3,353	3,534	4,016
NSA	Rs./kg	799.50	541.44	387.74	320.98	293.36	343.86	276.34	274.04	291.26	353.16
COP	Rs./kg	626.03	417.29	328.50	302.12	281.90	289.45	248.13	249.26	261.23	254.21
Yield	kg/ha	811	916	986	913	990	911	998	872	883	1,011
Revenue Extent	ha	2,748	2,715	2,714	2,714	2,771	3,008	3,224	3,489	3,535	3,591

TEA

			2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
PRODUCTION												
Uva	Elevation	Kg'000	855	1,143	1,188	1,025	1,151	1,117	1,191	1,286	1,074	1,143
Medium	Elevation	Kg'000	260	321	316	340	434	463	542	583	523	600
Low	Elevation	Kg'000	349	345	366	420	339	382	431	505	496	500
NSA												
Uva	Elevation	Rs./Kg	1,188.47	550.22	563.10	486.56	520.32	582.30	460.53	365.93	381.53	380.19
Medium	Elevation	Rs./Kg	1,084.50	569.00	559.38	422.83	469.35	586.58	467.95	356.95	413.35	436.38
Low	Elevation	Rs./Kg	1,240.06	589.81	604.04	495.38	529.41	578.84	482.47	373.23	416.60	427.58
COP												
Uva	Elevation	Rs./Kg	877.25	562.33	556.23	552.51	542.11	545.17	457.05	409.88	449.37	415.00
Medium	Elevation	Rs./Kg	926.42	567.32	575.22	537.95	499.04	508.33	408.53	360.25	368.09	374.81
Low	Elevation	Rs./Kg	976.20	564.02	577.62	509.42	537.79	536.65	440.56	381.36	401.52	400.23
YIELD												
Uva	Elevation	Kg/ha	679	789	771	686	726	730	677	806	858	1,021
Medium	Elevation	Kg/ha	813	1,153	1,203	1,054	1,225	1,311	1,356	1,265	1,582	1,652
Low	Elevation	Kg/ha	959	1,001	962	953	967	1,020	1,001	1,068	1,178	1,204
REVENUE EXTENT												
Uva	Elevation	ha	945	983	984	984	974	967	967	952	952	952
Medium	Elevation	ha	174	176	179	179	178	179	178	177	173	173
Low	Elevation	ha	135	140	140	142	143	143	148	150	149	149

COCONUT

		2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Production	nut'000	1,020	1,151	918	1,318	1,295	1,117	1,471	1,559	1,549	1,596
NSA	Rs./nut	60.55	58.92	51.98	31.03	43.00	51.79	24.11	31.95	31.71	32.62
COP	Rs./nut	37.09	21.59	31.37	20.65	21.44	27.74	16.57	14.69	15.15	13.16
Yield	nut /ha	2,429	2,787	2,123	3,032	2,978	2,463	3,241	3,569	3,379	3,652
Revenue Extent	ha	420	413	432	435	435	453	454	437	437	437

GLOSSARY

Financial Terms

A

ACCOUNTING POLICIES

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

ACCRUAL BASIS

Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

AGRICULTURAL ACTIVITY

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural biological assets.

AGRICULTURAL PRODUCE

Agricultural produce is the harvested product of the entity's biological assets.

AMORTISATION

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

ASSOCIATE

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

AWPLR

Average Weighted Prime Lending Rate

B

BEARER BIOLOGICAL ASSETS

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

BIOLOGICAL ASSETS

Is a living animal or plant.

BIOLOGICAL TRANSFORMATION

Biological transformation comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological asset.

BORROWING COSTS

Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

C

CAPITAL EMPLOYED

The sum of Shareholders' Funds, Long Term & Short-Term Interest-bearing Borrowings.

CASH EQUIVALENTS

Abbreviation for liquid investments with original maturity periods of three months or less.

CONSUMABLE BIOLOGICAL ASSETS

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

CONTINGENT LIABILITIES

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

CURRENT RATIO

Current Assets divided by Current liabilities.

CURRENT SERVICE COST

Current Service Cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

CSE

Abbreviation for Colombo Stock Exchange.

D

DEBT TO EQUITY RATIO

Borrowings divided by equity.

DEFERRED TAXATION

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

DCF METHOD

A method of valuing project, Company or asset using the concepts of the time value of money. All future cash flows are estimated and discounted by using cost of capital to give their present value(PVs).

DIVIDEND COVER

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

DIVIDEND PAYOUT

Dividend per share as a percentage of the earnings per share.

DIVIDEND YIELD

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

DIVIDENDS

Distribution of profits to holders of equity investments.

E

EARNINGS PER SHARE

Profit after Tax divided by weighted average number of Ordinary Shares outstanding during the period.

EBIT

Earnings Before Interest and Tax.

EBITDA

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

EFFECTIVE TAX RATE

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

ENTERPRISE VALUE

Market Capitalization plus net debt.

EQUITY

Shareholders' fund.

EQUITY INSTRUMENTS

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

EQUITY METHOD

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

EQUITY/ASSETS RATIO

Shareholders' Funds divided by Long Term Assets plus Current Assets.

EU

European Union.

EVA

Economic Value Addition. The return earned beyond the cost of capital (Weighted Average Cost of Capita into Capital Invested minus Net Operating Profit).

F

FAIR VALUE

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

FAIR VALUE THROUGH PROFIT AND LOSS

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which here is evidence of a recent actual pattern of short term profit taking, or a derivative (except for a derivative that is a financial guarantee contract).

FINANCIAL ASSET

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

FINANCIAL INSTRUMENT

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

FINANCIAL LIABILITY

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

FVTOCI

Abbreviation for Fair Value Through Other Comprehensive Income.

G

GEARING (D/E RATIO)

Long-Term Interest-bearing Borrowings/ Liabilities as a percentage of Shareholders' Funds plus Long-Term Interest-bearing Borrowings/Liabilities.

GENERAL RESERVE

Reserve available for distribution and investment.

H

Ha

Hectares.

HARVEST

Detachment of produce from a biological asset or the cessation of biological assets life processes.

I

IFRS

International Financial Reporting Standards.

INTEREST COVER

Profit before Tax plus Interest Charges divided by Interest Charges, including Interest Capitalized.

J

JEDB

Janatha Estates Development Board.

K

KGAL

CSE identification code for the Company.

KMP (KEY MANAGEMENT PERSONNEL)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or therwise) of that entity.

L

LIBOR

London Inter- Bank Offered Rate.

LIQUIDITY

The availability of liquid assets to a market or Company.

M

MARKET CAPITALIZATION

Number of shares in issue, multiplied by the market value of each shares at the year end.

MVA

The difference of market capitalisation and book value of share capital.

N

NET ASSETS

Sum of Fixed Assets and Current Assets less Total Liabilities.

NET ASSETS PER SHARE

Shareholders' funds divided by the number of Ordinary Shares.

NET PRICE PER SHARE

Net Assets at the end of period divided by the number of Ordinary Shares issued.

GLOSSARY

O

OBLIGATION

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

OCI

Other comprehensive income comprises the items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

P

PBT

Profit before tax.

PRICE EARNINGS RATIO

Market price of a share divided by Earnings per Share.

R

RELATED PARTIES

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

RETURN ON AVERAGE EQUITY

Net income expressed as a percentage of Average Shareholders' Funds.

RETURN ON CAPITAL EMPLOYED (ROCE)

Profit before Tax plus Interest on Loans divided by the Equity Funds, Long Term Loans and Short-Term Loans.

REVENUE RESERVES

Reserves considered as being available for distributions and investments.

RSS-1

Ribbed Smoked Sheet - Grade 1.

S

SEGMENT

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

SHAREHOLDERS' FUNDS

Funds attributable to Shareholders which consist of Share Capital, Reserves and Retained Profit.

SLA

Sri Lanka Accounting Standards.

SLFRS/LKAS

Sri Lanka Financial Reporting Standards.

SOAT

Statement of Alternative Treatment issued by the Institute of Chartered Accountants of Sri Lanka.

SORP

Statement of Recommended Practices issued by the Institute of Chartered Accountants of Sri Lanka.

SUBSIDIARY

A subsidiary is an entity, including in unincorporated entity such as a partnership, that is controlled by another entity.

T

TURNOVER PER EMPLOYEE

Consolidated turnover of the Company for the year divided by the number of employees at the year end.

U

UITF

Urgent Issues Task Force of the Institute of The Chartered Accountants of Sri Lanka.

V

VALUE ADDITION

The quantum of wealth generated by the activities of the Company and its application.

W

WORKING CAPITAL

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest bearing provisions.

Non - Financial Terms

A

AGM

Annual General Meeting.

B

BIODIVERSITY

The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

BOI

Board of Investments of Sri Lanka.

C

CDA

Board of Investments of Sri Lanka.

COP

Cost of Production. Generally, refers to the cost of producing one kilo of produce (Tea/Rubber).

CROP

The total produce harvested during a financial year.

E

EMDEs

Abbreviation for emerging market and developing economies.

ETP

Ethical Tea Partnership is a non competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.

EXTENT IN BEARING

The extent of a land from which crop is being harvested. Also see "Immature Plantation".

F

FIELD

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

G

GAP

Good Agriculture Practices.

GDP

Gross Domestic Production.

GSA

Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage, etc.

GRI

Global Reporting Initiatives.

H

HACCP

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

I

IMMATURE PLANTATION

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

INFILLING

A method of field development whereby planting of individual plants is done in order to fill the vacancies of existing revenue fields.

ISO

International Standards Organization.

ISO 22000

International standard for food safety management system (FSMS) released by ISO in June 2018.

K

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive

or otherwise) of that entity.

L

LFPR

Abbreviation for Labour Force Participation Rate.

M

MATURE PLANTATION

The extent of plantation from which crop is being harvested.

N

NSA

Net Sales Average per kilo.

O

OHS

Occupational Health & Safety.

P

PHDT

Plantation Human Development Trust.

R

REPLANTING

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

RAINFOREST ALLIANCE (RA)

The Rainforest Alliance certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.

S

SEEDLING TEA

Tea grown from a seed

T

TRI

Tea Research Institution.

V

VP TEA

Vegetatively propagated tea. i.e. tea grown from a cutting of a branch of tea plant.

Y

YIELD (YPH)

Average yearly output of produce from a hectare of plantation.

YOY

Year on Year.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of Kegalle Plantations PLC will be held at the Auditorium of the Registered Office, 310, High Level Road, Nawinna, Maharagama on Wednesday, 27th September 2023 at 10.30 a.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon

2. To approve the appointment of Dr. Sena Yaddehige as a Director

   Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

   "That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

3. To approve the appointment of Dr. Gerry Jayawardena as a Director

   Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

   "That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja -Ela, who is 81 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena"

4. To approve the appointment of Mr. Ananda Fernando as a Director

   Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

   "That Mr. Ananda Fernando of No. 17- 4, Park Tower, Havelock City, Colombo 06, who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Ananda Fernando"

5. To re-elect Mr. Shaminda Yaddehige who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director

6. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine contributions to charities.

8. To consider any other business of which due notice has been given.

By Order of the Board

(Sgd.)
Richard Pieris Group Services (Private) Limited
Secretaries
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

29th August 2023

Notes:

a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report.
c) The completed form of proxy should be deposited at No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka., not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/We* (in block letters ..... of

..... being a member /members of the

KEGALLE PLANTATIONS PLC, hereby appoint ..... of

.....

whom failing DR. SENA YADDEHIGE whom failing PROF. ASOKA NUGAWELA whom failing DR. GERRY JAYAWARDENA whom failing SHAMINDA YADDEHIGE whom failing ANANDA FERNANDO *as my/our proxy to represent me/us and to vote on my/our behalf at the 30TH ANNUAL GENERAL MEETING of the Company to be held on 27th September 2023 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote :-

	In favour	Against
1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon		
2. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director		
3. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Gerry Jayawardena at this Annual General Meeting, a Director		
4. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Mr. Ananda Fernando at this Annual General Meeting, a Director		
5. To re-elect Mr. Shaminda Yaddehige who retires by rotation in terms of Article 92 as a Director		
6. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.		
7. To authorize the Directors to determine contributions to charities.		
8. To consider any other business of which due notice has been given.		

Dated this ..... day of 2023

.....
Signature of Shareholder

Notes:

(i) Please delete the inappropriate words.
(ii) A proxy need not be a member of the Company.
(iii) Instruction as to completion appears on the reverse of this form.

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

- To be valid, this Form of Proxy must be deposited at No. 310, High Level Road, Nawinna, Maharagama. Sri Lanka, not later than 10.30 a.m. on Monday, 25th September 2023.
- In perfecting the Form of Proxy, please ensure that all details are legible.
- In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
- Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.
- This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

CORPORATE INFORMATION

NAME OF THE COMPANY
Kegalle Plantations PLC

LEGAL FORM
A Quoted Public Company with limited liability,
Incorporated in Sri Lanka under the Companies Act No. 07 of 2007.

DATE OF INCORPORATION
22 June 1992

COMPANY REGISTRATION NUMBER
P Q 135

REGISTERED OFFICE/HEAD OFFICE
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.
Telephone:+ (94) 11 4310500
Fax: + (94) 11 4310799
E-mail: kpl.rpk@arpico.com
Website: www.arpico.com

ACCOUNTING YEAR END
31 March

PRINCIPAL BUSINESS ACTIVITIES
Cultivation, Manufacture and Sale of Rubber, Tea,
Coconut & other agricultural Produce.

MANAGING AGENT
RPC Plantation Management Services (Pvt) Ltd
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

ULTIMATE PARENT ENTERPRISE
Richard Pieris & Company PLC
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

BOARD OF DIRECTORS
Dr. Sena Yaddehige, Chairman
Prof. R C W M R A Nugawela
Dr. S S B D G Jayawardena
Mr. Shaminda Yaddehige
Mr. J L A Fernando

STOCK EXCHANGE LISTING
The The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

MANAGEMENT
Mr. Prins Gunasekara, Chief Executive Officer (Acting)
Mr. Eksith Kurukulasooriya, Financial Controller
Mr. I S Doranegama, Director Operations
Mr. W M R R K Wijekoon, Deputy General Manager - Rubber
Mr. S R Aluwihare, Deputy General Manager - Tea / Superintendent
Mr. T I Kodithuwakku, Senior Accountant
Mr. R M S S Herath, Manager - Information Systems
Mr. L P Tennakoon, Manager - Plantations
Mr. M P Bandara, Manager - Forestry
Mr. Janaka Gallappaththi, Manager - Coffee Planting

SECRETARIES
Richard Pieris Group Services (Pvt) Limited
No. 310, High Level Road,
Nawinna, Maharagama, Sri Lanka.
Telephone: + (94) 11 4310500

AUDITORS
Messrs. Ernst & Young,
Chartered Accountants,
201, De Saram Place,
Colombo 10, Sri Lanka.

BANKERS
National Development Bank PLC
Bank of Ceylon - Corporate Branch & Regional Branches
Hatton National Bank PLC
Peoples Bank
Seylan Bank PLC
Commercial Bank of Ceylon PLC
Indian Overseas Bank/Indian Bank/State Bank of India
Nations Trust Bank PLC
DFCC Bank PLC

TAX ADVISORS
Messrs. Ernst & Young,
Chartered Accountants,
201, De Saram Place,
Colombo 10, Sri Lanka.

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