

ANNUAL REPORT  
**2023**



**Battawatte Estate - Madulsima**





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## OUR VISION

*To be a trendsetter in the Plantation Industry by being a result-oriented innovative Tea Company.*

## OUR MISSION

- *To manage the Plantations as economically viable units and ensure the enhancement of their economic value.*
- *To improve the socio-economic conditions of the Workers.*
- *To enhance returns to the Shareholders.*
- *To become a best-managed World Class Tea Company reputed for quality.*

## **HISTORICAL BACKGROUND**

*The Company was originally incorporated as Madulsima Plantations Ltd on 22nd June 1992 by Certificate of Incorporation issued in terms of Section 15 (1) of the Company's Act No. 17 of 1982 read with Section 2 (2) of the Conversion of Public Corporation or Government owned business Undertakings into Public Company's Act No. 23 of 1987 and the order published in the Gazette Extra Ordinary of the Democratic Socialist Republic of Sri Lanka dated 22nd June 1992.*

*The Company was thereafter re-registered under the Company's Act No. 07 of 2007 as Company No PQ 184 and a new Certificate of Incorporation was issued under the provision of Section 485 (6) of the Company's Act No. 7 of 2007 with the corporate name changed by operation of law to Madulsima Plantations PLC.*

*The first tranche of 51% (10.2 million shares) of the issued share capital of the Company was sold by the Secretary to the Treasury through the Colombo Stock Exchange on an "all or nothing" basis and was purchased by Stassen Exports (Pvt) Limited in February 1996.*

*The convertible Debentures of Rs.90 million issued in February 1996 to Distilleries Company of Sri Lanka were converted to 9 million ordinary shares on 30th November 1998 and were issued to the holder.*

*As per the decision of the Government, 10% (2 million shares) of the shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were distributed among the employees of the Company.*

*20% (4 million shares) of the shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were sold to the public through the Colombo Stock Exchange.*

*16,949,673 shares belonging to the main shareholder, Stassen Exports (Pvt) Limited were purchased by related party Melstacorp PLC on 22nd September 2017.*

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-first (31st) Annual General Meeting of **MADULSIMA PLANTATIONS PLC** **will be held as a virtual meeting via an online meeting platform conducted from the "Mini Auditorium", Melstacorp PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka on Tuesday, 25th June 2024 at 01.00 p.m. for the following purposes:**

- 1) To receive and consider the Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st December 2023 together with the Auditors' Report thereon.
- 2) To appoint Mr D H S Jayawardena who is above the age of 70 years as a Director by passing the following resolution.  
  
"That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr D H S Jayawardena who has reached the age of 81 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".
- 3) To appoint Mr C R Jansz who is above the age of 70 years as a Director by passing the following resolution.  
  
"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr C R Jansz who has reached the age of 71 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".
- 4) To appoint Dr A Shakthevale who is above the age of 70 years as a director by passing the following resolution.  
  
"That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Dr A Shakthevale who has reached the age of 81 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".
- 5) To re-elect Mr D Hasitha S Jayawardena who retire by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.
- 6) To authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

sgd  
By order of the Board  
**Pradeep A Jayatunga**  
Company Secretary

30th May 2024  
Colombo



## NOTICE OF MEETING

### Notes

The thirty – first (31st) Annual General Meeting of Madulsima Plantations PLC will be held by participants joining in person or proxy, through audio or audio-visual means in the manner specified below:

#### i) Attendance of the Chairman and the Board of Directors

The Chairman, the Board of Directors, certain Key Management Personnel, the Company Secretary, and the External Auditors will be available **on the Virtual Platform on Tuesday, 25th June 2024 at 01.00 p.m.**

#### ii) Shareholder Participation

- a) The Shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
- b) The Shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio-visual means only.
- c) The shareholders who wish to participate in the meeting will be able to join the meeting through audio or audio-visual means. To facilitate this process, the shareholders are re-quired to furnish the details of the shareholder and proxy holder, if any, by perfecting **Annexure II** to the circular posted to the shareholders and forwarding same to Company Secretary via **bplmplcompanysecretary@gmail.com** or by facsimile on +94 11 254033, to reach the Secretary **not less than two (02) working days before the date of the meeting** so that the meeting login information could be forwarded to the email address as provided.
- d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to the Company Secretary via e-mail **bplmplcompanysecretary@gmail.com** or facsimile on +94 11 254033 or by post to the Registered Office of the Company, Madulsima Plantations PLC, # 833,, Sirimavo Bandaranayake Mawatha, Colombo 14, Sri Lanka, **not less than Two (02) working days before the date of the meeting.**

#### iii) Shareholder's queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to the Company Secretary, via e-mail to **bplmplcompanysecretary@gmail.com** or facsimile at + 94 11 254033 or by post to the Registered Office of the Company, Madulsima Plantations PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka **not less than Two (02) days before the date of the meeting**. This is to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that the same could be addressed at the meeting.

- iv) The Annual Report of the Company for the year 2023 will be available for perusal on the Company website <http://melsta.com/our-core-sectrs/plantations-services> and the Colombo Stock Exchange website on [www.cse.lk](http://www.cse.lk)

If you wish to receive a printed copy of the Annual Report for the year ended 2023, please complete and forward us the Annexure I of the Form Request posted to the shareholders, by post to the registered address of the Company, Madulsima Plantations PLC, # 833, Sirimavo Bandaranayake Mawatha, Colombo 14, Sri Lanka or email [bplmplcompanysecretary@gmail.com](mailto:bplmplcompanysecretary@gmail.com) or facsimile + 94 11 2540333.

## CORPORATE INFORMATION

<b>Company</b>	Madulsima Plantations PLC	
<b>Legal Form</b>	Public Listed Company	
<b>Date of Incorporation</b>	22nd June 1992	
<b>Company Registration No.</b>	P Q 184	
<b>Registered Office</b>	833, Sirimavo Bandaranayake Mawatha, Colombo 14.	
<b>Board of Directors</b>	Mr. D H S Jayawardena	Chairman
	Mr. C R Jansz	Non Executive Director
	Mr. D Hasitha S Jayawardena	Non Executive Director
	Mr. M A N S Perera	Executive Director
	Mr. K Dayaparan	Non Executive Director
	Dr. A Shakthevale	Independent Non Executive Director
	Mr. D S K Amarasekera	Independent Non Executive Director
<b>Secretary</b>	Mr. P A Jayatunga 833, Sirimavo Bandaranayake Mawatha Colombo 14 Telephone : 2524734/2522871	
<b>Registrars</b>	Central Depository Systems (Pvt) Ltd Registrars Unit Ground Floor, M & M Center, # 341/5 Kotte Road Rajagiriya Telephone : +011 2356446	
<b>Auditors</b>	Messrs KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha Colombo 03.	
<b>Bankers</b>	Hatton National Bank Plc City Office 16, Janadhipathi Mawatha Colombo 01.	
<b>Parent Company</b>	Melstacorp PLC 110, Norris Canal Road Colombo 10.	



## MANAGEMENT TEAM

### Head office - Badulla

Chief Executive Officer	Mr. M A Fernando
Finance Manager	Mr. N Jayasinghe

### Head office - Colombo

Director Operations	Maj. Gen. (Retd). D Fernando
General Manager Finance (Plantations)	Mr. D S Heenatigalage

### Company Secretarial & Legal Division

Company Secretary/Legal Officer	Mr. P A Jayatunga
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### Estate Managers

#### Madulsima Region

Name of the Estate	Name of the Superintendent
Battwatte Estate	Mr. S S Narayanan (w.e.f. 18th May 2024)
Cocogalla Estate	Mr. K K Weerasinghe
El-teb Estate	Mr. C A Jayarathne (w.e.f. 15th January 2024)
Galloola Estate	Mr. A Padmanadan (Senior Assistant Superintendent In-charge)
Mahadowa Estate	Mr. M A Rathnadason
Roeberry Estate	Mr. T S M Wickramasinghe (w.e.f. 15th February 2024)
Uvakellie Estate	Mr. S J Mudannayake (w.e.f. 15th February 2024)
Verellapatna Estate	Mr. D T Gunarathne

#### Bogawantalawa Region

General Manager	Mr. L G S Wijerathne
Kew	Mr. W M H E Wijerathne
Kirkoswald	Mr. L G S Wijerathne
Theresia	Mr. I A Bogahawaththe
Venture	Mr. C M Senevirathne

## BOARD OF DIRECTORS

### MR D H S JAYAWARDENA

#### CHAIRMAN

Mr D H S Jayawardena is one of the most successful and prominent business magnates in Sri Lanka. He was elected Chairman of the DCSL Group in 2006 after serving as its Managing Director for almost two decades. He heads many successful ventures in diversified fields of business. He is the founder Director and the present Chairman / Managing Director of the Stassen Group of Companies.

#### Chairman

He is the Chairman of Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Pattipola Livestock Company Ltd., United Dairies Lanka (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Melsta Health (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Balangoda Plantations PLC, Bogota Power (Pvt) Ltd., Bellactive (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd., DCSL Breweries Lanka Ltd.

#### Managing Director

Stassen Real Estate Developers (Pvt) Ltd

#### Director

Melsta Gama (Pvt) Ltd., Hospital Management Melsta (Pvt) Ltd, DCSL Brewery (Pvt) Ltd, Aitken Spence Aviation (Private) Limited, McSen Range (Pvt) Ltd.

#### Others

Mr. Jayawardena is the Honorary Consul for Denmark and was honoured with the prestigious “Knight’s Cross of Dannebrog’ by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences, and business life.

### MR C R JANSZ

#### NON EXECUTIVE DIRECTOR

Mr Jansz is a Director of Stassen Group, Lanka Milk Foods Group, Aitken Spence Group & Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., and Deputy Chairman of Melstacorp PLC.

He has been the Chairman of DFCC Bank and Sri Lanka Shippers Council.

Mr Jansz holds a Diploma in Banking and Finance from London Metropolitan University, UK. He is a Chevening Scholar and an UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

Mr Jansz specializes in the movement and finance of international trade.

## BOARD OF DIRECTORS

### MR D HASITHA S JAYAWARDENA

#### NON EXECUTIVE DIRECTOR

Mr Hasitha Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom.

Mr Jayawardena has also worked as an Intern at the Clinton Global Initiative Programme (CGI) in New York in 2007.

#### Director

Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC., Lanka Milk Foods (CWE) PLC, Lanka Dairies Ltd., Ambewela Livestock Company Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., Melsta Gama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Zahra Exports (Pvt) Ltd., McSen Range (Pvt) Ltd., Balangoda Plantations PLC, DCSL Brewery (Pvt) Ltd., DCSL Breweries Lanka Ltd., DCSL Group Marketing (Pvt) Ltd., Melsta House (Private) Ltd.

### MR M A N S PERERA

#### EXECUTIVE DIRECTOR

Mr M A N Sampath Perera holds an MBA from the prestigious University of Cambridge and is a Fellow of the Institute of Chartered Accountants, Sri Lanka. He is also a Certified Management Accountant and has other qualifications and exposure to investment and financial strategy, risk management, and international tax planning.

Mr. Perera has over 20 years of investment and banking experience. He specializes in the areas of financial and investment strategy, risk management, and financial technology solutions. He has extensive experience in corporate restructuring, turnaround, and mergers & acquisitions.

During the last two decades, Mr. Perera worked in the investment, banking, and fintech sectors in London. He started his UK chapter with PwC-London and was involved in several strategic projects with global top-tier banks including JP Morgan, ING, Bank of Montreal, National Australia Bank, and BNP Paribas. He was pivotal in setting up two London-based international investment banks and a FinTech banking platform. He served these institutions in various leadership capacities including Finance Director, Chief Financial Officer, Head of Strategy, and part-time CRO. Mr. Perera has led strategic and economic research initiatives at a corporate level. He has over 25 years of international experience spanning Europe, Asia, the Americas, the Middle East, and Southern Africa.

#### Managing Director

Mr. M.A.N.S. Perera is the Managing Director of Melstacorp PLC.

#### Director

Distilleries Company of Sri Lanka PLC, Melsta Logistics (Pvt) Ltd, Melsta Tower (Pvt) Ltd., Bellvantage (Pvt) Ltd., Melsta Pharmaceuticals (Pvt) Ltd., Melsta Labs (Pvt) Ltd., Melsta Healthcare Colombo (Pvt) Ltd., Formula World (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Periceyl (Pvt) Ltd, Balangoda Plantations PLC, Lanka Bell Ltd, Bellactive (Pvt) Ltd, Bell Solutions (Pvt) Ltd, Browns Beach Hotels, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Amethyst Leisure Ltd., Paradise Resort Pasikudah (Pvt) Ltd., DCSL Breweries Lanka Ltd., Melsta House (Pvt) Ltd.

## BOARD OF DIRECTORS

### MR K DAYAPARAN

#### NON EXECUTIVE DIRECTOR

Mr K Dayaparan holds a Diploma in Marketing from “The Chartered Institute of Marketing (UK).

Mr Dayaparan is a Per-Pro of Stassen Exports (Pvt) Ltd., and he is a Director of Balangoda Plantations PLC and Bogo Power (Pvt) Ltd

Mr Dayaparan has been a Past Chairman of “The Coconut Products Manufacturers’ & Exporters’ Association” and a past Committee Member of the “Exporters’ Association of Sri Lanka”. He has more than 40 years of experience in the export sector.

### DR A SHAKTHEVALE

#### INDEPENDENT - NON-EXECUTIVE DIRECTOR

Dr A Shakthevale is a retired Additional Secretary (Livestock), Ministry of Agriculture and Livestock in 2002, and served as the Secretary, of the Ministry of Rehabilitation and Social Services in the Northeast Provincial Council and as a member of the Independent Finance Commission for two terms from July 2004 – July 2009. He works as a freelance Consultant in the field of livestock. He has also worked for FAO, as the National Consultant – Veterinary Production Specialist, UNDP, GTZ UNHABITAT, Land O’Lake Oxform GB, and several local livestock organizations.

#### Director

Lanka Milk Foods (CWE) PLC, Balangoda Plantations PLC, and United Dairies Lanka (Pvt) Ltd

### MR D S K AMRASEKERA

#### INDEPENDENT - NON-EXECUTIVE DIRECTOR

Mr Kamantha Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-law of the Supreme Court of Sri Lanka. He also holds a degree in Business Administration from the University of Sri Jayawardenapura and began his career in the year 1998.

Mr Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of M/s Amarasekera & Company, a leading tax consultancy firm in the country. Other key appointments: Director – Kelani Tyers PLC, Lanka Milk Foods (CWE) PLC, Balangoda Plantations PLC, Eden Hotel Lanka PLC, Ceylon Hotels Corporation PLC, Palm Garden Hotels PLC, AgStar PLC, Serendib Hotels PLC, Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Sierra Cables PLC and several other subsidiaries of Browns Investments Group.

## CHAIRMAN'S REVIEW

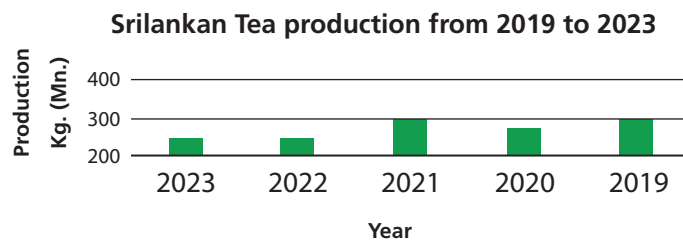
I am pleased to present the Annual Report and Audited Financial Statements of Madulsima Plantations PLC for the financial year ended 31st December 2023, on behalf of the Board of Directors.

### Tea industry

#### Sri Lanka Tea Production

In Kg. Mn.	2023	2022	2021	2020	2019
Production	256	252	299	279	300
Annual Increase/ (Decrease)	4	(47)	20	(21)	(4)
Annual Increase/ (Decrease) %	2%	(16%)	7%	(7%)	(1%)

Source: Sri Lanka Tea Board



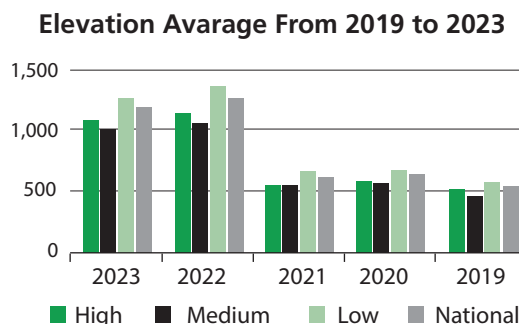
In 2023, Sri Lanka's tea production witnessed a marginal increase of 2% compared to 2022 figures, reflecting a the struggle for recovery in the industry after detrimental policy decisions. Notably, Madulsima Plantations recorded upward trend, with its combined production experiencing a notable 6% rise from the previous year.

However, amidst this growth in production, the national average price of tea experienced a downturn, declining by Rs. 80 per kilogram in 2023. This decline represents a negative variance of 6% when compared to the previous year's average price of Rs. 1,279 per kilogram. The primary factor influencing this decline is the appreciation of the Sri Lankan rupee, which exerted downward pressure on tea prices in the international market.

#### Elevation Average (Rs. per Kg)

	2023	2022	2021	2020	2019
High	1,093	1,144	570	594	513
Medium	1,022	1,069	560	562	469
Low	1,278	1,380	655	683	577
National	1,199	1,279	629	645	546

Source: Sri Lanka Tea Board



The Tea Industry continues to be challenged with continuous wage increases, increase in finance cost, erratic weather conditions and the impact of the global geo-political turmoil.

## CHAIRMAN'S REVIEW

### Company performance

Throughout the year, we encountered various challenges, yet demonstrated resilience and unwavering determination in overcoming them. Despite setbacks, we embarked on a proactive path of correction, diligently addressing ground conditions and rectifying nutrient imbalances in the soil. These imbalances were a result of previous years' constraints, notably the restrictions on fertilizer and weedicide imports imposed by the Government of Sri Lanka.

Despite the tea market experiencing some easing in prices due to the strengthening of the Sri Lankan rupee, our company achieved a remarkable feat, with total revenue surpassing Rs. 4 billion in 2023. However, upon comparing this figure to previous years, a marginal decrease of Rs. 133 million is noted. This reduction, while slight, underscores the challenges and adjustments we faced throughout the year.

Nevertheless, amidst these challenges, Madulsima Plantations PLC managed to achieve a gross profit amounting to Rs. 82 million. This achievement is particularly commendable considering the significant increase in cost of sales by Rs. 484 million. The inflationary impact on key inputs such as fertilizer, fuel, and electricity costs posed considerable financial strain. Despite these cost pressures, our company's commitment to operational excellence and efficiency allowed us to navigate through the turbulence.

Income tax expense, which consist of deferred tax charge has significantly increased from Rs 292 million in the year 2022 to Rs 796 million due to increased consumable biological assets (timber value) considered for deferred tax calculation, on account of fair value gain recognized during the year and delay in timber harvesting against the forecast.

### Profit/(Loss) Rs. (Mn.)

	2023	2022
Gross Profit	82	700
Gain on change in fair value of Biological Assets	619	300
Profit from Operations	650	961
Net Finance Cost	(892)	(873)
Profit/(Loss) before Taxation	(242)	89
Income Tax Expense	(796)	(292)
Loss for the year	(1,038)	(203)

Amidst corrective action being taken and because of the proactive measures implemented by estate management have yielded tangible results, as evidenced by a moderate 6% increase in tea production from 2022. This uptick in production stands as a testament to the efficacy of the corrective actions undertaken within our plantations. By diligently addressing ground conditions and rectifying nutrient imbalances in the soil, our estate management team has successfully revitalized our tea production processes.

Details	2023	2022	2021	2020	2019
Production ('000kg)	3,975	3,734	5,252	5,084	4,119
Yield (kg/ha)	986	931	1,191	1,077	900
Revenue (Rs. Mn)	4,038	4,173	3,100	2,832	2,007
NSA (Rs.)	980	1,032	541	539	468
COP (Rs.)	991	951	607	555	689
Gross Profit/(Loss) (Rs/kg)	(11)	81	(66)	(16)	(221)



## CHAIRMAN'S REVIEW

### Way forward

Despite the challenges posed by currency fluctuations and market dynamics, Madulsima Plantations remained resilient, adapting to evolving conditions while continuing to drive production growth. By leveraging strategic initiatives and operational efficiencies, the company effectively capitalized on opportunities for expansion, contributing to the overall positive trajectory of Sri Lanka's tea industry.

Madulsima Plantations PLC remains steadfast in its commitment to sustainable growth and operational excellence. We recognize the importance of agility and adaptability in navigating dynamic market conditions and regulatory changes. By leveraging our experience, expertise, and collective determination, we are well-positioned to overcome future challenges and capitalize on emerging opportunities in the dynamic landscape of the plantation industry.

Moreover, in line with our commitment to continuous improvement and innovation, we have launched an integrated agriculture and productivity improvement plan. This strategic initiative involves crafting and executing a thorough, tailored long-term to medium-term strategy for our estates. This approach is supported by the ongoing preparation of a corporate plan.

Central to this plan is the integration of advanced agricultural practices and mechanization techniques aimed at streamlining operations and maximizing yield potential. By leveraging technology and mechanization and best agricultural practices, we aim to unlock new levels of efficiency and productivity within our estates. Additionally, a key focus of the plan is on talent development and capacity building, ensuring that our workforce is equipped with the requisite skills and knowledge to drive operational excellence.

Furthermore, the productivity improvement plan emphasizes a holistic approach to performance enhancement, encompassing various facets of estate management, including soil health management, crop diversification, and resource optimization. By adopting a proactive and strategic approach, we aim to not only enhance tea production but also promote sustainable agriculture practices and environmental stewardship.

As we embark on this journey of transformation and growth, we remain firmly committed to our core values of integrity, sustainability, and excellence. Through collaborative efforts and a relentless pursuit of innovation, we are confident in our ability to unlock the full potential of our plantations and deliver long-term value for our stakeholders.

### Dividends

The Directors are not recommending a dividend for the year ended 31st December 2023.

### Acknowledgment

The Board of Directors would like to express our gratitude to the Buyers, Brokers, and Suppliers for their patronage. We would also like to recognize and appreciate the dedication, commitment, and loyalty of the Management team, Executives, Staff, and Workers of the Company in carrying out their tasks. We extend our sincere thanks to all stakeholders for their outstanding service.

Sgd.

**D H S Jayawardena**

Chairman

Madulsima Plantations PLC

30th May 2024

## SUSTAINABILITY REPORT

We, Madulsima Plantations PLC, are deeply committed to sustainability across our operations. We recognize that sustainability is not just a trend but a pressing concern for our customers worldwide. Therefore, it is imperative that we invest, invent, and continuously improve to ensure that every aspect of our operations aligns with sustainable practices.

At Madulsima Plantations, our unwavering commitment lies in the production of high-yielding, premium-quality Tea, Rubber & minor crops all the while upholding environmental responsibility and sustainability as paramount values. We recognize the profound impact our industry has on the environment and are dedicated to addressing environmental concerns while harmonizing the needs of our stakeholders and buyers, who depend on Madulsima Plantations to deliver value.

In pursuit of this commitment, we place significant emphasis on minimizing our environmental footprint and continuously enhancing our environmental performance. We remain proactive in exploring and implementing more efficient technologies and processes that align with our sustainability objectives. To ensure accountability and transparency, we have established rigorous monitoring, reporting, and review processes. These measures not only facilitate compliance with regulatory standards but also uphold certification and meet the expectations of our customers.

Our environmental management policy, depicted below, serves as a guiding framework that integrates seamlessly with the relevant Sustainable Development Goals, underscoring our holistic approach towards environmental stewardship and sustainable development.



## SUSTAINABILITY REPORT

### Economic environment

Understanding the preferences and requirements of our buyers, particularly those in the EU, Japan, and the Middle East, is crucial for tailoring our market strategies and stimulating demand for our products. These discerning consumers prioritize responsible production practices, making it imperative for us to integrate sustainable growing methods into our operations. Embracing sustainable agriculture not only fosters adaptability but also resilience in the face of climate change.

As part of our incorporate sustainability strategy, we prioritize the education and empowerment of our senior managers to champion in sustainable agriculture principles. Through regular discussions and workshops, we disseminate knowledge, raise awareness, and garner support for the implementation of sustainable practices among our workforce, thereby enhancing productivity.

Our tea production process, characterized by peak energy demands, presents an opportunity for leveraging renewable energy sources. Given the abundant rainfall and favorable topography in the Central and Uva provinces, hydroelectric power stands out as a viable option to meet our energy needs. Although grid electricity is readily available, we recognize the potential for harnessing solar power, especially in regions like the Uva province, blessed with ample sunshine throughout the year.

Furthermore, we maximize land utility by cultivating fast-growing tree species on marginalized tea lands, catering to our thermal energy requirements. This biomass utilization not only serves as an alternative energy source but also holds promise for electricity generation, contributing to our sustainable energy portfolio.

### Forestry management & sustainability

As stewards of 7369 hectares of the nation's economically valuable and environmentally sensitive land, we hold a deep-seated commitment to safeguarding the environment for the well-being of current and future generations.

Aligned with national policies and legislative mandates concerning the environment and biodiversity, our environmental management approach adheres closely to regulatory standards. We proudly hold certifications from esteemed bodies such as the Rainforest Alliance (RA) and ISO 22000. Additionally, our participation in Biodiversity Sri Lanka underscores our dedication to collaborative efforts between the corporate sector and conservation agencies on environmental and biodiversity concerns.

At the core of our environmental strategy lies a comprehensive risk assessment framework, meticulously crafted to address all pertinent environmental aspects. This holistic approach ensures that we not only meet regulatory requirements but also proactively mitigate risks and promote sustainability across all levels of our operations.

## SUSTAINABILITY REPORT

### Environmental risk assessment

RISK LEVEL	CATEGORY	RISK ASSESSMENT	RISK MANAGEMENT STRATEGIES
<b>HIGH</b>	<b>Climate Change</b>  Extreme Weather Conditions  Change in rainfall pattern and ambient temperature	<ul style="list-style-type: none"> <li>Land Degradation</li> <li>Adverse impact on yields and quality of tea</li> <li>Difficulty in forecasting crop and quality of tea.</li> <li>Drop in crop intakes and profitability</li> <li>Forest fires</li> <li>Reduced employment opportunities</li> <li>Adverse impact on Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Planting tea, green manure/shade, native species, cash crops and fruit plants to increase tree canopy cover and carbon sequestrations.</li> <li>Implementing sustainable agriculture practices.</li> <li>Planting drought resistant cultivars</li> <li>Rainwater harvesting in ponds to sustain the ground water table, improve microclimate conditions and regulate ambient temperatures</li> <li>Partner of establishment of Peak Ridge Forest Corridor to conserve the mountainous Leopards in Bogawanthalawa region.</li> </ul>
<b>MODERATE</b>	<b>Soil Fertility</b>  Depletion of soil organic matter and nutrients.	<ul style="list-style-type: none"> <li>Extreme rainy weather may cause loss of top soil, soil fertility and nutrient loss.</li> <li>Steep terrain in the tea fields may accelerate the soil erosion intensity.</li> <li>Harvesting of timber in timber plantations will be a loss of canopy coverage of the land and accelerate the soil erosion intensity and increase the adverse effect of climate change due to the change in the micro climatic conditions of the area.</li> </ul>	<ul style="list-style-type: none"> <li>Planting green manure and shade trees under five-year shade management plan.</li> <li>Comprehensive forestry planting programs parallel to the five-year forestry management plan.</li> <li>Inter planting Coffee as a shade tree and soil improvement technique.</li> <li>Composting of weeds.</li> <li>Establishing stone and live terraces.</li> <li>Maintaining the standard mana grass density of tea new clearings.</li> <li>Soil testing and rational application of dolomite and chemical fertilizer.</li> </ul>
	<b>Green House Gas (GHG) Emissions</b>  Green House Gas emissions from agricultural operational activities and domestic consumption.	<ul style="list-style-type: none"> <li>Green House Gas emissions fuel used in transport and supervisory vehicles.</li> <li>Green House Gas emissions from electricity usage in factories, staff quarters, officers and other buildings.</li> </ul>	<ul style="list-style-type: none"> <li>Measuring and monitoring GHG emissions at each operational site.</li> <li>Measuring and monitoring electricity and fuel consumption at each operational site.</li> <li>Planting trees and increasing tree canopy cover for increase carbon sequestration.</li> </ul>

## SUSTAINABILITY REPORT

### Forestry plantations management

Our commitment to sustainable green initiatives extends to the establishment and management of forestry plantations, a cornerstone of our environmental stewardship efforts. Our forestry replanting projects and management practices are guided by two primary objectives: production and protection.

### Production forests

Within our production forests, we currently oversee the maintenance of 1,685 Hectares of land dedicated to timber and fuel wood cultivation on a sustainable basis. Recognizing the importance of utilizing land efficiently, we strategically plant timber species, particularly in low-yielding tea lands and harvested blocks. Through our forestry replanting program, aligned with the Five-year Forestry Master Plan in collaboration with the Forest Department, we ensure the replenishment of timber resources. Over the past five years, we have successfully planted 175,000 high-quality Eucalyptus species, covering 178 Hectares of land, contributing to both ecological restoration and sustainable resource management.



Mahadowa Estate - Yapama  
F/No. 01 - 2 ha

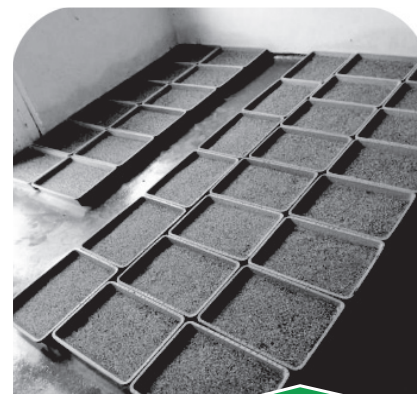
### Timber/Green manure nurseries



Elteb Estate - Kithulkellie  
Nursery 2500 Nos. Plants



Uvakellie Nursery 25000 Nos.  
Plants



Nursery mother beds- MPL  
Head Office

### Protection forests

Within our conservation efforts, Madulsima Plantations currently manages 376 Hectares of protected plantations across 12 estates situated in both the Western highlands and Uva medium regions. These areas are recognized for their remarkable biodiversity, boasting diverse ecosystems and habitats. From serene lakes and flowing streams to lush swamps and marshes, each estate is a sanctuary of nature's wonders, encompassing even the grandeur of waterfalls and the majesty of natural forests nestled within steep.

To further enhance the ecological richness of these protected areas, we have implemented a comprehensive planting program. This initiative aims to bolster biodiversity and safeguard critical water catchment areas, vital for sustaining local ecosystems. By nurturing these habitats, we not only preserve wildlife diversity but also foster a healthy balance within the natural landscape, ensuring its longevity for generations to come.



## SUSTAINABILITY REPORT

### Other compliance and accreditations

Our dedication to environmental sustainability and responsible business practices is underscored by our prestigious certifications from globally recognized organizations. We proudly hold accreditation from the Rainforest Alliance (RA) and ISO 22000, marking our commitment to meeting the highest standards of environmental stewardship and food safety.

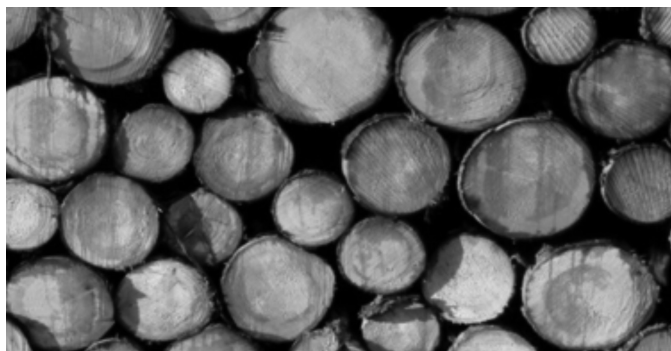


Furthermore, our active participation in Biodiversity Sri Lanka highlights our collaborative approach to addressing environmental and biodiversity-related challenges. As a member of this unique national initiative, we collaborate closely with conservation agencies to develop innovative solutions and promote the conservation of biodiversity. Together, we strive to create a more sustainable future where environmental protection and corporate responsibility go hand in hand.



### Harvesting of timber in production forests

In our production forests, every stage of timber harvesting, from felling to transportation, adheres strictly to the environmental regulations outlined in the National Environmental Act. We prioritize sustainability and environmental protection throughout the process, implementing various precautionary measures to mitigate potential impacts.



To minimize soil erosion and stabilize groundwater levels, we employ careful techniques during felling, clearing, and extraction activities. Furthermore, strict protocols are in place to ensure that all harvested areas are promptly replanted during the subsequent monsoon season. Additionally, we allocate resources to establish conservation forest areas in ecologically vulnerable zones, reinforcing our commitment to biodiversity conservation.

In line with our sustainability ethos, certain practices are strictly prohibited. This includes clear felling of trees in extents exceeding 2 hectares and any form of tree removal in sensitive catchment areas or steeply graded lands. By avoiding these activities, we prioritize the preservation of natural habitats and the integrity of our ecosystem.

### Conservation of biodiversity

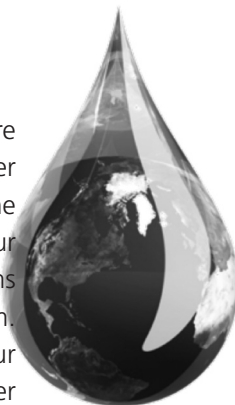
Preserving the rich tapestry of species, habitats, and ecosystems is paramount for the long-term sustainability of our planet. As a socially and environmentally responsible company, we prioritize biodiversity

conservation through community engagement and proactive initiatives. Through our partnership with the Rainforest Alliance (RA), we have designated 376 hectares as biodiversity conservation areas, where comprehensive measures are implemented to safeguard and enhance the ecological value of our estates. These areas are meticulously mapped, and wildlife habitats are demarcated with a 5-meter chemical-free buffer zone, accompanied by clear signage in multiple languages to ensure community awareness and participation.



## SUSTAINABILITY REPORT

Water conservation lies at the heart of our commitment to nurturing natural resources for future generations. To this end, we have embarked on a series of initiatives aimed at preserving water and enhancing water resources through innovative techniques. One such initiative involves the establishment of forest-like ecosystems on marginal land extents and along water streams within our tea estates. Additionally, we are in the process of constructing micro-scale cascading reservoir systems to optimize water retention, benefiting both estate operations and local communities downstream. By implementing these water harvesting initiatives, we not only improve water availability within our estates but also contribute to the broader community's water security. This holistic approach to water management aims to mitigate the decline in water resources and prevent future crises, ensuring the continued success of our cultivation endeavors.



### Key initiatives include:

- Enhancing shade stands to reduce ground temperatures, provide mulching material, and mitigate the impact of heavy rainfall.
- Implementing contour draining techniques to maximize rainwater harvesting and deliver agronomic benefits.
- Adopting forking and burying practices to improve soil permeability and enhance water in-filtration, further optimizing water retention and soil health.



*Waterfall and stream in Elteb Estate*

### Sustainable soil development

At Madulsima Plantations, we prioritize the sustainable development of soil as a foundational aspect of our agricultural practices. Recognizing its critical role in ensuring the long-term productivity of our tea plantations and other crop planting areas, we allocate significant resources annually towards sustainable soil development initiatives.

In our agricultural policy, soil development is identified as a cornerstone for productivity enhancement across our tea estates. As such, it is integrated as a fundamental principle guiding our agricultural operations. Through consistent investment and adherence to sustainable soil management practices, we aim to preserve soil health, enhance fertility, and



promote optimal growing conditions for our crops.

Our commitment to sustainable soil development extends beyond mere compliance; it reflects our deep-seated ethos of environmental stewardship and responsible land management. By prioritizing soil health and fertility, we not only ensure the continued success of our agricultural endeavors but also contribute to the broader sustainability goals of our company and the communities we serve.

## SUSTAINABILITY REPORT

### Reducing fossil fuel consumption

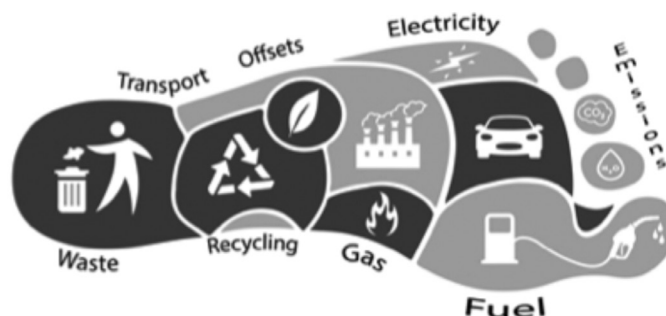


At Madulsima Plantations, we recognize the significance of reducing fossil fuel consumption as a vital step towards environmental sustainability and cost efficiency. Currently, our tea factories rely heavily on fossil fuels to meet their energy requirements, posing both economic and environmental challenges. However, our strategic location in the Central and Uva Provinces presents an opportunity to transition towards renewable energy sources, particularly hydro and solar power.

While grid electricity is readily available across our tea estates, the abundance of sunlight in the Uva province makes solar power generation a promising avenue for future investment. By harnessing solar energy, we aim to reduce our reliance on fossil fuels and lower our carbon footprint significantly. Additionally, we are exploring the cultivation of fast-growing tree species and bamboo in abandoned tea lands and water catchment areas to meet our thermal energy needs sustainably.

### Carbon footprint management

As pioneers in the Uva tea-growing region, we are committed to addressing the challenges of climate change by mitigating our carbon footprint. Through meticulous greenhouse gas (GHG) inventorying using internationally recognized protocols such as IPPC 2018 and ISO 14064-1, we assess and quantify our emissions comprehensively. This includes direct emissions from fossil fuel consumption and indirect emissions from electricity usage and third-party transport.



### Water footprint management

Managing our water footprint is integral to our sustainability goals, as water is a precious resource essential for tea cultivation. Using the CROPWAT 8.0 model developed by the Food and Agriculture Organization (FAO) and the Water Footprint Assessment Manual 2011, we calculate our water footprint to assess both direct and indirect water usage.

Currently, our water footprint stands at approximately 1050.56 m<sup>3</sup>/ton/year, highlighting the importance of efficient water management practices. Through water audits, awareness programs, and conservation initiatives, we strive to optimize water usage across our tea estates, ensuring the sustainable management of this vital resource.

### Crop diversification and sustainable land utilization

Madulsima Plantations PLC is dedicated to enhancing land productivity and promoting sustainable agricultural practices through crop diversification initiatives. Recognizing the potential of underutilized tea areas, we have conducted thorough assessments to identify low-yielding regions suitable for diversification. As a result, we have embarked on a journey of crop diversification by introducing a variety of cash crops such as cinnamon, pepper, coffee, cardamom, and citrus.

In 2021, we made significant strides in this endeavor by converting 5.0 hectares of low-yielding tea cultivated areas into coffee plantations at our Uvakellie and Roeberry Estates. This strategic move not only optimizes land usage but also contributes to the economic viability of our operations.

## SUSTAINABILITY REPORT

Moreover, to further improve land productivity and prepare for the establishment of cash crops, we have implemented land improvement practices. For instance, we have planted Gliricidia plants in 2.0 hectares of low-yielding tea areas, creating a conducive environment for pepper cultivation in the subsequent years.

Currently, Madulsima Plantations PLC manages the following cash crops across various extents totaling up to 30.9 ha: By diversifying our crop portfolio and utilizing land more efficiently, we not only enhance the resilience of our agricultural operations but also contribute to the sustainable development of the regions in which we operate. Through these initiatives, we strive to achieve a harmonious balance between economic prosperity, environmental stewardship, and social responsibility.



**Coffee**

20.0 ha

Inter-planted with  
Tea



**Cinnamon**

5.5 ha



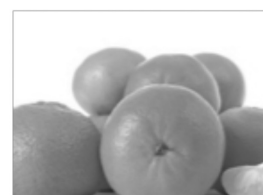
**Pepper**

3.0 ha



**Cardamom**

2.0 ha



**Mandarin**

0.4 ha

### Overview

Madulsima Plantations PLC is steadfast in its commitment to sustainable agricultural practices, environmental stewardship, and community engagement. Through a comprehensive range of initiatives spanning biodiversity conservation, water resource management, carbon footprint reduction, and crop diversification, we have demonstrated our dedication to responsible land utilization and long-term viability.

Our efforts to reduce fossil fuel consumption, mitigate carbon emissions, and optimize water usage reflect our proactive approach to addressing pressing environmental challenges while fostering economic resilience. By harnessing renewable energy sources, implementing land improvement practices, and diversifying our crop portfolio, we strive to enhance productivity, mitigate risks, and create value for stakeholders.

Furthermore, our partnerships with global organizations such as the Rainforest Alliance and our active involvement in national initiatives like Biodiversity Sri Lanka underscore our commitment to collaborative action and shared responsibility in safeguarding our planet's resources.

As we look to the future, Madulsima Plantations PLC remains dedicated to driving positive change, advancing sustainable development goals, and serving as a model of excellence in the tea industry and beyond. Through continuous innovation, strategic investments, and community engagement, we aspire to leave a lasting legacy of environmental stewardship and socio-economic empowerment for generations to come.

## REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Madulsima Plantations PLC have the pleasure in presenting the Annual Report together with the Audited Financial Statement of the Company for the year ended 31st December 2023.

### Principle activities

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

The Company has 8 estates in Madulsima and 4 in the Bogawantalawa regions. The cultivated land consists of 3,262 hectares of Tea Extent.

### Parent company

The company's parent undertaking and controlling party is Melstacorp PLC, which is incorporated in Sri Lanka as a Public Listed Company.

### Going concern

Please refer note 40 to the Financial Statement in page 113 to 114.

### Review of performance

The review of the Company's performance during the year 2023 is given in the Chairman's Review in the pages 11 to 13 of the Annual Report.

### Development and diversification

Development and Diversification are covered in the Chairman's Review on pages 11 to 13 in this Annual Report.

### Financial statements

The Financial Statements of the Company are given in the pages 45 to 114 of this Annual Report.

### Auditors' report

The Auditors' Report on the financial statements is given in pages 40 to 44 of this Annual Report.

### Accounting policies

The Accounting Policies adopted in the preparation of the Financial Statements are given in pages 50 to 72.

### Remuneration and other benefits of directors

The directors did not receive any remuneration or other benefits during the year.

### Donations

The company did not make any donations during the year.

## REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Financial Results

	2023 Rs.'000	2022 Rs.'000
Revenue	4,038,643	4,172,568
Gross Profit	82,769	700,059
Profit/(Loss) before Tax	(241,805)	88,548
Income Tax Expense	(796,455)	(292,033)
Loss after Tax	(1,038,260)	(203,485)
Net Comprehensive Income	(998,168)	(455,494)
Loss Brought Forward	(6,144,937)	(5,690,592)
Transferred to Timber Reserve	(619,426)	(292,988)
Transferred to Fair value through OCI Reserve	256	(17)

### Ratios

	2023	2022
<b>Profitability Ratios</b>		
Gross Profit Ratio (%)	2.05	16.78
Net Profit Ratio (%)	-25.71	-4.88
<b>Asset Ratios</b>		
Current Ratio (times)	0.51	0.43
Acid Ratio (times)	0.11	0.08
<b>Performance Ratios</b>		
Return on Share Capital (%)	-63.9	-12.52
<b>Leverage Ratios</b>		
Debt/Equity Ratio	13:1	7:1
Interest Coverage (times)	0.73	1.10
<b>Investor Ratios</b>		
Price Earnings Ratio (%)	-1.80	-9.42

### Appropriation and dividend

The directors have not recommended the payment of a dividend for the year ended 31st December 2023.

### Capital expenditure

The company incurred a capital expenditure of Rs. 171 Mn. (2022: Rs. 257 Mn.) of which Rs.149 Mn. (2022: Rs. 178 Mn.) has been spent on field development and Rs.22Mn. (2022: Rs. 36Mn.) on upgrading the factory, machinery, Motor vehicle, and other capital assets.

### Land Holdings & Investment Properties

The extent, locations, valuations, and the number of buildings of the Company's land holdings and investment properties are as follows;

## REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Estate	Location	Extent (Ha.)	Total Number of Buildings	Revaluation (Rs.'000)
Battawatta	Madulsima	12.14	552	50,669
Cocogalla	Metigahatenne	3.89	303	49,419
El-Teb	Passara	32.44	1,030	78,230
Galloola	Madulsima	9.8	260	40,693
Mahadowa	Madulsima	34.9	737	84,413
Roeberry	Pitamaruawa	54.85	919	79,994
Uvakellie	Madulsima	8.49	303	12,145
Verellapathana	Madulsima	14.99	438	72,080
Kew	Bogawantalawa	57.35	613	52,075
Kirkoswald	Bogawantalawa	7.26	1,185	135,110
Theresia	Bogawantalawa	32.46	640	53,510
Venture	Norwood	28.95	573	77,859
Head office	Badulla	0.04	2	7,275
<b>TOTAL</b>		<b>297.56</b>	<b>7,555</b>	<b>793,474</b>

### Capital commitments

Capital commitments are disclosed in Note 33 to the Financial Statements.

### Directorate

The following Directors held office during the year under review.

Mr. D. H. S. Jayawardena	- Chairman
Mr. C. R. Jansz	- Non-Executive Director
Mr. M A N S Perera	- Executive Director
Mr. D. Hasitha S. Jayawardena	- Non-Executive Director
Mr. K Dayaparan	- Non-Executive Director
Dr. A. Shakthevale	- Independent Non-Executive Director
Mr. D. S. K. Amarasekara	- Independent Non-Executive Director

In compliance with the revised Corporate Governance Rule No 9.6.1 of the Colombo Stock Exchange, the Company has resolved that Mr. D.H.S. Jayawardene Chairman of the company who functioned as the Chairman/Managing Director will remain a non-executive capacity with effect from 27th October 2023.

In terms of Article, 92 of the Articles of Association Mr.D Hasitha S Jayawardene retires by rotation and is eligible to offer himself for re-election.

### Directors' interests in shares

No shares of the Company were held by the Directors of the Company, their spouses, or dependents at the beginning and the end of the financial year.



## REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Interest register

Directors' interests in the Company are disclosed in Note 34 to the Financial Statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the company.

### Shareholders and investor information

Distribution of Shareholdings as at 31st December 2023, Analysis Report of Shareholders, Market Statistics of Company's share and the list of 20 major shareholders are given on pages 115 and 116 of this Annual Report.

### Event occurring after the date of the statement of financial position

Please refer to Note 41 for events occurring after the date of the Statement of Financial Position, which would require disclosure in the Financial Statements.

### Matters Pertaining to the Golden Share

The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his name, for and on behalf of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns 99% or more of the issued share capital.

The Company shall obtain the written consent of the Golden Shareholders prior to sub-leasing, ceding, or assigning its rights in parts or all of the lands set out in Section 3A (1) of the Memorandum of Association.

The Articles of the Company as originally framed may from time be altered by special resolution, provided that the concurrence of Golden Shareholder in writing shall be first obtained to amend the definition of the words Golden Share and Golden Shareholder and Articles 2A, 2B, 3(C), 3(C)(1), 3(C)(2), 25A, 127A, 127B, 127C and 128

The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.

The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once every three months if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.

The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the company after giving two weeks written notice to the company.

The Company shall submit to the Golden Shareholder on request within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.

The Company shall submit to the Golden Shareholder on request within 90 days of the end of each financial year, information relating to the Company in the pre-specified format agreed to by the Golden Shareholder and the Company.

## REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

### Auditors

The Financial Statements of the year have been audited by M/s KPMG, Chartered Accountants who offered themselves for reappointment. Fees paid to Auditors are disclosed in note 8 to the Financial Statement on page 75 of the Annual Report.

As far as the Directors are aware, the auditors do not have any relationship (Other than that of an Auditor) with the company other than those disclosed above. The auditors do not have any interest in the Company.

Sgd.

**C.R. Jansz**

Director

Sgd.

**M.A.N.S. Perera**

Director

Sgd.

**P.A. Jayatunga**

Secretary

30th May 2024

## AUDIT COMMITTEE REPORT

### Composition

The Audit Committee of the parent company, Melstacorp PLC commenced to function as the Audit Committee of the Company w.e.f. 20th March 2020 comprising the following members:

### Committee Members

Chairman	Mr. M.R. Mihular
Member	Dr. A.N. Balasuriya
Member	Mr. D. Hasitha S. Jayawardena
Member	Mr. N. De S. Deva Aditya
Secretary	Ms. N.C. Gunawardana

Following the demise of Mr R Seevarathnam on the 19th January 2023, Dr A N Balasuriya was appointed as pro-term chairman for the Audit Committee (19th January 2023 to 31st March 2023).

Mr M R Mihular was appointed to the Board of Directors of Melstacorp PLC and as the Chairman for the Audit Committee w.e.f. 01st April 2023.

### Meetings

The Audit Committee met Five [05] times during the year 2023. The Attendance of the members at these meetings is as follows:

Mr. M.R. Mihular	5/5
Dr. A.N. Balasuriya	5/5
Mr. D. Hasitha S. Jayawardena	5/5
Mr. N. De S. Deva Aditya	3/5

The Managing Director of Melstacorp PLC and Group Financial Controller also attend these meetings by invitation when needed.

### Terms of Reference

The Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring the highest compliance with the Corporate Governance rules applicable to Listed Companies in accordance with the Rules of the CSE and the Code of Best practice on Corporate Governance.

### Role of the Audit Committee

The Audit Committee in its role assists the Board in fulfilling their responsibility with regard to:

- Ensuring the integrity of the statements of the Company and that good financial reporting systems are in place and are managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance with the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No: 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange.

## AUDIT COMMITTEE REPORT

- Assessing the independence and monitoring the performance of external auditors.
- Ensuring the Company's internal control and risk management process operates efficiently and effectively.
- Ensure compliance with applicable laws, regulations and policies of Melstacorp Group and Company.
- Assess the Company's ability to continue as a going concern in the foreseeable future.

### Risks and Controls

The Committee obtained and reviewed the major business risks and mitigatory action taken or contemplated for each business sector of the Company. In particular, the Committee deliberated on the financial implications to the Company arising from the world market prices for Tea, labor issues, wage increases etc., and appraised the Board as appropriate.

### Internal Audit

The internal audit function of the company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Company can be relied on in the preparation and presentation of the financial statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

### External Audit

The Audit Committee met with the External Auditors to discuss the scope and the audit strategy. The Committee also reviewed and discussed the Report of the Auditors and Management Letters issued by them to ensure that no limitations have been placed on their scope of work and conduct of the audit.

The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG be reappointed as the External Auditors for the financial year ending 31st December 2024.

### Compliance with Laws and Regulations

The Committee reviews the quarterly compliance reports submitted by the relevant officers to ensure that the Company has complied with all statutory requirements.

### Conclusion

The Audit Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies and that the Company's assets are properly accounted for an adequately safeguarded.

Sgd.

**M.R. Mihular**

Chairman - Audit Committee

30th May 2024

## REMUNERATION COMMITTEE REPORT

### Composition

The Remuneration Committee of the parent company, Melstacorp PLC, commenced to function as the Remuneration Committee of the Company, with effect from 20th March 2020, comprising of the following members:

### Committee Members

Chairman	Dr. A.N. Balasuriya
Member	Mr. N. de S. Deva Aditya
Member	Mr. D. Hasitha S Jayawardena
Secretary	Ms. N.C. Gunawardana

### Meetings

The Board Remuneration Committee met Four (04) times during the year 2023. The attendance of the members at these meetings are as follows.

Dr. A.N. Balasuriya	4/4
Mr. N. de S. Deva Aditya	3/4
Mr D. Hasitha S. Jayawardena	4/4

The Managing Director of Melstacorp PLC and the Director Operations – Plantations (BPL/MPL) & GM – HR & Administration also attend these meetings by invitation when needed.

### Policy

The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the Remuneration Policy of the Key Management Personnel of the Company. The Remuneration Policy of the Company is based on the evaluation of individual performance. An annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individual.

Sgd.

**Dr. A.N. Balasuriya**

Chairman - Remuneration Committee

30th May 2024

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

### Composition

The Related Party Transactions Review Committee of the parent company, Melstacorp PLC, commenced to function as the Related Party Transactions Review Committee of the Company with effect from 20th March 2020, comprising the following members:

### Committee Members

Chairman	Mr. M.R. Mihular
Member	Dr. A.N. Balasuriya
Member	Mr. D. Hasitha S. Jayawardena
Secretary	Ms. N.C. Gunawardana

Following the demise of Mr R Seevarathnam on the 19th January 2023, Dr A N Balasuriya was appointed as pro-term chairman for the Related Party Transactions Review Committee (from 19th January 2023 to 31st March 2023).

Mr M R Mihular was appointed to the Board of Directors of Melstacorp PLC and as the Chairman for the Related Party Transactions Review Committee w.e.f. 01st April 2023.

### Purpose of the Committee

The Committee's key focus is to review all proposed related party transactions prior to entering into or completing the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

### Meetings

The Related Party Transaction Review Committee met Four (04) times during the year 2023. The attendance of the members at these meetings is as follows:

Mr. M.R. Mihular	4/4
Dr. A.N. Balasuriya	4/4
Mr D. Hasitha S. Jayawardena	4/4

The Managing Director of Melstacorp PLC and Group Financial Controller also attend these meetings by invitation when needed.

### Review of the Related Party Transactions

The Committee has reviewed all related party transactions of the Company for the financial year 2023 and communicated the activities of the Committee to the Board of Directors every quarter.

### Disclosures

During the year 2023, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Recurrent Related Party Transactions are disclosed in note 34.1 and 34.4.

Details of other related party transactions entered into by the Company during the year is disclosed in note 20, 26, 32 and 34 of the financial statements.

Sgd.

**M.R. Mihular**

Chairman - Related Party Transactions Review Committee  
30th May 2024



## CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the system by which companies are managed and controlled. Madulsima Plantations PLC is committed to complying with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. A comprehensive view of the Governance System in the Company is given below.

### The Board of Directors and its Functions

The Company is governed by its Board of Directors who direct, lead, and supervise the business and affairs of the Company on behalf of its shareholders. The Board consists of the Non-Executive Chairman, an Executive Director, three Non-Executive Directors, and two Independent Directors. The composition of the Company's Board has been structured following the principles of good governance and long-term strategy. Names of the members of the Board of Directors and their brief resumes are given on pages 8 to 10.

Although the two Independent Non-Executive Directors do not qualify under Rule 7.10.4 (g) of the Colombo Securities Exchange Listing Rules, the Board of Directors, taking account of all the circumstances, has determined that the two Directors are nevertheless independent as per Rule 7.10.3 (b).

The Board meets when required to make all major decisions. Prior to each meeting, the Directors are provided with all relevant management information, and Board papers are submitted in advance on new investments, capital projects, company performance, and other issues that require specific Board approval.

The main functions of the Board:

- Conducting the business and facilitating executive responsibility for the management of the Company's affairs,
- Formulate short and long term strategies and monitor implementation,
- Identify the principal risks of the business and ensure adequate risk management policies in place.
- Institute effective internal control systems to safeguard the assets of the Company.
- Ensure compliance with rules and regulations.
- Approve the financial statements of the Company.

The Board of Directors of Madulsima Plantations PLC has resolved to appoint the Audit Committee, Remuneration Committee, and the Related Party Transactions Review Committees of the Parent Company, Melstacorp PLC to function as the Audit Committee, Remuneration Committee, and the Related Party Transactions Review Committees of Madulsima Plantations PLC with effect from 20th March 2020, as provided for under Sections 7.10.5 a.7.10.6a and 9.2.3 respectively of the Listing Rules of the Colombo Stock Exchange.

### Chairman and Chief Executive Officer

In compliance with the revised Corporate Governance Rule No 9.6.1 of the Colombo Stock Exchange, the Company has resolved that Mr. D.H.S. Jayawardene Chairman of the company who functioned as the Chairman/Managing Director will remain in non-executive capacity with effect from 27th October 2023.

Mr. M.A. Fernando continues to function as the Chief Executive Officer of the Company oversees the day-to-day management affairs of the Company and is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company. CEO has oversight into the overall strategy formulation of the company, setting and executing the organization's strategy by driving the KPI's for delivery of sustainable returns.

## CORPORATE GOVERNANCE STATEMENT

### Audit Committee

The Audit Committee assists the Board by overseeing the entity's compliance with financial reporting requirements, the Company's internal controls, risk management of the independence, and performance of the external auditors. The Company has an Internal Audit Division, which submits its reports regularly to the Audit Committee. The guidelines for the Internal Audit ensure that the assets of the Company are protected against any unauthorized use or misappropriation, proper records are maintained and reliable information is received. The Audit Committee Report on pages 27 and 28 describes the activities carried out during the financial year.

### Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the Company's framework of remunerating the key management personnel of the company. The Remuneration Committee Report appears on page 29.

### Related Party Transactions Review Committee

All Related Party Transactions except for transactions set out in Rule 9.5 of the CSE Listing Rules are reviewed by the Related Party Transactions Review Committee. The Related Party Transactions Review Committee Report appears on page 30.

### Plantations Executive Committee

Plantations Executive Committee, which consists of the CEOs and senior management of plantations sector of the parent company Melstacorp PLC, is delegated with the responsibility of monitoring the progress and implementing the policies of the Company under the purview of the Executive Director. The Chief Executive Officer reports monthly on the progress of every estate and that of the Company to the Board of Directors.

Levels of Compliance with the CSE Listing Rules on Corporate Governance are as follows:

Rule No	Applicable Requirement	Compliance Status	Details
7.10.1.(a)	<b>Non-Executive Directors</b> * At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Six out of seven Directors are Non-Executive Directors
7.10.2(a)	<b>Independent Directors</b> * Two or one-third of Non-Executive Directors whichever is higher should be independent	Complied	Two out of six Non-Executive Directors are Independent.
7.10.2(b)	* Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations.
7.10.3(a)	<b>Disclosure Relating to Directors</b> * Names of Independent Directors should be disclosed in the Annual Report.	Complied	Refer Pages 22 to 26.
7.10.3(b)	* The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Complied	Refer Pages 31 to 32.

## CORPORATE GOVERNANCE STATEMENT

Rule No	Applicable Requirement	Compliance Status	Details
7.10.3(c)	* A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Refer Pages 8 to 10.
7.10.3(d)	* Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a) and (c) to the CSE	Complied	Not applicable
7.10.5	<b>Remuneration Committee</b> * A listed Company shall have a Remuneration Committee	Complied	Refer page 29
7.10.5(a)	<b>Composition of the Remuneration Committee</b> Shall comprise Non-Executive Directors a majority of who shall be independent.	Complied	
7.10.5(b)	<b>Functions of the Remuneration Committee</b> The Remuneration Committee shall recommend the remuneration of the key management personnel.	Complied	
7.10.5(c)	* Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out : (a) Names of Directors comprising the Remuneration Committee (b) Statement of Remuneration Policy	Complied Complied Complied	
7.10 & 7.10.6(a)	<b>Audit Committee</b> * The Company shall have an Audit Committee Composition of Audit Committee * Shall comprise of Non-Executive Directors, a majority of who will be independent. * A non-Executive Director shall be appointed as the Chairman of the Committee * The Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings * The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body	Complied Complied Complied Complied	Refer pages 27 to 28.
7.10.6(b)	* Audit Committee Functions		
7.106(c)	* Disclosure in the Annual Report relating to Audit Committee - Names of the Directors comprising the Audit Committee - Basis for determining the independence of the Auditors - Report of the Audit Committee in the prescribed manner		
7.13.1(a)	Minimum Public Holdings	Not Complied	Refer Page 116
9.2	<b>Related Party Transaction Review Committee</b> Disclosure – Non-Recurrent Related Party Transactions Disclosure – Recurrent Related Party Transactions Report by the Related Party Transaction Review Committee A declaration by the Board of Directors	Complied	Refer Page 30

## RISK MANAGEMENT

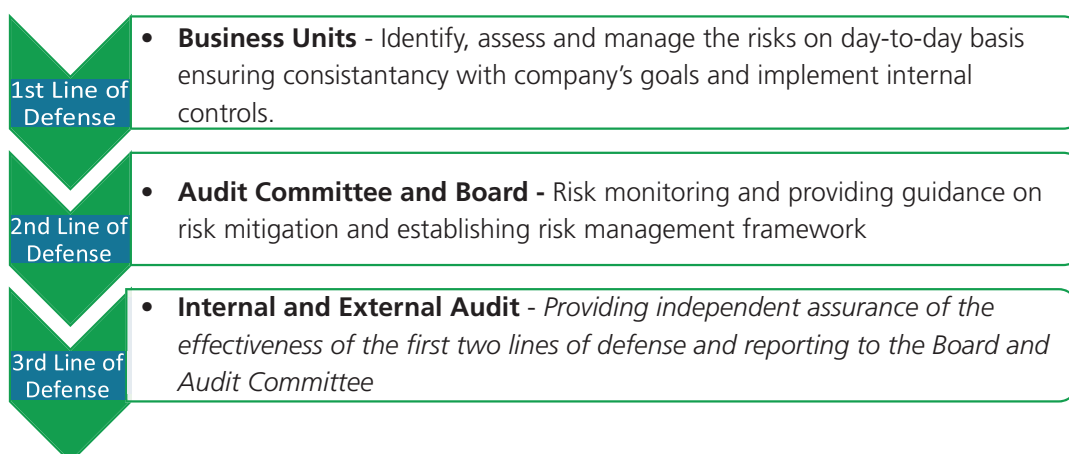
The Company operates in an evolving environment which exposes it to different types of risks especially being in the Agricultural Sector which is very sensitive to weather patterns. An effective risk management system is an important area of business management that would enable the company to proactively identify and address key risks to achieve an optimum balance between minimizing the risks and maximizing shareholder value. The Risk Management Process is designed to ensure the identification of any circumstances that would adversely affect the goals of the Company. Our Risk Management Process ensures that we accept or manage unavoidable risks and that uncertainties are minimized.

### Risk Management Process



The Board of Directors holds responsibility for the risk management function of the company, assisted by the group audit committee which has oversight responsibility for matters relating to risks and internal control.

The Company has identified the importance of having a proactive approach in managing risk while maintaining a comprehensive system of internal controls to track and monitor the subsequent effects of each risk on Company's performance. The Company has adopted 'Three Lines of Defense Model' in managing its risks.



## RISK MANAGEMENT

Following are the key risks that the company is exposed to while carrying out its business activities and mitigation measures implemented.

<b>Risk</b>	<b>Risk Assessment</b>	<b>Mitigating Strategies</b>	<b>Threat Probability</b>
Environmental Risk	The variability of weather conditions influences crop outcomes. Adverse weather, shifts in ambient temperature, and natural calamities can all disrupt crop growth and development. These factors impact the quantity, quality, market positioning, and financial performance of agricultural products.	<ul style="list-style-type: none"> <li>• Monitoring weather patterns and their impact on crop harvests.</li> <li>• Adoption of sustainable agricultural practices.</li> <li>• Constant examination and review of soil nutrient contents</li> <li>• Undertaking effective soil conservation measures.</li> <li>• Reservation of forests and watersheds</li> </ul>	High
Human Resource	Low productivity, reduction in resident manpower, disruptions in achieving the targeted objectives.	<ul style="list-style-type: none"> <li>• Providing welfare facilities and introducing participative housing projects to retain workers on plantations and improve their productivity.</li> <li>• Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes.</li> <li>• Improve employee motivation, commitment, welfare, recognition and appreciation.</li> </ul>	Moderate
Product Quality Risk	Inconsistency in quality of end products and its negative impact on prices and market share.	<ul style="list-style-type: none"> <li>• Ensure safety and ethical standards in providing a quality consumable product.</li> <li>• Upgrade manufacturing process and factories to cater to the fluctuating market demand.</li> <li>• Monitor quality assurance measures</li> </ul>	Moderate
Political Risk	The impact of political intervention, major industrial relations issues, regulatory changes, ad-hoc acquisitions of land etc. are constraints faced by the plantations industry.	<ul style="list-style-type: none"> <li>• Maintaining a close engagement with the employees and other stakeholders.</li> <li>• Implementing human development policies</li> </ul>	High
Inflationary pressures	Cost of Production escalations from various factors, including government-imposed import restrictions, currency devaluation, wages and other macroeconomic measures enacted to navigate economic crises.	<ul style="list-style-type: none"> <li>• Ongoing measures to improve cost efficiencies</li> <li>• Reducing reliance on high priced imported agrochemicals and nutrients</li> <li>• Crop diversification and value addition to improve margins</li> </ul>	Moderate

## RISK MANAGEMENT

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Interest Rate Risk	Fiscal and monetary policy changes have a direct impact on liquidity and production costs.	<ul style="list-style-type: none"> <li>• Close monitoring of interest rate developments and negotiating with funding partners</li> <li>• Capital development</li> <li>• Maintenance of biological assets in optimum condition to enhance productivity, turnover and cash-flows.</li> </ul>	Moderate
Technology & IT Risk	Lack of accurate and timely information due to ineffective IT systems. Increase in digitization of operations pose a threat of loss of data and hacking.	<ul style="list-style-type: none"> <li>• Strengthen software development with internal controls and IT security.</li> <li>• Overlooking by the group IT Division of the parent company, Melstacorp PLC</li> <li>• Implement a sound backup system</li> <li>• Use Licensed Software</li> </ul>	Moderate
Inventory cycle	Liquidity is impacted as the industry is cyclical with long gestation periods.	<ul style="list-style-type: none"> <li>• Produce stocks are monitored closely for speedy disposal.</li> <li>• Input stock levels are controlled to avoid obsolescence and theft.</li> <li>• High value input stocks such as fertilizer, firewood and packing materials are purchased on a need basis.</li> </ul>	Moderate
Risk of Competition	Competition from other major low cost producers.	<ul style="list-style-type: none"> <li>• Monitoring market trends and fluctuations in supply and demand closely.</li> <li>• Regular check of tea samples to maximize market gains,</li> <li>• Adopting appropriate remedial measures to ensure market leadership of quality marks.</li> <li>• Rationalize manufacture during lean cropping months.</li> <li>• Close executive supervision on quality of leaf harvested.</li> <li>• Educating employees on the importance of their services</li> </ul>	Moderate
Company Reputation Risk	The reputation of the company could be damaged by noncompliance, unethical behavior, and inconsistent product quality.	<ul style="list-style-type: none"> <li>• Compliance with statutory requirements</li> <li>• Compliance with the code of corporate governance by all employees</li> <li>• Protection of the environment and adoption of sustainability initiatives</li> <li>• Employee health and safety and food safety procedures.</li> </ul>	Moderate





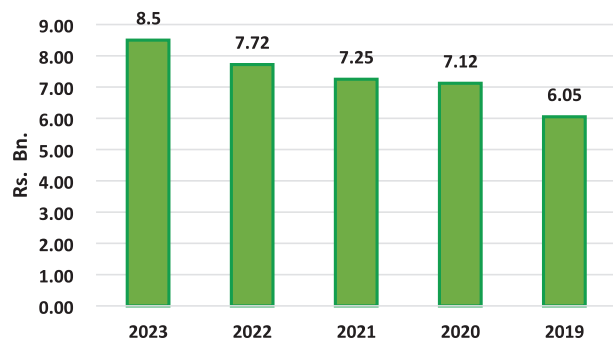
## FINANCIAL HIGHLIGHTS

		2023	2022	Change %
<b>Financial Performance</b>				
Revenue	Rs. Million	4,039	4,173	-3.20
Gross profit	Rs. Million	83	700	-88.14
Operating profit	Rs. Million	651	961	-32.27
Net finance cost	Rs. Million	(892)	(873)	-2.12
Profit/(loss) before tax	Rs. Million	(242)	89	-372.00
Income tax expense	Rs. Million	(796)	(292)	-172.57
Profit / (loss) for the period	Rs. Million	(1038)	(203)	-411.00
Gross margin	%	2	17	-88.00
Operating profit margin	%	16	23	-30.43
Net profit margin	%	-26	-5	-420.00
Return on total assets	%	-12	-3	-300.00
<b>Position / Key Ratio</b>				
Total assets	Rs. Million	8,537	7,719	10.60
Long term interest-bearing borrowing	Rs. Million	4,201	3,435	17.06
Total equity	Rs. Million	(387)	611	-163.34
Debt/total assets	Times	1.05	0.92	14.13
Current ratio	Times	0.51	0.43	18.60
Quick asset ratio	Times	0.11	0.09	22.22
<b>Shareholder Information</b>				
Earning per share	Rs.	(6.13)	(1.20)	-410.83
Net asset value per share	Rs.	(2.28)	3.60	-163.33
Market price per share	Rs.	11.00	11.30	-2.65
Market capitalization	Rs. Million	137	139	-1.44
<b>Value Addition</b>				
To lenders of capital as interest	Rs. Million	892	873	2.18
To employees as remuneration	Rs. Million	2,091	1,847	-2.32
Provision for depreciation	Rs. Million	178	160	11.25
Profit/(loss) retained	Rs. Million	(1,038)	(203)	-411.33

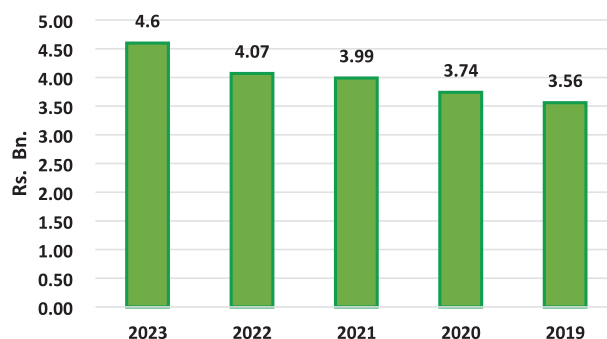


## FINANCIAL HIGHLIGHTS

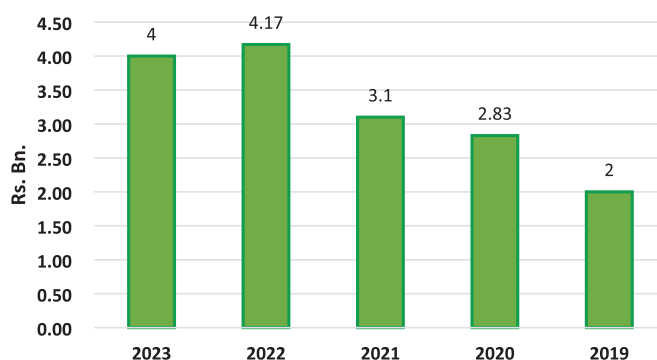
**Total Assets**



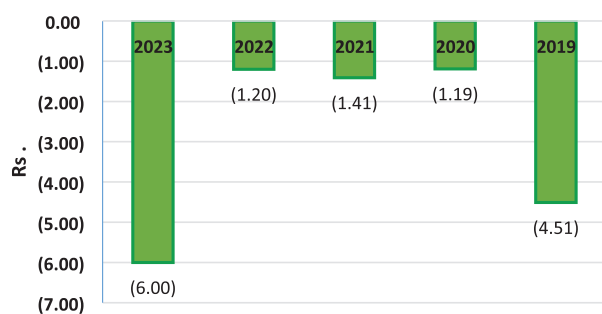
**Timber Assets Value**



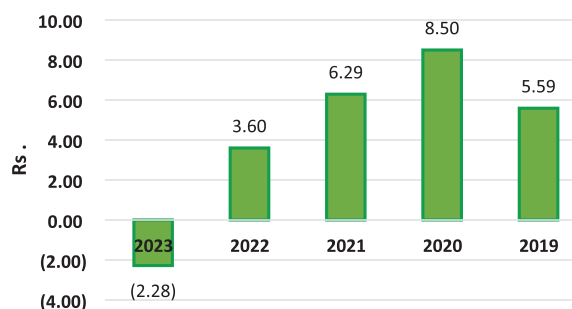
**Revenue**



**Earning Per Share**



**Net Assets Per Share**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors select the appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained. Further, the Directors are responsible for ensuring that the Company keeps enough accounting records to present, with reasonable accuracy, the financial position of the Company, in a manner that is easily understood by the shareholders. They also ensure that the Financial Statements comply with the Companies Act and the Sri Lanka Accounting Standards (SLFRS/LKAS). In addition, they are also responsible for taking reasonable steps to safeguard the assets of the Company by the establishment of appropriate systems of internal controls with a view to the prevention and detection of fraud and other irregularities.

The Directors prepare the Financial Statements and provide the External Auditors with every assistance to undertake whatever inspections, they consider to be appropriate for enabling them to give their Audit Report following the Sri Lanka Auditing Standards. The Report of the External Auditors sets out their responsibility in respect of the Financial Statements.

The Directors confirm that, to the best of their knowledge and belief, they have discharged their responsibilities as set out in this statement.

By Order of the Board of Directors

Sgd.

**P.A. Jayatunga**

Secretary

30th May 2024

## INDEPENDENT AUDITOR'S REPORT



**KPMG**  
 (Chartered Accountants)  
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### TO THE SHAREHOLDERS OF MADULSIMA PLANTATIONS PLC

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### Opinion

We have audited the financial statements of Madulsima Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information set out on pages 45 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2023, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountant issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### 01. Management assessment of the Company's ability to continue as Going concern

**Refer to the explanatory Note 40 to the financial statements**

Risk Description	Our Response
<p>The Company has recorded a loss of LKR 1,038 million during the year ended 31st December 2023 and as of that date, the accumulated losses amounted to LKR 7,763 million. As at the reporting date the Company's current liabilities exceeded its current assets by LKR 678 million. Further, the Company has loans and borrowings and overdraft balance of LKR 803 million due within 12 months from 31st December 2023.</p> <p>However, the directors of the Company are of the opinion that the going concern assumption is valid in preparation of financial statements, due to future growth potential of the Company and continuous financial support from parent company.</p> <p>In assessing the Company's ability to continue to operate as a going concern the management prepared a cash flow forecast which required the exercise of significant management judgments.</p> <p>We identified the assessment of the Company's ability to continue as a going concern as a key audit matter because the assessment of going concern is dependent upon certain management assumptions and judgements, in particular in relation to future cash flow forecast and the ability of the Company to obtain external financing, which may be subject to management bias.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining and evaluate the appropriateness of management assessment of going concern.</li> <li>• Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and evaluating the key assumptions used in preparing the projections.</li> <li>• Inspecting the letter of support received from the parent Company after evaluating their ability and intention to provide the financial support to meet the liabilities of the Company as and when they fall due and payable, and to continue the company as a going concern.</li> <li>• Assessing the adequacy of disclosures in the financial statements in relation to company's ability to continue as going concern (note 40) with reference to the requirements of the prevailing accounting standards.</li> </ul>

### 02. Measurement of Consumable Biological Assets

**Refer to the significant accounting policy in Note 3.1.3.5 and explanatory Note 15 to the financial statements**

**The Company has reported consumable biological assets carried at fair value less estimated cost to sell at harvest, amounting to LKR 4,980 Million as at 31st December 2023.**

Risk Description	Our Response
<p>The commercially cultivated timber trees on estates managed by the Company classify as consumable biological assets and are measured at each reporting date at fair value less estimated cost to sell at harvest. The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, estimation of height/girth of trees used to arrive volume of timber and value per cubic foot used for the valuation of consumable biological assets, could have a</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>• Assessing the objectivity, independence, competence, qualifications and experience of the subject matter expert engaged by the management.</li> <li>• Physical verification of the actual girth and height pertaining to a selected sample of trees during our estate visits, in order to ascertain the accuracy of the average girth and height used in the valuation report.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Risk Description	Our Response
<p>material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumable biological assets of the Company as at the reporting date.</p> <p>We considered measurement of consumable biological assets as a key audit matter due to the magnitude of the value and significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.</p>	<ul style="list-style-type: none"> <li>Evaluating the key assumptions and methodology used in the valuation, in particular the discount rate, expected timber content at harvest, and the average market price.</li> <li>Verifying the mathematical accuracy of the consumable biological asset valuation.</li> <li>Assessing the adequacy of the disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.</li> </ul>

### 03. Retirement Benefit Obligation

**Refer to the significant accounting policy in Note 3.2.1.2 and explanatory Note 27 to the financial statements**

**The Company has recognized retirement benefit obligation of Rs. 1,352 Million as at 31st December 2023.**

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

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our Auditor's Report thereon.

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



## INDEPENDENT AUDITOR'S REPORT

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### **Report on Other Legal and Regulatory Requirements**

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

However, it should be noted that the Company's net assets are less than half of the stated capital and therefore faces a serious loss of capital situation in terms of Section 220 of the Companies Act No. 07 of 2007.

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

Sgd.

**CHARTERED ACCOUNTANTS**

**Colombo, Sri Lanka**

30th May 2024

## STATEMENT OF PROFIT OR LOSS

For the year ended 31st December	Note	2023 Rs.	2022 Rs.
Revenue	5	4,038,642,959	4,172,567,832
Cost of Sales		(3,955,874,207)	(3,472,508,983)
<b>Gross Profit</b>		82,768,752	700,058,849
Gain on Change in Fair Value of Biological Assets	17.1	619,218,297	299,549,856
Other Income	6	49,019,983	47,461,544
Administrative Expenses		(100,359,240)	(85,917,845)
<b>Profit From Operations</b>		650,647,792	961,152,404
Finance Income	7.1	47,082	62,995
Finance Cost	7.2	(892,499,422)	(872,667,782)
<b>Net Finance Costs</b>	7	(892,452,340)	(872,604,787)
<b>Profit/ (Loss) Before Taxation</b>	8	(241,804,548)	88,547,617
Income Tax Expense	9	(796,455,085)	(292,032,987)
<b>Loss for the year</b>		(1,038,259,633)	(203,485,370)
Basic Loss Per Share	10	(6.13)	(1.20)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 50 to 114 form an integral part of the Financial Statements.



## STATEMENT OF OTHER COMPRHENSIVE INCOME

For the year ended 31st December	Note	2023 Rs.	2022 Rs.
<b>Loss for the year</b>		(1,038,259,633)	(203,485,370)
Items that will not be reclassified to profit or loss			
Net Change in Fair Value Through OCI Financial Assets	16	256,909	(17,663)
Actuarial Gain on Retirement Benefit Obligations	27	56,906,100	60,184,673
Tax effect on Actuaril Gain during the year	28.3	(17,071,830)	(18,055,402)
Deferred tax Reversal / (Charge) on Revaluation Reserve	28.3	-	(294,119,903)
<b>Total other comprehensive income/(expense) for the year (net of tax)</b>		40,091,179	(252,008,295)
<b>Total Comprehensive Expense for the year</b>		(998,168,454)	(455,493,665)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 50 to 114 form an integral part of the Financial Statements.

## STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Right to use of Land	11	151,060,889	108,035,582
Immovable leased assets (Other than bare land)	12	301,239,670	330,626,498
Property, Plant & Equipment	13	1,282,859,893	1,377,609,812
Bearer Biological Assets	14	1,109,682,618	1,020,537,784
Consumable Biological Assets	15	4,980,421,267	4,330,380,459
Investment in Financial Assets FVOCI	16	4,253,081	3,996,172
<b>Total Non -Current Assets</b>		<b>7,829,517,418</b>	<b>7,171,186,307</b>
<b>Current Assets</b>			
Produce on Bearer Biological Assets	17	7,811,270	8,019,681
Inventories	18	548,393,580	435,601,159
Trade and Other Receivables	19	140,098,506	93,793,854
Amounts due from Related Companies	20	183,739	183,739
Cash and Cash Equivalents	21	10,821,922	10,231,874
<b>Total Current Assets</b>		<b>707,309,017</b>	<b>547,830,307</b>
<b>TOTAL ASSETS</b>		<b>8,536,826,435</b>	<b>7,719,016,614</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	22	1,624,760,670	1,624,760,670
Revaluation Reserve	23	1,055,815,035	1,055,815,035
Fair Value Through OCI Reserve	24	3,036,998	2,780,089
Timber Reserve	25	4,691,956,438	4,072,529,730
Retained Earnings		(7,762,789,204)	(6,144,937,133)
<b>Total Equity</b>		<b>(387,220,063)</b>	<b>610,948,391</b>
<b>Non Current Liabilities</b>			
Interest Bearing Loans & Borrowings	26	4,201,285,279	3,434,990,728
Retirement Benefit Obligations	27	1,352,022,842	1,284,582,637
Deferred Tax Liabilities	28	1,719,086,208	905,559,295
Deferred Income	29	117,997,631	123,358,451
Lease Liability	30	148,714,887	88,464,265
<b>Total Non Current Liability</b>		<b>7,539,106,847</b>	<b>5,836,955,376</b>
<b>Current Liabilities</b>			
Trade and Other Payable	31	457,522,051	422,139,738
Lease Liability	30	6,608,496	16,745,016
Amounts due to Related Companies	32	117,885,100	90,392,184
Interest Bearing Loans & Borrowings	26	600,000,000	600,000,000
Bank Overdraft	21	202,924,004	141,835,909
<b>Total Current Liabilities</b>		<b>1,384,939,651</b>	<b>1,271,112,847</b>
<b>Total Liabilities</b>		<b>8,924,046,498</b>	<b>7,108,068,223</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>8,536,826,435</b>	<b>7,719,016,614</b>
<b>NET ASSETS PER SHARE</b>		<b>-2.28</b>	<b>3.60</b>

The accounting policies and notes on pages 50 to 114 form an integral part of the Financial Statements.  
 These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

Sgd.  
**D.S. Heenatigalage**  
 General Manager - Finance

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

Sgd.  
**C.R. Jansz**  
 Director  
 Colombo, 30th May 2024

Sgd.  
**M.A.N.S. Perera**  
 Director



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2023

	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Fair value through OCI Reserve Rs.	Timber Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Balance as at 1 January 2022</b>		1,624,760,670	1,349,934,938	2,797,752	3,779,541,004	(5,690,592,308)	1,066,442,056
<b>Total comprehensive income for the Year</b>							
Loss for the year		-	-	-	-	(203,485,370)	(203,485,370)
<b>Other comprehensive income/ (expense)</b>							
Actuarial Gain/(Loss) on Retirement Benefit Obligation (net of tax)		-	-	-	-	42,129,271	42,129,271
Net Change in Fair Value Through OCI Financial Assets	16	-	-	(17,663)	-	-	(17,663)
Deferred tax liability adjustment on Revaluation Surplus		-	(294,119,903)	-	-	-	(294,119,903)
		1,624,760,670	1,055,815,035	2,780,089	3,779,541,004	(5,851,948,407)	610,948,391
Transferred to Timber Reserve	25	-	-	-	292,988,726	(292,988,726)	-
<b>Balance as at 31st December 2022</b>		1,624,760,670	1,055,815,035	2,780,089	4,072,529,730	(6,144,937,133)	610,948,391
<b>Balance as at 1 January 2023</b>		1,624,760,670	1,055,815,035	2,780,089	4,072,529,730	(6,144,937,133)	610,948,391
<b>Total comprehensive income for the Year</b>							
Loss for the year		-	-	-	-	(1,038,259,633)	(1,038,259,633)
<b>Other comprehensive income/ (expense)</b>							
Actuarial Gain/(Loss) on Retirement Benefit Obligation (net of tax)		-	-	-	-	39,834,270	39,834,270
Net Change in Fair Value Through OCI Financial Assets	16	-	-	256,909	-	-	256,909
		1,624,760,670	1,055,815,035	3,036,998	4,072,529,730	(7,143,362,496)	(387,220,063)
Transferred to Timber Reserve	25	-	-	-	619,426,708	(619,426,708)	-
<b>Balance as at 31st December 2023</b>		1,624,760,670	1,055,815,035	3,036,998	4,691,956,438	(7,762,789,204)	(387,220,063)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 50 to 114 form an integral part of the Financial Statements.



## STATEMENT OF CASH FLOWS

For the year ended 31st December	Note	2023 Rs.	2022 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/ (Loss) Before Taxation		(241,804,548)	88,547,617
<b>Adjustments for :</b>			
Depreciation	11,12,13,14	178,558,040	160,277,117
Interest Income	7.1	(47,082)	(62,995)
Interest Expenses	7.2	892,499,422	872,667,782
Provision for Defined Benefit Plan Cost	27.1.1	286,353,491	204,661,049
Gain on change in Fair Value of Biological Assets	17.1	(619,218,297)	(299,549,856)
ESC write off during the year	8	-	7,633,330
Amortization of Grants	29	(7,352,240)	(5,265,335)
Provision for impairment of Immature Plantations	14.3	-	1,900,756
Property Plant & Equipment write off during the year	13	3,143,308	3,131,609
<b>Operating Profit before Working Capital Changes</b>		492,132,094	1,033,941,073
Increase in Inventories		(112,792,421)	(121,134,072)
(Increase)/Decrease in Trade and Other Receivables		(46,304,652)	6,953,968
Increase in Due from Related Companies		-	(4,332,847)
Increase in Trade and Other Payable		35,382,299	29,077,955
Increase in Due to Related Companies		27,492,916	13,371,422
<b>Cash Generated from Operations</b>		395,910,236	957,877,500
Grants Received	29	1,991,420	-
Interest Paid		(55,962,840)	(60,802,791)
Gratuity Paid	27	(162,007,186)	(126,764,729)
<b>Net Cash Generated from Operating Activities</b>		179,931,630	770,309,980
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant and Equipment	13	(22,407,787)	(36,030,405)
Investments in Immature Bearer Plantations	14	(117,831,675)	(139,688,764)
Investment in Timber Plantations - Consumable Biological Assets	15	(30,614,100)	(37,828,582)
Interest Received	7.1	47,082	62,995
<b>Net Cash used in Investing Activities</b>		(170,806,480)	(213,484,756)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments to Lease Creditor- JEDB/SLSPC	30	(17,623,197)	(10,365,613)
Loan Obtained	26	-	204,440,628
Loans Repayment	26	(52,000,000)	(733,040,624)
<b>Net Cash Used in Financing Activities</b>		(69,623,197)	(538,965,609)
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		(60,498,047)	17,859,615
<b>Cash and Cash Equivalents at the beginning of the Year</b>	21	(131,604,035)	(149,463,650)
<b>Cash and Cash Equivalents at the end of the Year</b>	21	(192,102,082)	(131,604,035)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 50 to 114 form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

## 1. CORPORATE INFORMATION

### 1.1 Reporting entity

Madulsima Plantations PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Public Corporations or Government-Owned Business Undertaking into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at No 833, Sirimavo Bandaranayake Mawatha, Colombo 14 and Plantations are situated in the Madulsima and Bogawantalawa regions.

### 1.2 Principal activities and nature of operations

The Company primarily is involved in the cultivation, manufacturing, and sale of Black Tea.

### 1.3 Immediate and Ultimate Parent Enterprises

The Company's immediate parent Company is Melstacorp PLC, and the ultimate parent is Milford Exports (Ceylon) (Pvt) Limited which are incorporated in Sri Lanka.

### 1.4 Responsibilities for financial statements and approval of financial statements

The Board of directors are responsible for preparation and presentation of the financial statements of the Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The directors' responsibility over financial statements for the year ended 31st December 2023 is set out in detail in the statement of directors' responsibility.

The financial statements of the Company for the year ended 31st December 2023 were authorized for issue in accordance with resolution of the Board of Directors on 30 May 2024.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the material accounting policies and notes to the Financial Statements.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 7 of 2007 and provide appropriate disclosures as required by the listing rules of the Colombo stock exchange (CSE). These Financial Statements except for information on cash flows have been prepared following the accrual basis of accounting.

### 2.2 Basis of Measurement

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

Category	Items	Basis of measurement	Note
Assets	Building, Plant & Machinery and Motor Vehicles	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	13
	Consumable Mature Biological Assets	At fair value less costs to sell	15
	Agriculture produces harvested from biological assets	At fair value	17
	Investment in Equity Securities measured at FVOCI	At fair value	16
Liabilities	Liability for Retirement Benefit Obligations	Actuary valued and recognized at present value of the retirement benefit obligations	27

### 2.3 Functional and Presentation Currency

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

### 2.4 Materiality and Aggregation

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

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 2.5 Use of Estimates and Judgements

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

Information about assumptions and estimation of uncertainties that have a significant risk resulting in a material adjustment within the next financial year is included in the following notes:

Critical accounting assumptions and estimation uncertainties	Note
Fair value of Buildings, Plant & Machinery and Motor Vehicles	2.5.1
Useful lifetime of the property, plant, and equipment	2.5.2
Fair value of Consumable Biological Assets	2.5.3
Fair value of Agriculture Produce harvested from Biological Assets	3.1.4
Fair value of Investment in Equity Securities measured at FVOCI	16
Impairment on non-financial assets	3.1.5.6
Measurement of defined benefit obligation: key actuarial assumptions	2.5.4
Provisions for liabilities, commitments, and contingencies	2.5.5
Recognition of deferred tax assets	2.5.6
Going concern basis	40

#### 2.5.1 Fair value of Buildings, Plant & Machinery and Motor Vehicles

The Company measures Buildings, Plant & Machinery and Motor Vehicles at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). Valuations are performed every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The Company engages independent professional valuer Mr. W.M. Chandrasena, Chartered Valuation Surveyor to assess fair value of Buildings, Plant & Machinery and Motor Vehicles in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, Buildings, Plant & Machinery and Motor Vehicles was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the Buildings, Plant & Machinery and Motor Vehicles, and sensitivity analysis are provided in Note 13.10 and 13.12.

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

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant, and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.1.2.7 for more details.

#### 2.5.3 Fair value of Consumable Biological Assets

The Company measures Consumable Biological Assets at fair value with changes in fair value being recognised in Profit or Loss. Valuations are performed every year. The Company engages independent professional valuer Mr. W.M. Chandrasena, Chartered Valuation Surveyor to assess fair value of Consumable Biological Assets in terms of Sri Lanka Accounting Standard on SLFRS13 and LKAS 41. Based on the valuation techniques and inputs used, Consumable Biological Assets was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the Consumable Biological Assets, and sensitivity analysis are provided in Note 15.1, 15.2 and 15.3.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 2.5.4 Measurement of defined benefit obligation

The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 27 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 27.2.

### 2.5.5 Provisions for liabilities and contingencies

Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions. Refer Note 36.

### 2.5.6 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilized against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer Note 28.5 for estimate and assumption used by the company in assessing recoverability of deferred tax assets.

## 2.6 Determination of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 2.7 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclose in the accounting policies of the Company.

#### 2.8 Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

#### 2.9 Changes in material accounting policies

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

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

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

##### 2.9.1. Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of LKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

### 3. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the accounting policies to all periods presented in these financial statements, except if mentioned otherwise. Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

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

### 3.1 Assets and the bases of their valuation

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

#### 3.1.1 Right to use of Asset

##### 3.1.1.1 Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

##### As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### 3.1.1.2 Right to use Assets

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

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

##### 3.1.1.3 Depreciation expenses

Depreciation expenses has been charged to income statement under cost of sales.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.1.1.4 ROU Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- \* fixed payments, including in-substance fixed payments;
- \* variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- \* amounts expected to be payable under a residual value guarantee; and
- \* the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### 3.1.1.5 Interest expenses on lease liabilities

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

### 3.1.1.6 Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in 'right to use of land' and lease liabilities in 'lease liability' in the statement of financial position.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.1.2 Property, Plant and Equipment

#### 3.1.2.1 Recognition and Measurement

Property, plant and equipment except building, plant & machinery and motor vehicle are stated at cost less accumulated depreciation and accumulated impairment losses, except for Bare Land on Lease which is stated at revalued amount on 22nd June 1992 less subsequent accumulated depreciation and accumulated Impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### 3.1.2.2 Owned Assets

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

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

Buildings, Plant & Machinery and Motor Vehicles are measured at fair value less accumulated depreciation on such assets and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount and is undertaken by professionally qualified valuer for every five year. Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

#### 3.1.2.3 Land Improvement Cost

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.1.2.4 Capital Work-in-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

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

### 3.1.2.5 Subsequent Cost

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

The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

### 3.1.2.6 Borrowing Costs

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 capitalized as a part of the asset. The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalized are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

### 3.1.2.7 Depreciation and Amortization

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

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

Asset Category	No of Years	Rate %
Improvements to Building	40	2.5
Land Improvement	49	2.04
Plant & Machinery	15 to 20	6.66/ 5
Motor Vehicles	5	20
Equipment	8	12.5
Computer	4	25
Computer Software	3	33
Furniture & Fittings	10	10
Water Projects & Sanitation	20	5

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

Immovable Assets on Finance Lease from JEDB/ SLSPC are being amortized in equal amounts over the following periods:

Asset Category	No of Years	Rate %
Bare Land	53	1.89
Mature Plantations – Tea	33	3
Buildings	25	4
Plant & Machinery	15	6.67
Land Development Cost	53	1.89
Water Supply Scheme	30	3.33
Mini Hydro Scheme	10	10

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

#### 3.1.2.8 Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss and the revalued assets are disposed, the amount included in revaluation surplus reserve is transferred to retained earnings.

#### 3.1.3 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber, trees and other plants those that are not intended to be sold or harvested but are however used to grow for harvesting agricultural produce from such biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

Biological assets are further classified into 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.

##### 3.1.3.1 Recognition and Measurement

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

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

#### 3.1.3.2 Bearer Biological Assets

The costs of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting, fertilizing and so on 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 including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on Bearer Biological assets which comes into bearing during the year, is transferred to mature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### 3.1.3.3 Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalized have been charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

#### 3.1.3.4 Depreciation

Mature Plantations (Replanting and New Planting) are depreciated on a straight-line basis over the expected period of their commercial harvesting or unexpired lease period, whichever is less.

The expected periods of commercial harvesting for each category of crops are as follows:

Asset category	No of Years	Rate %
Tea	33 1/3	3
Rubber	20	5
Coffee	10	10
Cinnamon	10	10
Cloves	10	10
Pepper	10	10
Citrus	10	10

No depreciation is provided for Immature Plantations.

#### 3.1.3.5 Consumable Biological Assets

The fair value of timber trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber applied to expected timber content of a tree at maturity.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

The main variables in DCF model are as follows:

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of each species, and factoring in all the prevailing statutory regulations enforced against harvesting of timber coupled with the forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each species by factoring in the forestry plan of the Company.
Selling price	Selling price reflects the currently available market value.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.
Currency	LKR

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

#### 3.1.4 Produce on Bearer Biological Assets

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

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last 6 days of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered.

For the valuation of the produce, the Company uses the bought-leaf rate (current month) less cost of harvesting and transport.

#### 3.1.5. Financial instruments

##### 3.1.5.1. Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.1.5.2. Classification and subsequent measurement

#### Financial Assets

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

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

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

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

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

#### Financial assets - Business model assessment:

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

#### Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### 3.1.5.3. Financial assets - Subsequent measurement and gains and losses

##### Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### 3.1.5.4. Derecognition

##### Financial assets

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

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### Financial liabilities

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

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

#### 3.1.5.5. Offsetting

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

#### 3.1.5.6. Impairment policy

##### Non-derivative financial assets

##### Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

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

### Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market to a security because of financial difficulties.

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

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

### Impairment Policy: Non-financial assets

The carrying amount of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets are 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 pretax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. Impairment loss of continuing operations are recognized in the Statement of Profit or Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss and Other Comprehensive Income

#### 3.1.6. Inventories

##### 3.1.6.1 Agricultural Produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets is measured at its fair value less cost to sell at the point of harvest. The finished and semifinished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

##### 3.1.6.2 Agricultural Produce after further processing

Further processed output of Agricultural Produce is valued at the lower of cost and estimated net realizable value, after making due allowances for obsolete and slow-moving items. Net realizable value is the estimated selling price at which stocks can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

##### 3.1.6.3 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

##### 3.1.6.4 Growing Crop Nurseries

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

#### 3.1.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

### 3.2 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements.

Provisions are recognised when the Company has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the Company created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation, it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Non-current provisions are discounted if the impact is material.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.2.1 Employee Benefits

#### 3.2.1.1 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Pension Plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% of gross emoluments of the employees to Employees' Provident Fund (EPF)/Estate Staff Provident Society (ESPS). All of the employees are eligible for Employees' Trust Fund to which the Company contributes 3% of gross emoluments of such employees.

#### 3.2.1.2 Defined Benefit Plan - Retirement Gratuity

A Defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan. The Company's net obligation in respect of Defined Benefit Pension Plans is calculated annually using the Projected Unit Credit (PUC) Method. The liability recognised in the Statement of Financial Position is the present value of the Defined Benefit Obligation at the reporting date in accordance with the advice of an actuary. Actuarial gains or losses arising are recognised in Other Comprehensive Income in the period in which they arise. Past service costs are recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income.

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.

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

The key assumptions used in determining the Retirement Benefit Obligations are given in Note 27.2.

### 3.2.2 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### 3.2.3 Deferred Income

##### 3.2.3.1 Government Grants and Subsidies

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. 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 assets. When the grants are related 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 are intended to compensate.

Grants related to Property, Plant and 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 and Equipment. Grants received for forestry are initially deferred and credited to Statement of Profit or Loss and Other Comprehensive Income immediately the related blocks of trees are harvested.

#### 3.2.4 Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

### 3.3 Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 - Presentation of Financial Statements

#### 3.3.1. Revenue

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

The Company is in the business of cultivation, manufacture and sale of black tea 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 Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

##### a) Sale of Plantation produce.

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



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31st December 2023

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 Company's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Revenue recognition criteria for the other revenue and income earned by the Company are as follows.

#### **b) Rental Income**

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

#### **c) Dividend Income**

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

### **3.3.2 Expenditure Recognition**

#### **3.3.2.1 Operating Expenses**

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Profit or Loss and Other Comprehensive Income in arriving at the profit/(loss) for the year. Provision has also been made for impairment of non-financial assets, slow-moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

#### **3.3.2.2 Finance Cost**

Finance costs comprise interest expense on external borrowings and related party loans and payments made under operating leases. 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. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may be recognised as an integral part of the total lease expense, over the term of the lease.

#### **3.3.2.3 Finance Income**

Interest income is recognized on an accrual basis, using the effective interest method.

#### **3.3.2.4 Income Tax Expense**

Income tax expense comprises both current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case is recognized in the statement of comprehensive income or statement of changes in equity, in which case it is recognized directly in the respective statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.3.2.4.1 Current Taxes

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

### 3.3.2.4.2 Deferred Taxation

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.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

### 3.3.2.4.3 Tax exposures

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

### 3.4 Statement of Cash Flows

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

### 3.5 Segmental Reporting

Segmental information is provided for the different business segments of the Company. Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards of each type of product.

Revenue and Expenditure directly attributable to each segment are allocated to the respective segments. Revenue and Expenditure not directly attributable to a segment are allocated on the basis of their resource utilization, wherever possible. Unallocated items comprise mainly income accrued, and expenses incurred at Head office level.

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

### 3.6 Related Party Transactions

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

A detailed Related Party Transaction analysis is presented in Note 34.

### 3.7 Earnings Per Share

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

### 3.8 Events occurring after the reporting period

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

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

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

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

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

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

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

#### 4.3 Other accounting standards

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

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



## NOTES TO THE FINANCIAL STATEMENTS

5	REVENUE	2023		2022			
	Revenue from contracts with customers						
	Sale of Produce Tea	4,038,642,959		4,172,567,832			
	Total Revenue	4,038,642,959		4,172,567,832			
5.1	Timing of Revenue Recognition						
	Products & services transferred at a point in time						
	Total Revenue	4,038,642,959		4,172,567,832			
5.2	Segmental Information	Bogowantalawa Region			Total		
(a)	Geographical Segment	Uva High		Western High			
		2023	2022	2023	2022		
		Rs.	Rs.	Rs.	Rs.		
	Revenue	1,519,082,584	1,719,090,076	787,539,691	1,033,540,101	1,732,020,684	1,419,937,655
	Cost of Sales	(1,368,666,617)	(1,362,221,538)	(830,419,671)	(851,075,192)	(1,756,787,919)	(1,259,212,253)
	Segment Results	150,415,967	356,868,538	(42,879,980)	182,464,909	(24,767,235)	160,725,402
	Other Operating Income					49,019,983	47,461,545
	Administrative Expenses					(100,359,240)	(85,917,845)
	Gain on Change in Fair Value of Consumable Biological Assets					619,218,297	299,549,856
	Profit from Operating Activities					650,647,793	961,152,404
	Net Finance Cost					(892,452,340)	(872,604,787)
	Profit/ (Loss) before Income Tax Expense					(241,804,548)	88,547,617
	Income Tax Expense					(796,455,085)	(292,032,987)
	Loss for the Year					(1,038,259,633)	(203,485,370)
	Net Change in Fair Value Through OCI Financial Assets					256,909	(17,663)
	Actuarial Gain/ (Loss) on defined benefit plans, net of tax					39,834,270	42,129,271
	Deferred tax reversal/ (charge) on revaluation reserve due to the tax rate change					-	(294,119,903)
	Other Comprehensive Income/(Expense)					40,091,179	(252,008,295)
	Total Comprehensive Expense for the Year					(998,168,454)	(455,493,665)

A segment is a distinguishable component of the Company that is engaged either in providing product or service (business segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risk and rewards that are different from those of other segments. The business segments are reported based on the geographical segments of the company.



## NOTES TO THE FINANCIAL STATEMENTS

5.2 Segmental Information Geographical Segment	Madulsima Region						Bogowantalawa Region		Total		Total
	Uva High		Uva Medium		Western High						
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	
(b) Segment Assets											
Non Current Assets	121,562,582	80,557,756	61,340,184	38,129,112	267,815,042	186,730,295	450,717,808	305,417,163			
Current Assets	239,715,631	172,215,129	118,176,837	114,143,261	295,539,736	221,686,338	653,432,204	508,044,728			
	361,278,213	252,772,885	179,517,021	152,272,373	563,354,778	408,416,633	1,104,150,012	813,461,891			
Unallocated											
Non Current Assets											
Current Assets											
Total Assets											
Segment Liabilities											
Non Current Liabilities	556,971,161	524,226,333	331,872,421	300,459,705	686,869,793	626,325,950	1,575,713,375	1,451,011,988			
Current Liabilities	120,515,146	159,558,992	59,505,179	78,898,417	150,547,514	145,850,899	330,567,839	384,308,308			
Total Liabilities	677,486,307	683,785,325	391,377,600	379,358,122	837,417,307	772,176,849	1,906,281,214	1,835,320,296			
Unallocated											
Non Current Liabilities											
Current Liabilities											
Total Liabilities											
Capital Expenditure - Estate	48,803,418	64,327,826	29,940,196	38,525,895	88,412,344	133,773,085	167,155,958	236,626,806			
- Head Office											
Depreciation	64,881,803	58,480,114	36,053,374	32,765,530	60,697,091	53,115,303	161,632,268	144,360,944			
- Estate											
- Head Office											

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2023 Rs.	2022 Rs.
<b>6. OTHER OPERATING INCOME</b>		
Amortization of Capital Grant	7,352,240	5,265,335
Rent Income	41,426,643	41,976,770
Sundry Income	241,100	219,439
	49,019,983	47,461,544
<b>7. NET FINANCE COST</b>		
<b>7.1 Finance Income</b>		
Interest income	47,082	62,995
	47,082	62,995
<b>7.2 Finance Cost</b>		
Overdraft Interest	42,604,344	30,605,299
Bank Loans Interest	-	15,790,142
Term Loan Interest	831,653,047	812,051,487
Interest Expense on ROU Liability	18,242,031	13,199,359
Tea Broker Loan	-	1,021,495
	892,499,422	872,667,782
<b>Net finance Cost</b>	(892,452,340)	(872,604,787)
<b>8. PROFIT/ (LOSS) BEFORE TAXATION</b>		
Is stated after charging all expenses including the following		
Auditors' remuneration - Audit	3,020,000	2,745,000
- Non Audit	330,000	263,670
<b>Depreciation/ Amortization</b>		
Leasehold right to Bare Land of JEDB / SLSPC Estates	6,469,961	4,721,151
- Immovable Leased Assets of JEDB/SLSPC Estates	29,386,828	29,544,525
- Tangible Assets	114,014,401	110,709,968
- Mature Plantations	28,686,850	15,301,472
<b>Impairment of immature plantation</b>		
- Rubber	-	1,876,336
- Avacado	-	24,417
Write off of ESC Receivable	-	7,633,330
<b>Personnel Cost</b>		
- Salaries and Wages	1,492,920,989	1,333,296,184
- Defined Benefit Plan - Gratuity	286,353,491	204,661,048
- Defined Contribution Plans - EPF/ESPS/CPPS	311,960,544	309,330,248
- Property Plant & Equipment write off	3,143,308	3,131,609



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December	2023 Rs.	2022 Rs.
<b>9. INCOME TAX EXPENSE</b>		
<b>9.1 Amounts recognised in Profit or Loss</b>	-	-
Current tax expense (Note 9.3)		
<b>Deferred tax expense</b>		
Due to change in effective tax rate (Note 28.3)	-	265,531,960
Due to change in temporary differences (Note 28.3)	796,455,085	26,501,027
<b>Income Tax Expense recognised in Statement of Profit or Loss</b>	<b>796,455,085</b>	<b>292,032,987</b>

### 9.2 Amounts recognized in Other Comprehensive Income For the year ended 31st December 2023

	Value Before Tax	Tax (Expenses) / Benefit	Net of Tax
<b>Item that will not be reclassified to profit or loss</b>			
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	56,906,100	(17,071,830)	39,834,270
Revaluation Surplus on Land & Building	-	-	-
	<b>56,906,100</b>	<b>(17,071,830)</b>	<b>39,834,270</b>

### For the year ended 31st December 2022

#### Item that will not be reclassified to profit or loss

Actuarial Gain/ (Loss) on Retirement Benefit Obligations	60,184,673	(18,055,402)	42,129,271
Revaluation Surplus on Land & Building	-	(294,119,903)	(294,119,903)
	<b>60,184,673</b>	<b>(312,175,305)</b>	<b>(251,990,632)</b>

### 9.3 Reconciliation of accounting profit to taxable income

	2023 Rs.	2022 Rs.
Accounting profit/(loss) before income tax expense	(241,804,548)	88,547,617
Aggregated Disallowed Items	236,708,011	212,884,755
Aggregated Allowable Items	(376,172,688)	(441,089,748)
Exempt profit/ (Loss) from Agro Farming	432,212,019	494,601,164
<b>Statutory Income/(Loss) from Business</b>	<b>50,942,794</b>	<b>354,943,788</b>
Other Source of Income	-	-
<b>Total Statutory Income</b>	<b>50,942,794</b>	<b>354,943,788</b>
Tax losses claimed during the year	(50,942,794)	(354,943,788)
Total Taxable Income	-	-
<b>Income Tax Expense</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9.4 Applicable income tax rates as per the Department of Inland Revenue

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

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

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

### 9.5 Accumulated tax losses

	2023 Rs.	2022 Rs.
Tax losses brought forward	2,981,475,130	3,592,775,420
Adjustment in respect of previous years	76,824,228	(256,356,502)
Tax Losses During the Year	-	-
Tax losses claimed during the year	(50,942,794)	(354,943,788)
<b>Tax losses carried forward</b>	<b>3,007,356,564</b>	<b>2,981,475,130</b>

### 10. BASIC EARNING/ (LOSS) PER SHARE

Basic Loss per share has been calculated by dividing the Loss for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year and it is calculated as follows:

	2023 Rs.	2022 Rs.
Loss attributable to shareholders	(1,038,259,633)	(203,485,370)
Weighted average number of Ordinary Shares in issue	169,501,097	169,501,097
Basic Loss per share	(6.13)	(1.20)

#### 10.1 Diluted Earning Per Share

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

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>11. RIGHT TO USE OF LAND</b>		
<b>Cost</b>		
Balance as at 1st January	235,176,714	227,696,076
Remeasurement During the Year	49,495,268	7,480,638
Balance as at 31st December	284,671,982	235,176,714
<b>Accumulated Amortization</b>		
Balance as at 1st January	127,141,132	122,419,981
Charge for the Year	6,469,961	4,721,151
Balance as at 31st December	133,611,093	127,141,132
<b>Carrying value as at 31st December</b>	<b>151,060,889</b>	<b>108,035,582</b>

The Right of Use - Lands consist of the lease rights on Janatha Estates Development Board/Sri Lanka State Plantations Corporation Estates. Leases have been executed for a period of 53 years. All these leases are retroactive to 22nd June 1992 the date of formation of the Company. The leasehold right to the land on all of these estates have been taken into the books of the Company on 22nd June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka.

### 11.1.1 Leasehold rights to bare land of JEDB / SLSPC estate assets acquired by the Government of Sri Lanka.

The Government of Sri Lanka has initiated actions under provisions of the Land Acquisition Act No.28 of 1964, to acquire land from lands leased to the company in El-Teb, Mahadowa, Uvakallie and Veralapatana estates located in Madulsima Region.

The Government of Sri Lanka has already acquired a total land extent of 4.39 hectares (Refer Note A below).

#### (A) List of lands acquired by the government as at 31 December 2023.

Region	Estates	Purpose of Acquisition	Extent (Hactares)	Acquired Year
Madulsima	El-Teb	Lower Division No.01 Tamil School	0.81	2014
Madulsima	Mahadowa	Lower Division No.01 Tamil School	0.44	2014
Madulsima	Mahadowa	Hospital Development	0.81	2009
Madulsima	Mahadowa	Chengaladi Road Expansion	0.12	2015
Madulsima	Uvakellie	Tamil School	0.80	1995
Madulsima	Veralapatana	Expansion of Madulsima town	0.81	1999
Madulsima	Veralapatana	Police Station & Quarters	0.60	2003
<b>Total</b>			<b>4.39</b>	

No adjustments have been made to the Financial Statements in respect of these lands acquired as the compensation receivable on these acquisitions are not known and the Government valuation is pending as at 31st December 2023. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31st December 2023.



## NOTES TO THE FINANCIAL STATEMENTS

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

All immovable assets in the JEDB/SLSPC estates under the lease have been taken in to the financial statements of Company retroactive to 22nd June 1992 For this purpose , the Board decided at its meeting on 08th March 1995 that these assets be restated at their book values as they appear in book of the JEDB/SLSPC, on the day immediately preceding the date of formation of company. The assets were taken into the Statement of Financial Position as at 22nd June 1992 and Amortized as follows.

	Mature Plantations Tea		Unimproved Lands		Buildings		Plant & Machinery		Water Supply Scheme		Mini Hydro Scheme		Total
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.
<b>Cost/Revaluation</b>													
As at 1st January 2022	146,663,085		4,417,562		29,980,829		369,825,000		3,346,579		9,292,578		563,525,633
<b>As at 31st December 2022</b>	146,663,085		4,417,562		29,980,829		369,825,000		3,346,579		9,292,578		563,525,633
As at 1st January 2023	146,663,085		4,417,562		29,980,829		369,825,000		3,346,579		9,292,578		563,525,633
<b>As at 31st December 2023</b>	146,663,085		4,417,562		29,980,829		369,825,000		3,346,579		9,292,578		563,525,633
<b>Accumulated Amortization</b>													
As at 1st January 2022	132,167,881		2,458,883		29,980,829		26,164,238		3,290,202		9,292,578		203,354,611
Charge for the Year	4,749,797		83,350		-		24,655,000		56,377		-		29,544,524
As at 31st December 2022	136,917,678		2,542,233		29,980,829		50,819,238		3,346,579		9,292,578		232,899,135
As at 1st January 2023	136,917,678		2,542,233		29,980,829		50,819,238		3,346,579		9,292,578		232,899,135
Charge for the Year	4,648,478		83,350		-		24,655,000		-		-		29,386,828
<b>As at 31st December 2023</b>	141,566,156		2,625,583		29,980,829		75,474,238		3,346,579		9,292,578		262,285,963
<b>Net Carrying Value</b>													
As at 31st December 2022	9,745,407		1,875,329		-		319,005,762		-		-		330,626,498
<b>As at 31st December 2023</b>	5,096,929		1,791,979		-		294,350,762		-		-		301,239,670

## NOTES TO THE FINANCIAL STATEMENTS

### 12.1 These assets are being amortized in equal annual amounts over the following periods.

Mature Plantations-Tea	33 Years
Unimproved Lands	53 Years
Buildings	25 Years
Plant & Machinery	15 Years
Water Supply Scheme	30 Years
Mini Hydro Scheme	10 Years

### 12.2 Fair value hierarchy

The fair value of the Buildings was determined by an external independent valuer, having appropriate recognized professional qualifications and experience in the category of the Buildings being valued. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 13.10. The value of Buildings which are carried forward from JEDB/SLSPC agreement as per Note 12 and subsequent improvement thereon has not been separately identified, due to inseparable nature and total revaluation gain on Buildings are recognised under Note 13.

The fair value of the Plant & Machinery and motor vehicles was determined by an external independent valuer, having appropriate recognized professional qualifications and experience in the category of the Plant & Machinery being valued. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 13.10.



## NOTES TO THE FINANCIAL STATEMENTS

### 13 PROPERTY, PLANT & EQUIPMENT

<b>COST/REVALUATION</b>	<b>As at 01st January 2023 Rs.</b>	<b>Additions/ Transfer in Rs.</b>	<b>Disposals/Transfer out/ Write-off Rs.</b>	<b>As at 31st December 2023 Rs.</b>	<b>As at 31st December 2022 Rs.</b>
<b>AT COST</b>					
Land Improvements	55,368,872	-	-	55,368,872	55,368,872
Water Projects & Sanitation Equipment	25,698,539	-	-	25,698,539	25,698,539
Computer	76,977,801	6,261,956	-	83,239,757	76,977,801
Furniture & Fittings	14,217,035	163,500	-	14,380,535	14,217,035
	6,062,762	530,611	-	6,593,374	6,062,762
	178,325,009	6,956,067	-	185,281,077	178,325,009
<b>AT REVALUATION</b>					
Improvements to Buildings	792,559,960	914,350	-	793,474,310	792,559,960
Plant & Machinery	484,570,152	10,794,450	-	495,364,602	484,570,152
Motor Vehicles	190,956,171	3,742,921	-	194,699,092	190,956,171
	1,468,086,283	15,451,721	-	1,483,538,004	1,468,086,283
<b>Capital Work-in-Progress</b>					
	41,641,999	-	(3,143,308)	38,498,691	41,641,999
	1,688,053,291	22,407,787	(3,143,308)	1,707,317,772	1,688,053,291

## 13 PROPERTY, PLANT &amp; EQUIPMENT (CONTD.)



## NOTES TO THE FINANCIAL STATEMENTS

## ACCUMULATED DEPRECIATION

	As at 01st January 2023 Rs.	Charge/ Adjustments for the Year Rs.	Carrying Value		
			As at 31st December 2023 Rs.	As at 31st December 2023 Rs.	As at 31st December 2022 Rs.
<b>AT COST</b>					
Land Improvements	18,982,162	1,588,660	20,570,822	34,798,050	36,386,710
Water Projects & Sanitation	23,955,332	331,444	24,286,776	1,411,763	1,743,207
Equipment	49,114,834	6,170,647	55,285,481	27,954,276	27,862,966
Computer	11,373,803	890,455	12,264,258	2,116,277	2,843,232
Furniture & Fittings	5,051,847	138,844	5,190,691	1,402,683	1,010,915
	108,477,978	9,120,050	117,598,028	67,683,049	69,847,030
<b>AT REVALUATION</b>					
Improvements to Buildings	62,582,601	31,702,398	94,284,999	699,189,311	729,977,359
Plant & Machinery	66,449,011	34,751,191	101,200,202	394,164,400	418,121,141
Motor Vehicles	72,933,888	38,440,762	111,374,650	83,324,442	118,022,283
	201,965,500	104,894,351	306,859,851	1,176,678,153	1,266,120,783
<b>Capital Work-in-Progress</b>					
	-	-	-	38,498,691	41,641,999
	310,443,478	114,014,401	424,457,879	1,282,859,893	1,377,609,812



## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT (CONTD.)

**13.1** The assets shown above are those immovable assets vested in the company by way of Gazette notification on the date of formation of the company (22nd June 1992) and all investments in tangible assets of the Company since its formation. The assets taken over by way of estate leases are set out in Notes 11 and 12 to the Financial Statements.

#### **13.2 Property, plant and equipment under construction**

Capital work in progress represents the amount of expenditure recognised under property, plant and equipment during the construction of capital assets.

#### **13.3 Title restriction on property, plant and equipment**

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date except assets disclosed under note 13.8.

#### **13.4 Capitalisation of borrowing cost**

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year ended 31st December 2023. (2022 – Nil).

#### **13.5 Temporarily Idle property, plant and equipment**

There are no temporarily idle property, plant or equipment as at the reporting date. (2022 - Nil)

#### **13.6 Impairment of property, plant and equipment**

The Board of Directors has assessed the potential impairment loss of property, plant & equipment as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant & equipment. (2022 - Nil).

#### **13.7 Fully depreciated property, plant and equipment in use**

Property, plant and equipment includes fully depreciated assets with a cost of Rs. 118.5 Mn (31st December 2022 - Rs. 114.7 Mn ) which were in use during the year.

#### **13.8 Property, plant and equipment pledged as security for liabilities**

There are no property, plant and equipment pledged as security against borrowings as at the reporting date. (2022 - Nil)

#### **13.9 Valuation of Property, Plant and Equipment**

The Company uses the revaluation model of measurement for Buildings, Plant & Machinery and Motor Vehicles in 12 estates. The Company engaged Mr. W.M. Chandrasena FIV (SL), MRICS (UK) Independent Chartered Valuation Surveyor, Membership No F/14, to determine the fair value of its Buildings, Plant & Machinery and Motor Vehicles. Fair value is determined by reference to market-based evidence. Valuations are based on open market rates, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st December 2020. As per the valuer's opinion, there is no significant change in the fair value as at 31st December 2023.



## NOTES TO THE FINANCIAL STATEMENTS

### 13 FREEHOLD PROPERTY, PLANT & EQUIPMENT (CONTD.)

13.10 The details of Buildings, Plant & Machinery and Motor Vehicles which are stated at valuation are as follows,

Location	Method of Valuation	Effective date of Valuation	Name of the Independent Valuer	Revalued Amount	Net Book Value before revaluation	Revaluation Gain/(Loss)
Building	Cost Approach	31-12-2020	Mr. W.M. Chandrasena FIV (SL), MRICS (UK) Independent Chartered Valuation Surveyor, Membership No F/14.	777,543,926	185,973,549	591,570,377
Freehold Plant & Machinery (Note 13)	Cost Approach	31-12-2020		446,258,000	487,008,313	(40,750,313)
Leasehold Plant & Machinery (Note 12)	Cost Approach	31-12-2020		369,825,000	276,208,324	93,616,676
Motor Vehicles (Note 13)	Market Approach	31-12-2020		173,580,000	50,707,200	122,872,800
				1,767,206,926	999,897,386	767,309,540

13.11 If property, plant and equipment were stated on the historical cost basis, their net book amounts would be as follows :

Carrying value of revalued Plant and Machinery if carried at historical cost is Rs. 382 Mn as at 31st December 2023.

Carrying value of revalued Motor Vehicles if carried at historical cost is Rs. 16.6 Mn as at 31st December 2023.

Carrying value of revalued Buildings if carried at historical cost is Rs. 108.9 Mn as at 31st December 2023.

### 13.12 Fair value measurement

#### 13.12.1 Fair Value of Buildings

##### I Fair Value Hierarchy

The fair value of the Building was determined by an external independent property valuer, having appropriate recognized professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy.

##### II Valuation technique and significant unobservable inputs (Level 3)

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

## NOTES TO THE FINANCIAL STATEMENTS

Estate	Location (Region)	Fair Value as at 31 December 2020 (Rs.)	Method of Valuation	Significant Unobservable Inputs	Range of Estimates for unobservable inputs (Estimated Price per Sq. Ft.)	Inter-relationship between key unobservable inputs and fair value measurement
Battawatte	Madulsima	50,669,373	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3500	Positively correlated sensitivity
Cocogalla	Metigahatenne	49,419,438	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-4500	Positively correlated sensitivity
Galloola	Madulsima	40,692,764	Cost Approach	Estimated Replacement cost per Sq. Ft.	500-4500	Positively correlated sensitivity
Mahadowa	Madulsima	84,413,345	Cost Approach	Estimated Replacement cost per Sq. Ft.	800-3000	Positively correlated sensitivity
Uvakellie	Madulsima	12,144,942	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-2850	Positively correlated sensitivity
Verellapatna	Madulsima	71,839,795	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3250	Positively correlated sensitivity
El Teb	Passara	72,475,733	Cost Approach	Estimated Replacement cost per Sq. Ft.	1200-3500	Positively correlated sensitivity
Roeberry	Pitamaruawa	76,127,258	Cost Approach	Estimated Replacement cost per Sq. Ft.	1200-3000	Positively correlated sensitivity
Kew	Bogawantalawa	52,044,665	Cost Approach	Estimated Replacement cost per Sq. Ft.	1800-4000	Positively correlated sensitivity
Kirkoswald	Bogawantalawa	132,483,547	Cost Approach	Estimated Replacement cost per Sq. Ft.	500-4000	Positively correlated sensitivity
Theresia	Bogawantalawa	51,740,490	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3500	Positively correlated sensitivity
Venture	Norwood	77,131,361	Cost Approach	Estimated Replacement cost per Sq. Ft.	750-3750	Positively correlated sensitivity
Head Office	Badulla	6,361,215	Cost Approach	Estimated Replacement cost per Sq. Ft.	1820-1840	Positively correlated sensitivity
<b>Total</b>		<b>777,543,926</b>				

**Cost Approach** - This reflects the amount that would be required currently to replace the service capacity of an asset.

## NOTES TO THE FINANCIAL STATEMENTS

### 13.12.2 Fair Value of Freehold and Leasehold Plant and Machinery

#### I Fair Value Hierarchy

The fair value measurement for all of Plant & Machinery has been categorized as level 03 fair value based on the input to the valuation technique used.

#### II Valuation technique and significant unobservable inputs (Level 3)

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

Type of Asset	Valuation technique	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Plant and Machinery	Cost Approach	Depreciated Replacement Cost	Positively correlated sensitivity
	This reflects the amount that would be required currently to replace the service capacity of an asset	Rs. 7,500 - 30,000,000	

### 13.12.3 Fair Value of Motor Vehicles

#### I Fair Value Hierarchy

The fair value measurement for all of Motor Vehicles has been categorized as level 3 fair Value based on the input to the valuation technique used.

	Significant other observable inputs (Level II) Rs.	Total Rs.
Motor Vehicle	173,580,000	173,580,000
Fair value measurements at 31 December 2020	173,580,000	173,580,000

This reflects the market value of similar asset considering the current market transactions for identical or similar assets discounted for age and condition of the assets being revalued. The market values of revalued motor vehicles range from Rs. 10,000/- to Rs. 12,500,000/-.

## NOTES TO THE FINANCIAL STATEMENTS

### 14 BEARER BIOLOGICAL ASSETS

#### 14.1 Mature Plantations

Costs	Life of the Assets	As at 1st January 2023	Additions/ Transfers in	Disposals/ Transfers out	As at 31st December 2023	As at 31st December 2022
		Rs.	Rs.	Rs.	Rs.	Rs.
- Tea	33 1/3 years	802,388,003	3,483,974	-	805,871,977	802,388,003
- Rubber	20 years	71,666,853	41,397	-	71,708,250	71,666,853
- Coffee	10 years	3,875,172	-	-	3,875,172	3,875,172
- Cloves	10 years	184,552	-	-	184,552	184,552
- Cinnamon	10 years	9,128,283	-	-	9,128,283	9,128,283
- Citrus	10 years	-	80,512	-	80,512	-
		887,242,863	3,605,883	-	890,848,746	887,242,863

	Accumulated Depreciation			Carrying Value	
	As at 1st January 2023	Depreciation for the Year	As at 31st December 2023	As at 31st December 2023	As at 31st December 2022
	Rs.	Rs.	Rs.	Rs.	Rs.
- Tea	235,358,011	24,071,640	259,429,651	546,442,326	567,029,978
- Rubber	3,681,683	3,583,343	7,265,026	64,443,224	67,985,175
- Coffee	2,869,329	100,584	2,969,913	905,259	1,005,843
- Cloves	-	18,455	18,455	166,097	184,552
- Cinnamon	-	912,828	912,828	8,215,455	9,128,283
- Citrus	-	-	-	80,512	-
	241,909,023	28,686,850	270,595,873	620,252,873	645,333,831

Investments in bearer biological assets since the formation of the company have been classified as shown above and mainly includes tea and rubber plantations. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with LKAS 16-Property, Plant and Equipment.

The assets (including plantation assets) takeover by way of estate leases are set out in note 12. Further investment to immature plantation takeover by way of these leases are shown in the above note.

When such plantations came in to bearing the additional Investments since taking over to bring them to bearing was transferred from immature to mature Plantations under this note. A corresponding transfer was made from immature to mature Plantations being the Investment undertaken by JEDB/ SLSPC on the particular Plantation prior to the formation of the company under Note 12.

## NOTES TO THE FINANCIAL STATEMENTS

### 14.2 Immature Plantations

	As at 1st January 2023 Rs.	Additions During the Year Rs.	Transfer to Mature During the Year Rs.	Provision for Impairment Rs.	As at 31st December 2023 Rs.	As at 31st December 2022 Rs.
- Tea	335,354,738	109,151,598	(3,483,974)	-	441,022,362	335,354,738
- Rubber	30,051,161	7,294,522	(41,397)	-	37,304,286	30,051,161
- Coffee	2,981,360	208,639	-	-	3,189,999	2,981,360
- Citrus	80,512	-	(80,512)	-	-	80,512
- Pepper	2,261,194	59,411	-	-	2,320,605	2,261,194
- Cardamom	4,374,047	1,091,764	-	-	5,465,811	4,374,047
- Cinnamon	100,941	25,741	-	-	126,682	100,941
	375,203,953	117,831,675	(3,605,883)	-	489,429,745	375,203,953
<b>Carrying Value</b>	1,020,537,784				1,109,682,618	

### 14.3 Provision of Impairment of Immature Plantations

	2023 Rs.	2022 Rs.
Balance as at 1 January	54,190,703	52,289,947
Impairment Charge For the Year	-	1,900,756
Balance as at 31 December	54,190,703	54,190,703

The Company has performed an impairment assessment on immature biological assets as at 31st December 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect on immature biological assets.

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>15. CONSUMABLE BIOLOGICAL ASSETS -TIMBER PLANTATIONS</b>		
Balance as at 1st January	4,330,380,459	3,999,563,151
Increase due to New Planting	30,614,100	37,828,582
Gain on Change in Fair Value	619,426,708	292,988,726
Balance as at 31st December	4,980,421,267	4,330,380,459

### 15.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr.W.M. Chandrasena,an indipendent incorporated valuation surveyor, using discounted cash flow (DCF) methods.The valuation report dated 31st December 2023 has been prepared based on the physically verified timber staistics provided by the company.

The future cash flows are determined by reference to current timber prices.

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

#### Regulatory and environmental risks

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

#### Supply and demand risk

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

#### Climate change and other risks

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

#### Fair Value Hierarchy

The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

## NOTES TO THE FINANCIAL STATEMENTS

### Non Financial Assets - Consumable Biological Assets

As at 31st December 2023	Date of valuation	Level 1 Rs	Level 2 Rs	Level 3 Rs
Assets measured at fair value				
Consumable Biological Assets - Timber	31st December 2023	-	-	4,980,421,267

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of the company, and the market prices of timber corporation, with appropriate adjustments for size and location. The appraised fair values are rounded with appropriate adjustments for size and location.

### 15.2 Information about fair value measurement using significant unobservable inputs (Level 3)

Type	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Standing timber older than 4 years.	<b>DCF Method</b> The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree per- tree basis.	Discounting factor  Optimum rotation (Maturity)  Price per Cu. Ft.	17% (2022:22%)  25-35 Years  Rs. 150/- Rs.700/- per Cu. Ft	The higher the discount rate, the lower the fair value  Lower the rotation period, the higher the fair value.  The higher the rate the higher the fair value
Young Plants (Age less than 4 years)	<b>Cost techniques;</b> The cost techniques consider the cost of creating a comparable plantation, taking in to account the cost of infrastructure, cultivation and preparation, buying and planting young trees with an estimate profit that would apply to this activity.	- Estimated cost of cultivation and preparation per hectare  - Estimated cost of buying and planting young plants per hectare	Rs. 250,000 - Rs. 350,000  Rs. 62,000 - Rs. 65,000	The higher the cost higher the fair value  The estimated fair value would increase (decrease) if; The estimated cost of infrastructure, cultivation and preparation and buying and planting trees were higher/ (lower).



## NOTES TO THE FINANCIAL STATEMENTS

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Trees have been valued as per the current timber prices per cubic foot based on the market prices and industry professional opinion prices of logs sawn timber at the popular timber traders in Sri Lanka.

### Key assumption used in the Valuation

1. The harvesting will be approved by the PMMD and Forest Department based on the forestry development plan
2. The price adopted are net of expenditure
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.

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

### 15.3 Sensitivity analysis of assumptions used in the valuation of timber plantations

#### Sensitivity variation sales price

Values appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber prices shows that an increase or decrease of 10% of the future selling prices has the following effect on the net present value of the Mature Consumable Biological Assets.

	-10%	+10%
	Rs.	Rs.
<b>Managed Timber</b>		
As at 31st December, 2023	(515,679,871)	515,679,871
As at 31st December, 2022	(433,038,046)	433,038,046

#### Sensitivity variation discount rate

Values appearing in the Statement of Financial Position are sensitive to changes of discount rate applied. Simulations made for discount rate shows that an increase or decrease by 1% of the future discounting rate has the following effect on the net present value of the Mature Consumable Biological Assets.

	-1%	+1%
	Rs.	Rs.
<b>Managed Timber</b>		
As at 31st December, 2023	111,033,051	(102,714,521)
As at 31st December, 2022	255,563,178	(85,066,481)

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>16. INVESTMENT IN FINANCIAL ASSETS - FVOCI</b>		
<b>Investment in unquoted companies</b>		
Investment in Bogo Power (Pvt) Ltd (3,500,000 Ordinary shares)	3,996,172	4,013,835
Fair Value Change during the year	256,909	(17,663)
	4,253,081	3,996,172

### Investment in ordinary shares of Bogo Power (Pvt) Ltd

The Company designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for the long term for strategic purposes.

No strategic investments were disposed of during the year 2023, and there were no transfers to any cumulative gain or loss within the equity relating to these investments.

The investment in ordinary shares of Bogo Power (Pvt) Ltd has been measured at fair value on a net assets value (Rs. 1.2 per share) basis and the fair value gain / (loss) has been classified to fair value reserve.

	2023 Rs.	2022 Rs.
<b>17. PRODUCE ON BEARER BIOLOGICAL ASSETS</b>		
Balance as at 01st January	8,019,681	1,458,551
Change in fair value less cost to sell	(208,411)	6,561,130
Balance as at 31st December	7,811,270	8,019,681

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year.

	2023 Rs.	2022 Rs.
<b>17.1 Gain /(Loss) On Fair Value Of Biological Assets</b>		
Change in fair value of consumable biological assets less cost to sell (Note 15)	619,426,708	292,988,726
Change in fair value of produce on bearer biological assets less cost to sell (Note 17)	(208,411)	6,561,130
<b>Total change in fair value of biological assets</b>	619,218,297	299,549,856

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>18. INVENTORIES</b>		
Input Materials	94,692,385	86,483,343
Growing crop nurseries	20,271,175	14,280,466
Produce Stock	430,871,706	332,990,253
Consumables & Spares	2,558,314	1,847,097
	548,393,580	435,601,159
<b>19. TRADE AND OTHER RECEIVABLES</b>		
<b>Other Receivables</b>		
Empolyee Related Receivables	76,816,490	57,843,574
Value Added Tax Receivable	10,850,996	10,850,996
With Holding Tax Receivable	13,393,477	11,018,951
Income Tax Recoverable	6,517,024	6,517,024
Deposits and Prepayments	17,711,245	2,935,246
ACT Recoverable	41,034,639	41,034,639
Other Debtors	37,750,922	27,569,711
	204,074,793	157,770,141
Provision for Doubtful Debts	(63,976,287)	(63,976,287)
	140,098,506	93,793,854
<b>19.1 Provision for impairment of other receivables</b>		
Balance at the begining of the year	63,976,287	63,976,287
<b>Balance at 31st December</b>	63,976,287	63,976,287
<b>20. AMOUNTS DUE FROM RELATED PARTIES</b>		
Melstacorp PLC	183,739	183,739
	183,739	183,739
<b>21. CASH AND CASH EQUIVALENTS</b>		
<b>21.1 Favourable balance</b>		
Cash at Bank and in Hand	10,821,922	10,231,874
	10,821,922	10,231,874
<b>21.2 Unfavorable balance</b>		
Bank Overdraft	(202,924,004)	(141,835,909)
<b>Cash and Cash Equivalents for the Purpose of Cash Flows</b>	(192,102,082)	(131,604,035)



## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>22. STATED CAPITAL</b>		
<b>Number of issued and fully paid shares</b>		
Ordinary Shares Including one Golden Share held by the Treasury which has Special rights	169,501,097	169,501,097
	169,501,097	169,501,097
<b>Value of issued and fully paid shares</b>		
Ordinary Shares Including one Golden Share held by the Treasury which has Special rights	1,624,760,670	1,624,760,670
	1,624,760,670	1,624,760,670

### **Rights, preferences and restrictions of classes of capital**

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

## **23. REVALUATION RESERVE (NET OF TAX)**

The revaluation reserve relates to Buildings, motor vehicles, plant & machinery which has been revalued by the company.

Balance at the beginning of the year	1,055,815,035	1,349,934,938
Effect of change in Deferred Tax Rate	-	(294,119,903)
Balance at the end of the year	1,055,815,035	1,055,815,035

## **24. FAIR VALUE TROUGH OCI RESERVE**

This represents the cumulative net change in the fair value of equity securities designated as FVOCI until the investments are derecognised.

Balance at the beginning of the year	2,780,089	2,797,752
Change in fair value	256,909	(17,663)
<b>Balance at the end of the year</b>	<b>3,036,998</b>	<b>2,780,089</b>

## NOTES TO THE FINANCIAL STATEMENTS

		2023 Rs.	2022 Rs.
<b>25. TIMBER RESERVE</b>			
The timber reserve relates to valuation of consumable biological assets.			
Balance at the beginning of the year		4,072,529,730	3,779,541,004
Transferred to timber reserve		619,426,708	292,988,726
<b>Balance at the end of the year</b>		<b>4,691,956,438</b>	<b>4,072,529,730</b>
<b>26. INTEREST BEARING LOANS AND BORROWINGS</b>			
<b>26.1 Movement of borrowings during the year.</b>		<b>2023 Rs.</b>	<b>2022 Rs.</b>
	<b>Related Party</b>	<b>Total</b>	<b>Total</b>
Balance at the beginning of the year	4,034,990,728	4,034,990,728	3,764,925,081
Obtained during the year	-	-	204,440,628
Repaid during the year	(52,000,000)	(52,000,000)	(733,040,624)
<b>Balance at the end of year</b>	<b>3,982,990,728</b>	<b>3,982,990,728</b>	<b>3,236,325,085</b>
Interest payable	818,294,551	818,294,551	798,665,643
<b>Total Balance at the end of the year</b>	<b>4,801,285,279</b>	<b>4,801,285,279</b>	<b>4,034,990,728</b>
		<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>26.2 Analysis of borrowings by year of repayment</b>			
<b>Repayable within one year</b>			
Related Party Loans		600,000,000	600,000,000
		600,000,000	600,000,000
<b>Repayable after one year</b>			
Related Party Loans		4,201,285,279	3,434,990,728
		4,201,285,279	3,434,990,728
<b>Total Borrowings</b>		<b>4,801,285,279</b>	<b>4,034,990,728</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 26. INTEREST BEARING LOANS AND BORROWINGS

#### 26.3 Related Party Loans

	Facility Obtained	Interest rate one year	Repayable within one year	Repayable after one year	Balance as at 31 December 2023	Repayment terms
Melstacorp PLC (Rs.200Mn)	200,000,000	AWPLR + 0.5% (Monthly Review)	200,000,000	-	200,000,000	Capital to be repaid after a moratorium of 03 years and interest payable monthly.
Melstacorp PLC (Rs.50Mn)	50,000,000	AWPLR + 0.5% (Monthly Review)	50,000,000	-	50,000,000	Capital to be repaid after a moratorium of 03 years and interest payable monthly.
Melstacorp PLC - Short Term Management Loan	-	AWPLR + 0.5% (Monthly Review)	300,000,000	4,164,062,690	4,464,062,690	Capital has been granted for the purpose of refinancing the weekly deficit of auction proceeds on the basis of immediate payment on demand.
Milford Exports ceylon Pvt Ltd (Rs.200Mn)	200,000,000	AWPLR + 0.5% (Monthly Review)	50,000,000	37,222,589	87,222,589	Capital to be repaid after a moratorium of 03 years and interest payable monthly.
			600,000,000	4,201,285,279	4,801,285,279	



## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>27. RETIREMENT BENEFIT OBLIGATIONS</b>		
Retirement Benefit Obligations	1,301,023,406	1,230,186,582
Unclaimed Retiring Gratuity	50,999,436	54,396,055
<b>Total Retirement Benefit Obligations</b>	<b>1,352,022,842</b>	<b>1,284,582,637</b>
<b>27.1 The movement in the retirement benefit obligation over the year is as follows:</b>		
Balance at the beginning of the year	1,230,186,582	1,210,160,244
Interest cost	227,584,518	139,168,428
Current Service Cost	58,768,973	65,492,620
Actuarial (Gain)/ Loss during the year	(56,906,100)	(60,184,673)
	1,459,633,973	1,354,636,620
Less: Payments made during the year	(158,610,567)	(124,450,037)
	1,301,023,406	1,230,186,582
<b>Unclaimed Retiring Gratuity</b>		
Balance at the beginning of the year	54,396,055	56,710,745
Less: Payments made during the year	(3,396,619)	(2,314,690)
<b>Total Unclaimed Retiring Gratuity</b>	<b>50,999,436</b>	<b>54,396,055</b>
<b>Balance at the end of the year</b>	<b>1,352,022,842</b>	<b>1,284,582,637</b>
<b>27.1.1 Provision recognized in the statement of Profit or Loss</b>		
Interest cost	227,584,518	139,168,428
Current Service Cost	58,768,973	65,492,620
	286,353,491	204,661,048
<b>27.1.2 Provision recognized in the statement of other comprehensive income</b>		
Actuarial loss/(gain) during the year	(56,906,100)	(60,184,673)
	(56,906,100)	(60,184,673)

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2023 by Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 "Employee Benefits".

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

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>27.2 The following payments are expected from the retirement benefit obligations in future years.</b>		
Within the next 12 months	142,885,115	201,996,891
Between 1 - 2 years	155,418,483	170,674,320
Between 2 - 5 years	189,916,418	232,413,826
Beyond 5 years	863,802,826	679,497,600
	<b>1,352,022,842</b>	<b>1,284,582,637</b>

### The key assumptions used by Actuary Include Following.

	2023	2022
(i) Rate of Interest	12.5%	18.5%
A Long-term treasury bond rate 12.5% p.a. (2022 - 18.5% p.a.) was used to discount future liabilities taking into consideration remaining working life of employees.		
(ii) Retirement Age		
Workers	60 years	60 years
Staff	60 years	60 years
(iii) Staff Turnover	2% - 7%	2% - 7%
(iv) The Company will continue as a going concern		

The weighted average duration of the Retirement Benefit plan obligations at the end of the reporting period is 8 years and 8.7 years for staff and workers respectively.

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the actuarial valuation. 1949/52 Mortality Table issued by the Institute of Actuaries, London and "A1967/70 Mortality Table" issued by the Institute of Actuaries was used to estimate the gratuity liability of the Company.

The actuarial present value of the accrued benefits as at 31st December 2023 is Rs. 1,301 Mn (2022: Rs.1,230 Mn). This item is grouped under Retirement Benefit Obligations in the Statement of Financial Position. The liability is not externally funded.

### Sensitivity Analysis of assumptions used

The sensitivity analysis below has been determined on a method that extrapolates the impact on Retirement Benefit Obligations as a result of reasonable changes in key assumptions occurring at the end of reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

	2023		2022	
	Increase	Decrease	Increase	Decrease
<b>Discount Rate</b>				
Sensitivity level	1%	1%	1%	1%
Impact on retirement benefit obligations Rs.	(90,228,321)	103,581,482	(83,324,396)	94,571,915
	2023		2022	
	Increase	Decrease	Increase	Decrease
<b>Future Salary Increment rate</b>				
Sensitivity level	1%	1%	1%	1%
Impact on retirement benefit obligations Rs.	107,433,263	(94,925,002)	98,481,218	(87,891,657)

	2023 Rs.	2022 Rs.
<b>28. DEFERRED TAXATION</b>		
Deferred tax assets (Note 28.1)	(597,592,854)	(821,679,589)
Deferred tax liability (Note 28.2)	2,316,679,062	1,727,238,884
<b>Net Deferred tax liability</b>	1,719,086,208	905,559,295
<b>28.1 Deferred tax assets</b>		
Balance at the Beginning of the year	821,679,589	274,681,159
Originated/ (reversed)during the year-recognized in profit or loss	(207,014,907)	54,931,679
Originated during the year recognized in other comprehensive income	(17,071,830)	(18,055,402)
Effect of rate change	-	510,122,153
<b>Balance as at 31st December</b>	597,592,854	821,679,589
<b>28.2 Deferred tax liabilities</b>		
Balance at the Beginning of the year	1,727,238,884	576,032,162
Originated during the year-recognized in profit or loss	589,440,178	81,432,707
Effect of rate change	-	1,069,774,015
<b>Balance as at 31st December</b>	2,316,679,062	1,727,238,884
<b>28.3 Provision for the year</b>		
<b>Deferred tax (reversal) / charged to profit or loss</b>		
Due to change in the effective tax rate	-	265,531,960
Due to change in the temporary differences	796,455,085	26,501,027
	796,455,085	292,032,987
<b>Deferred tax (reversal) / charged to other comprehensive income</b>		
Due to change in the effective tax rate	-	294,119,903
Due to change in the temporary differences	17,071,830	18,055,402
	17,071,830	312,175,305



## NOTES TO THE FINANCIAL STATEMENTS

### 28.4 Deferred Taxation Reconciliation

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

	2023		2022	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	Rs	Rs	Rs	Rs
<b>Deferred Tax Liability</b>				
Temporary difference on PPE	1,468,190,568	440,457,170	1,474,282,561	442,284,768
Temporary difference on Bearer biological assets	1,114,779,547	334,433,864	1,010,231,931	303,069,579
Temporary difference on Consumable biological assets	4,980,421,267	1,494,126,380	3,156,893,193	947,067,958
Temporary difference on Produced on bearer biological assets	7,811,270	2,343,381	8,019,681	2,405,904
Temporary difference on ROU Lands	151,060,889	45,318,267	108,035,582	32,410,675
<b>As at 31st December</b>	<b>7,722,263,540</b>	<b>2,316,679,062</b>	<b>5,757,462,948</b>	<b>1,727,238,884</b>
<b>Deferred Tax Assets</b>				
Temporary difference on Lease liability	(155,323,383)	(46,597,015)	(105,209,281)	(31,562,784)
Temporary difference on Provision for doubtful debts	(63,976,287)	(19,192,888)	(63,976,287)	(19,192,929)
Temporary difference on retirement benefit obligation	(1,352,022,842)	(405,606,853)	(1,284,582,637)	(385,374,791)
Carried forward tax losses	(420,653,659)	(126,196,098)	(1,285,163,620)	(385,549,085)
<b>As at 31st December</b>	<b>(1,991,976,175)</b>	<b>(597,592,854)</b>	<b>(2,738,931,966)</b>	<b>(821,679,589)</b>
<b>Net Deferred Tax Liability as at 31st December</b>	<b>5,730,287,365</b>	<b>1,719,086,208</b>	<b>3,018,530,982</b>	<b>905,559,295</b>

### 28.5 Unrecognised deferred tax assets

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

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

## NOTES TO THE FINANCIAL STATEMENTS

The unutilized tax losses of Rs. 420,653,659/- (2022 -Rs. 1,285,163,620/-) out of total tax losses of Rs. 3,007,356,564/- (2022-Rs. 2,981,475,130/- ) have been considered for the deferred tax based on the probable future taxable profits available. Hence a deferred tax asset of Rs. 776,010,872/- (2022-Rs. 508,893,453/- ) has not been recognized in respect of unutilized tax losses of Rs. 2,586,702,905/- (2022- Rs. 1,696,311,510/- ) as at 31st December 2023.

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

	2023 Rs.	2022 Rs.
<b>29. DEFERRED INCOME</b>		
<b>Deferred Grants and Subsidies</b>		
Balance at the beginning of the year	123,358,451	128,623,786
Grants Received during the year	1,991,420	-
	125,349,871	128,623,786
Amortization for the year	(7,352,240)	(5,265,335)
<b>Balance at the end of the year</b>	<b>117,997,631</b>	<b>123,358,451</b>

The Company has received funding from the Plantation Housing and Social Welfare Trust, Tea Board Subsidy Fund, Plantation Reform Project, Estate Infrastructure Development Programme and the Plantation Development Support Project for the development of workers' welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant received for such is reflected under Deferred Income. When the Company has complied with the conditions attached to the grants and subsidies, the grants will be credited to the Statement of Profit or Loss over the useful life of the respective assets.

	2023 Rs.	2022 Rs.
<b>30. NET LIABILITY TO LESSOR OF JEDB/SLSPC ESTATES</b>		
<b>Gross Liability</b>		
At the beginning of the year	105,209,281	94,894,897
Remeasurement of Right-of-Use Asset	49,495,268	7,480,638
	154,704,549	102,375,535
Interest charges for the year	18,242,031	13,199,359
Payments made during the year	(17,623,197)	(10,365,613)
<b>Total Net Liability</b>	<b>155,323,383</b>	<b>105,209,281</b>
<b>Maturity analysis of lease liability</b>		
Current	6,608,496	16,745,016
Non Current	148,714,887	88,464,265
<b>Total</b>	<b>155,323,383</b>	<b>105,209,281</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>30.1 Leasehold rights can be analysed as follows</b>		
Amount Payable within One Year	6,608,496	16,745,016
Amount Payable after One Year and Less than Five Years	10,425,707	34,857,929
Amount Payable More than Five Years	138,289,180	53,606,336
<b>Total Net Liability</b>	<b>155,323,383</b>	<b>105,209,281</b>
<b>Amounts recognised in statement of profit or loss and other comprehensive income</b>		
Interest on lease liability	18,242,031	13,199,359
Amortization of Leasehold right to Bare Land of JEDB / SLSPC Estates	6,469,961	4,721,151
<b>Amount recognized in statement of cashflows</b>		
Total cash outflows for leases	17,623,197	10,365,613
<b>Maturity analysis of contractual undiscounted cashflows</b>		
Within one year	26,349,705	17,708,195
1-2 years	21,079,836	14,166,556
2-5 Years	63,239,508	42,499,668
More than 5 years	342,547,335	251,456,369
	<b>453,216,384</b>	<b>325,830,788</b>
<b>31. TRADE AND OTHER PAYABLES</b>		
Trade Creditors	119,488,259	132,868,535
Others Creditors	88,760,731	27,702,514
Employee Related Creditors	230,875,640	244,373,962
Accrued Expenses	18,397,421	17,194,727
	<b>457,522,051</b>	<b>422,139,738</b>
<b>32. AMOUNTS DUE TO RELATED PARTIES</b>		
Stassen Exports (Pvt) Limited	6,333,485	6,487,348
Balangoda Plantations PLC	23,297,145	7,174,172
Distilleries Company of Sri Lanka Limited	84,518,303	72,904,658
Fourmula world	1,242,246	1,390,142
Belventage Pvt Ltd	2,353,399	1,642,857
Bogo Power (Pvt) Limited	140,022	819,507
Melsta Technologies Pvt Ltd.	500	500
	<b>117,885,100</b>	<b>90,392,184</b>

### 33. CAPITAL COMMITMENTS

There were no material capital commitments as at the date of the statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in accordance Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosure, the details of which are reported below:

#### 34.1 Transactions with the Parent and Related entities

Company	Relationship	Nature of Transaction	Transaction Amount				Balance Payable as at 31st December			
			2023	Rs.	2022	Rs.	2023	Rs.	2022	Rs.
Melstacorp PLC	Parent Company	Loan & Interest Settlements	816,784,599	(2,000,000)	771,707,420	(198,600,000)	4,713,874,951		3,899,278,091	
<b>Other Related Parties</b>										
Stassen Exports (Pvt) Ltd	Related Company	Rent of Colombo Office	-		17,604,330		6,333,485		6,487,348	
		Expenses For the period Settlements	4,035,464	(4,189,328)	-	(31,538,378)				
Balangoda Plantations PLC	Related Company	Expenses for the period Reimbursement of expenses	20,650,790	(4,527,817)	11,188,766	(10,337,177)	23,297,145		7,174,172	
Distilleries Company of Sri Lanka PLC	Related Company	Expenses for the period Settlements	34,937,805	(23,324,161)	53,476,591	(28,705,928)	84,518,303		72,904,658	
Bogo Power (Pvt) Ltd	Related Company	Settlements	(3,873,448)		(2,977,175)		140,022		819,507	
		Withholding Tax Deduction	-		(750,000)					
		Rent Income	20,527,827		-					
		Rent Income Received	(20,370,730)		-					
		Maintenance expenses	3,036,866		2,002,150					
Milford Exports	Related Company	Loan & Interest	1,509,952		26,958,227		87,222,589		135,712,637	
Ceylon (Pvt) Ltd		Loan Interest Paid	(50,000,000)		(150,000,000)					
Melsta Technologies (Pvt) Ltd	Related Company									
	IT Services		-		500		500		500	
Belvantage pvt ltd	Related Company	Implimentation fee Settlements	4,425,946	(3,715,404)	922,105		2,353,399		1,642,857	
Formula world pvt ltd	Related Company	Expenditure for the period Settlements	607,713	(755,609)	6,198,256	(4,808,114)	1,242,246		1,390,142	

This note should be read in conjunction with Notes 20, 26 and 32 to the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 34.2 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an relevant commercial terms. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

### 34.3 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 December 2023 audited Financial Statements.

### 34.4 Recurrent related party transactions

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/ income of the Company as per 31 December 2023 audited Financial Statements. Details of related party disclosures are as follows,

Company	Relationship	Nature of transaction	Amount (Credited)/Debited	
			2023	2022
For the year ended 31 December			Rs.	Rs.
Melstacorp PLC	Parent Company	Loans & Interest	816,784,599	771,707,420
		Revenue as per latest audited financial statements	4,038,642,959	4,172,567,832
		Percentage on revenue	20%	18%

Transactions with related parties are carried out in the ordinary course of business on relevant commercial terms.

### 34.5 Transactions with the Key Management Personnel of the Company and parent

According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors (including Executive and Non Executive) has been classified as key management personnel of the Company.

	2023 Rs.	2022 Rs.
Short term employment Benefits	-	-

### 34.6 Other Related Party Transactions

Guarantees given by Distilleries Company of Sri Lanka PLC on behalf of the company.

\* Corporate Guarantee of Rs. 50 Mn. for Standard Chartered Bank overdraft facility

\* Corporate Guarantee of Rs.160 Mn. For Hatton National Bank overdraft facility

## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
The funds borrowed by the Company are given in Note 26.		
Balance as at 01st January	4,140,200,009	3,859,819,978
Net Cash Flows from Financing Activities	(69,623,197)	(538,965,609)
Non Cash Changes	886,031,850	819,345,640
<b>Balance as at 31st December</b>	<b>4,956,608,662</b>	<b>4,140,200,009</b>

### 36. CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at the year end except for the following:

#### Legal Proceedings on Labour and Other Disputes:

Several legal cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested /prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

### 37. COMPARATIVE INFORMATION

The presentation and classification of the financial statement of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year and to be inline with the Group presentation.

The Company reclassified certain prior period figures in the statement of profit or loss as described below.

Financial statement captions	Amount prior to re-classification (Rs'000')	Reclassification (Rs'000')	Reclassified amount (Rs'000')
Cost of Sales	3,427,276,067	45,232,916	3,472,508,983
Administrative Expense	131,150,761	(45,232,916)	85,917,845

### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023	Financial assets at amortised cost	FVTOCI - Equity Instruments	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
<b>Financial assets measured at fair value</b>								
Investment in Equity Securities- FVOCI	-	4,253,081	-	4,253,081	-	-	4,253,081	4,253,081
<b>Financial assets not measured at fair value</b>								
Other receivables	76,816,490	-	-	76,816,490	-	-	-	-
Amounts due from related party	183,739	-	-	183,739	-	-	-	-
Cash at banks and in hand	10,821,922	-	-	10,821,922	-	-	-	-
<b>Total financial assets</b>	<b>87,822,151</b>	<b>4,253,081</b>	<b>-</b>	<b>92,075,232</b>	<b>-</b>	<b>-</b>	<b>4,253,081</b>	<b>4,253,081</b>
<b>Financial liabilities not measured at fair value</b>								
Interest bearing borrowings	-	-	-	4,801,285,279	-	-	-	-
Trade and other payables	-	-	-	439,124,629	-	-	-	-
Amount due to related parties	-	-	-	117,885,100	-	-	-	-
Lease liability to SLSPC and JEDB	-	-	-	155,323,383	-	-	-	-
Bank overdrafts	-	-	-	202,924,004	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,716,542,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2022	Financial assets at amortised cost	Financial Instruments	FVTOCI - Equity	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
<b>Financial assets measured at fair value</b>									
Investment in Equity Securities- FVOCI	-	3,996,172	-	-	3,996,172	-	-	3,996,172	3,996,172
<b>Financial assets not measured at fair value</b>									
Trade and other receivables	57,843,544	-	-	-	57,843,544	-	-	-	-
Amounts due from related party	183,739	-	-	-	183,739	-	-	-	-
Cash at banks and in hand	10,231,874	-	-	-	10,231,874	-	-	-	-
<b>Total financial assets</b>	<b>68,259,157</b>	<b>3,996,172</b>	<b>-</b>	<b>-</b>	<b>72,255,329</b>	<b>-</b>	<b>-</b>	<b>3,996,172</b>	<b>3,996,172</b>
<b>Financial liabilities not measured at fair value</b>									
Interest bearing borrowings	-	-	4,034,990,728	-	4,034,990,728	-	-	-	-
Trade and other payables	-	-	404,945,011	-	404,945,011	-	-	-	-
Amount due to related parties	-	-	90,392,184	-	90,392,184	-	-	-	-
Lease liability to SLSPC and JEDB	-	-	105,209,281	-	105,209,281	-	-	-	-
Bank overdrafts	-	-	141,835,909	-	141,835,909	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>4,777,373,113</b>	<b>-</b>	<b>4,777,373,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 39. FINANCIAL RISK MANAGEMENT

#### 39.1 Overview

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

- Credit risk
- Liquidity risk
- Market risks

(including currency risk and interest rate risk)

This note presents qualitative and quantitative information about the Company's exposure to each of the above risks, the Company's objectives and policies and procedures for measuring and managing those risks.

#### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

#### 39.2 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and from investments in Equity securities.

The Company is exposed to credit risk from its operating activities (primarily trade receivables), other advances including loans and advances to staff/workers, and from its financing activities, including deposits with banks and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

##### 39.2.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Maximum exposure to credit risk as the reporting date was as follows.

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
Trade and Other Receivables	76,816,490	57,843,544
Amounts due from Related Companies	183,739	183,739
Cash and Cash Equivalents	10,821,922	10,231,874
	87,822,151	68,259,157

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

Impairment losses on trade and other receivables	63,976,287	63,976,287
--	------------	------------

### 39.2.2 Amounts due from related companies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each related party.

The Company does not require a provision for impairment in respect of amounts due from related parties.

### 39.2.3 Cash and Cash Equivalents

The Company held cash at bank of Rs. 10.8 Mn as at 31 December 2023 (31 December 2022 - Rs.10.2 Mn) which represent its maximum credit exposure on these assets. The cash at bank with counterparties, which are rated AA- /AAA, based on fitch ratings.

### 39.3 Liquidity Risk

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

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its medium term capital and funding obligations and to meet any unforeseen obligations. The Company holds cash and undrawn committed facilities to enable the company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

#### Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

The mixed approach combines elements of the cash-flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets or other secured borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

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

	Carrying Amount	Rs.	Contractual Cash flow	Rs.	On demand	Rs.	Less Than 12 Months	Rs.	1 to 2 years	Rs.	2 to 5 years	Rs.	More than 5 Years	Rs.
<b>As at 31st December 2023</b>														
Interest bearing loans & borrowing	4,801,285,279		4,801,285,279		-		600,000,000		600,000,000		600,000,000		3,001,285,279	
Trade & other payables	439,124,630		439,124,630		439,124,630		-		-		-		-	
Amount due to related companies	117,885,100		117,885,100		117,885,100		-		-		-		-	
Bank Overdraft	202,924,004		202,924,004		202,924,004		-		-		-		-	
Lease Liability to – SLSPC and JEDB	155,323,383		453,216,384		-		26,349,705		21,079,836		63,239,508		342,547,335	
	5,716,542,395		6,014,435,396		759,933,733		626,349,705		621,079,836		663,239,508		3,343,832,614	
<b>As at 31st December 2022</b>														
Interest bearing loans & borrowing	4,034,990,728		4,988,096,613		-		600,000,000		600,000,000		600,000,000		3,188,096,613	
Trade & other payables	404,945,019		404,945,019		404,945,019		-		-		-		-	
Amount due to related companies	90,392,184		90,392,184		90,392,184		-		-		-		-	
Bank Overdraft	141,835,909		141,835,909		141,835,909		-		-		-		-	
Lease Liability to – SLSPC and JEDB	105,209,281		325,830,788		-		17,708,195		14,166,556		42,499,668		251,456,369	
	4,777,373,121		5,951,100,512		637,173,111		617,708,195		614,166,556		642,499,668		3,439,552,982	

### Management of Liquidity Risk

The Company'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 Company's reputation. The Company has access to approved short-term financing facilities from commercial banks, if required.

The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Company to meet its contractual obligations.

## NOTES TO THE FINANCIAL STATEMENTS

### 39.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns.

#### 39.4.1 Currency risk

The Company exposed to currency risk only on purchases that are denominated in a currency other than Sri Lankan Rs. (LKR). The foreign currencies in which these transaction primarily denominated are United States Dollar. (USD)

Since the frequency of the transaction done in foreign currencies is very low, the Company is not expose to a higher degree of currencies risk.

#### 39.4.2 Interest Rate Risk

Interest rate risk mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

The interest rates have increased significantly after the reporting date, this may lead to substantial negative impact on the future profits of the Company.

##### (a) Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows,



## NOTES TO THE FINANCIAL STATEMENTS

	As at 31st December 2023			As at 31st December 2022		
	Variable interest rate	Fixed interest rate	Total	Variable interest rate	Fixed interest rate	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities</b>						
Loans and borrowings	3,982,990,728	-	3,982,990,728	3,236,325,085	-	3,236,325,085
Bank Overdraft	202,924,004	-	202,924,004	141,835,909	-	141,835,909
<b>Maximum exposure</b>	4,185,914,732	-	4,185,914,732	3,378,160,994	-	3,378,160,994

### (b) Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Company to cash flow fluctuations.

	As at 31st December 2023			As at 31st December 2022		
	Variable-rate			Variable-rate		
	Impact on PBT	Impact on equity		Impact on PBT	Impact on equity	
	Rs.	Rs.		Rs.	Rs.	
<b>Increase in 100 basis points Financial liabilities</b>						
Loans and borrowings	(39,829,907)	(27,880,935)		(32,363,251)	(22,654,276)	
Bank Overdraft	(2,029,240)	(1,420,468)		(1,418,359)	(992,851)	
	(41,859,147)	(29,301,403)		(33,781,610)	(23,647,127)	
<b>Decrease in 100 basis points Financial liabilities</b>						
Loans and borrowings	39,829,907	27,880,935		32,363,251	22,654,276	
Bank Overdraft	2,029,240	1,420,468		1,418,359	992,851	
	41,859,147	29,301,403		33,781,610	23,647,127	

## NOTES TO THE FINANCIAL STATEMENTS

### 39.4.3 Capital Management

The Company'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 retain earning . The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	2023 Rs.	2022 Rs.
<b>Interest bearing borrowing</b>		
Total Liabilities	8,924,046,498	7,112,401,075
Less: Cash and cash equivalents	(10,821,922)	(10,231,874)
<b>Net Debt</b>	8,913,224,576	7,102,169,201
<b>Equity</b>	(387,220,063)	610,948,391
Gearing ratio	(23.02)	11.62

### 40. GOING CONCERN

The Company has incurred a net loss of LKR 1,038,259,633/- during the year ended 31st December 2023 (2022 - Net Loss of LKR 203,485,370/-) and Company has accumulated losses of LKR 7,762,789,204/- (2022- LKR 6,144,937,133/-). As at 31st December 2023, net current liability is of LKR 677,630,634/- (2022: LKR 723,282,540/-). The Company has loans and borrowings and overdraft balance of LKR 802,924,004 (2022-LKR 741,835,909) due within 12 months from 31st December 2023.

Further as at 31st December 2023 the Company's net assets are less than half of the stated capital and therefore faces a serious loss of capital situation

Notwithstanding this, the financial statements have been prepared on a going concern basis due to reliance on a letter of support, dated (date of letter of support), provided by Melstacorp PLC.

Through this letter, Melstacorp PLC acknowledges that:

"-there are no current plans for the payables to be called for a minimum period of 12 months from the date of signing the Company's 31st December 2023 financial statements, however, should they be called within the 12 months period referred to above, payments will only be required to the extent that they do not impact the entity's ability to meet its financial obligations as and when they fall due and payable. "

"-the ultimate parent entity also undertakes to provide financial assistance to the Company to ensure that it can pay its debts as and when they fall due and payable for a period of at least 12 months from the date of the signing these financial statements. "

This undertaking is provided for a minimum of 12 months from the date of signing the financial statements for the year ended 31st December 2023.

## NOTES TO THE FINANCIAL STATEMENTS

In addition, through the financial support letter, the board of directors of Melstacorp PLC also confirm that they do not have any intention to liquidate the Company or cease the operations for at least 12 months from the date of signing these financial statements.

“Further the management plans to implement the following measures, which notably include,

- Expediting the process harvesting biological assets, with efforts being made to obtain the approval for a five-years.
- Improving quality and profit in tea agriculture with the lifting of restrictions on glyphosate usage which will enhance the productivity and quality of the crop.
- Initiation of a financial restructuring of Company's balance sheet to optimize the capital structure, potentially refinancing debt, renegotiating terms with loan providers.”

Based on the strategies explained above, the forecasted profit and the letter of support from the Parent Company, the management of the Company is confident that the Company would remain operational and generate profits in the future.

Based on the above, the management is of the view that there is no significant doubt about the ability of the Company to continue as a going concern, and accordingly, the Financial Statements have also been prepared going concern basis of accounting.

### 41. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no other events or conditions after the reporting date, that require adjustments or disclosures in the financial statements other than disclosed below.

#### 41.1 Revision to the Daily Wage Rate

The Wages Board through its Extraordinary Gazette No 2385/14 dated 21st May 2024 revised the minimum daily wage to Rs. 1,700/- comprising of a minimum daily wage of Rs. 1,350/- and a daily special allowance of Rs. 350/- for workers in tea and rubber growing and manufacturing trade. Since the Gazette was issued subsequent to the financial reporting period, the Company did not consider the increased wage rate in determining the retirement benefit obligation as at 31 December 2023.



## SHAREHOLDER AND INVESTOR INFORMATION

### Stock Exchange Listing

The issued Ordinary shares of Madulsima Plantations PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31st December 2023 have been submitted to the Colombo Stock Exchange.

Distribution of Shareholdings as at 31 December 2023				
No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
01.1-1,000	18,530	97.20	2,791,816	1.65
02.1,001-10,000	425	2.23	1,418,113	0.84
03.10,001-100,000	95	0.50	2,569,131	1.52
04. 100,001-1,000,000	10	0.05	1,806,373	1.07
05. Over 1,000,000 shares	3	0.02	160,915,664	94.93
<b>Grand Total</b>	<b>19,063</b>	<b>100.00</b>	<b>169,501,097</b>	<b>100.00</b>

Categories of Shareholders				
No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
Individuals	18,965	99.49	6,886,268	4.07
Institutions	98	0.51	162,614,829	95.93
<b>Grand Total</b>	<b>19,063</b>	<b>100.00</b>	<b>169,501,097</b>	<b>100.00</b>
Residents	19,052	99.94	169,247,155	99.85
Non-Residents	11	0.06	253,942	0.15
<b>Grand Total</b>	<b>19,063</b>	<b>100.00</b>	<b>169,501,097</b>	<b>100.00</b>

Market Statistics as at 31st December 2023		
	2023	2022
Number of shares	169,501,097	169,501,097
Earning/(Loss) per Share Rs	(6.13)	(1.20)
Net Asset per Share Rs	(2.28)	3.60
Dividend per Share Rs	-	-
Highest Share Price Rs	12.60	19.90
Lowest Share Price Rs	9.70	6.50
Last traded Price Rs	11.00	11.30

## SHAREHOLDER AND INVESTOR INFORMATION

### Twenty Major Shareholders as at 31st December 2023

No	Name of the Shareholder	No. of Shares	%
1	MELSTACORP PLC	94,429,833	55.71
2	STASSEN EXPORTS (PVT) LIMITED	62,685,831	36.98
3	SECRETARY TO THE TREASURY	3,800,000	2.24
4	PEOPLE'S LEASING & FINANCE PLC /MRS. C.M. DISSANAYAKE	428,364	0.25
5	ALLIED SECURITY SERVICES (PVT) LTD	212,299	0.13
6	DR. A.A.M. DHARMADASA	201,903	0.12
7	MR. T.D.P. MADURANGA	187,732	0.11
8	MR. M.H. NASSIM HUSSAIN	157,262	0.09
9	DEUTSCHE BANK AG SINGAPORE A/C 2 (DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE- PWM WM CLIENT)	149,090	0.09
10	PEOPLE'S LEASING & FINANCE PLC/MR.W.M.D.I.P. ABEYRATHNE	138,950	0.08
11	SEYLAN BANK PLC/SENTHILVERL HOLDINGS (PVT) LTD	117,772	0.07
12	MR. L.C. PIETERSZ	113,000	0.07
13	MR. V. JAYAPRAGASAM	100,001	0.06
14	MR. A.V.R. DE SILVA JAYATILLEKE	100,000	0.06
15	PMF FINANCE PLC/ H.A.U. CHAMINDA	94,000	0.06
16	CEYLON CAPITAL MARKET ADVISORS LIMITED	87,682	0.05
17	SAMPATH BANK PLC/HI-LINE TRADING (PRIVATE) LIMITED	85,000	0.05
18	MR. T. LOGANATHAN	81,090	0.05
19	MR. M.R. LAFFIR	73,289	0.04
20	DR. G.S. PERERA	70,743	0.04
		<b>163,313,841</b>	<b>96.35</b>
	<b>Others</b>	<b>6,187,256</b>	<b>3.65</b>
	<b>Total</b>	<b>169,501,097</b>	<b>100.00</b>

- 1) The Percentage of ordinary shares held by the public was 7.31% (2022- 7.25%) of the issued share capital as at 31st December 2023.
- 2) Total number of shareholders representing the public holds are 19,060.
- 3) The float adjusted market capitalization as at 31st December 2022 is Rs. 137,462,522
- 4) The float adjusted Market Capitalization of the company falls under Option 05 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the company has not complied with the minimum public holdings requirement applicable under the said option.

## PERFORMANCE OF ESTATES 2023 AND 2022

Estate	Elevation	Year	Tea Extent Hectares	Total Crop kg	Yield kg/ha	COP Rs/kg	NSA Rs/kg
Battawatte	Uva High	2023	186	384,216	950	965	952
		2022	184	421,199	935	991	1081
Cocogalla	Uva High	2023	128	114,194	880	1092	982
		2022	126	116,348	813	917	988
El Teb	Uva Medium	2023	298	415,283	898	1053	958
		2022	298	475,830	977	972	1054
Galloola	Uva High	2023	121	100,152	824	964	979
		2022	121	90,707	744	723	1023
Mahadowa	Uva High	2023	444	387,208	855	921	927
		2022	444	360,918	738	950	929
Roeberry	Uva Medium	2023	415	390,676	805	919	869
		2022	415	471,053	879	884	962
Uvakellie	Uva High	2023	164	167,480	1015	827	986
		2022	163	148,574	898	790	1066
Verellapatna	Uva High	2023	218	377,497	1449	779	966
		2022	217	409,760	1535	718	1007
Kew	Western High	2023	304	304,257	915	1179	1022
		2022	304	278,211	915	1047	1068
Kirkoswald	Western High	2023	458	574,137	1090	1111	1088
		2022	458	406,678	865	1208	1092
Theresia	Western High	2023	295	436,175	1135	1011	1012
		2022	297	287,649	949	1033	1049
Venture	Western High	2023	230	324,188	1090	1003	978
		2022	231	266,733	1079	926	1084
Company		2023	3262	3,975,465	986	991	980
		2022	3257	3,733,660	931	951	1032

## STATMENT OF VALUE ADDITION

	Year ended 31.12.2023		Year ended 31.12.2022	
	%	Rs.'000	%	Rs.'000
<b>REVANUE</b>		4,038,643		4,172,568
Other Income		49,020		47,462
Total Revenue		4,087,663		4,220,029
Cost of Materials and Services Bought		1,963,601		1,543,345
<b>Value Addition</b>	<b>100</b>	<b>2,124,062</b>	<b>100</b>	<b>2,676,684</b>
<b>DISTRIBUTION OF VALUE ADDITION</b>				
A to Employee as remuneration	98	2,091,235	69	1,847,287
B to Government at Taxes	-	-	-	-
C to Lenders of Capital as interest	49	892,499	33	872,605
D to Shareholders as Dividends				
E Retained in Business				
E1 Provision for Depreciation	10	178,588	6	160,277
E2 Profit/(Loss) Retained	(57)	(1,038,260)	(8)	(203,485)
		<b>2,124,062</b>		<b>2,676,684</b>



## FINANCIAL INFORMATION

	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2,020 Rs. '000	2019 Rs. '000
Revenue	4,038,643	4,172,568	3,099,649	2,832,067	2,006,977
Profit before Income Tax Expenses	(241,805)	88,548	(321,946)	(132,077)	(781,066)
Income Tax Expenses	(796,455)	(292,033)	83,758	(68,818)	17,358
Profit after Income Tax expenses	(1,038,260)	(203,485)	(238,188)	(200,895)	(763,709)
Profit/(Loss) brought forward	(6,144,937)	(5,690,592)	(5,077,361)	(4,693,769)	(3,740,607)
Retained Earnings/(Loss)	(7,762,789)	(6,144,937)	(5,690,592)	(5,077,361)	(4,693,769)
Non Current Assets	7,829,517	7,171,186	6,822,496	6,571,936	5,596,438
Current Assets	707,319	547,830	429,903	551,372	450,870
Current Liabilities	1,384,939	1,271,112	1,219,677	1,106,688	695,024
Deferred Income	117,998	123,358	128,624	132,710	138,073
Non current Liabilities	7,539,107	5,836,955	4,966,281	4,575,340	4,404,374
Net Assets	(387,220)	610,948	1,066,442	1,441,280	947,909
Share Capital	1,624,760	1,624,760	1,624,760	1,624,760	1,624,760
Timber Reserve	4,691,956	4,072,530	3,779,541	3,594,121	3,376,701
Revaluation Reserve	1,055,815	1,055,815	1,349,934	1,297,144	637,258
Retained Profit/(Loss)	(7,762,789)	(6,144,937)	(5,690,592)	(5,077,361)	(4,693,769)
Fair Value through OCI Reserve	3,036	2,780	2,798	2,616	2,959
Share Holder's Funds	(387,220)	610,948	1,066,442	1,441,280	947,909
Number of Shares (000)	169,501	169,501	169,501	169,501	169,501
Earning /(Loss) per share (Rs)	(6.13)	(1.20)	(1.41)	(1.19)	(4.51)
Net Assets per shares (Rs)	(2.28)	3.60	6.29	8.50	5.59

District Wise Performance	2023	2022	2021	2,020	2019
Total Production Kgs.					
Madulsima	2,336,706	2,494,389	3,481,175	3,663,016	2,668,868
Bogo	1,638,757	1,239,271	1,170,960	1,421,195	1,450,490
Total	3,975,465	3,733,660	5,252,135	5,084,211	4,119,358
Estate Crop Kgs.					
Madulsima	1,853,880	1,827,640	2,373,620	2,285,484	1,718,233
Bogo	1,362,385	1,204,911	1,547,992	1,386,475	1,435,694
Total	3,216,265	3,032,551	3,921,612	3,671,959	3,154,197
Yield (kg/ha)					
Madulsima	939	929	1,199	1,110	810
Bogo	1,059	934	1,178	1,027	1,037
Total	986	931	1,191	1,077	900
COP, without finance costs ( Rs/Kg)					
Madulsima	932	891	556	509	648
Bogo	1,076	1,071	706	672	764
Total	991	951	607	555	689
NSA (Rs./Kg)					
Madulsima	942	1,011	527	529	461
Bogo	1,034	1,075	569	565	476
Total	980	1,032	541	539	468
Profit/(Loss) Rs/Kg					
Madulsima	10	120	(29)	20	(187)
Bogo	(42)	4	(137)	(107)	(288)
Total	(11)	81	(66)	(16)	(221)

## FORM OF PROXY

I/We.....of.....  
 .....being a member /members of Madulsima Plantations PLC  
 hereby appoint .....of.....whom failing.

Don Harold Stassen Jayawardena	or failing him
Cedric Royle Jansz	or failing him
Don Hasitha Stassen Jayawardena	or failing him
Mellawatantrige Anton Niroshan Sampath Perera	or failing him
Kumarasamy Dayaparan	or failing him
Arinesarajah Shakthevale	or failing him
Don Soshan Kamantha Amarasekera	or failing him

As my/our proxy to represent me/us and\*..... to vote on my/our behalf at the Thirty-first (31st ) Annual General Meeting of the Company will be held as a "Virtual Meeting" via an online meeting platform conducted from the "Mini Auditorium" Melstacorp PLC, No.110, Norris Canal Road, Coldmbo 10, on Tuesday, 25th June 2024 at 01.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf following the preference indicated below:

- Please delete the inappropriate words

	For	Against
1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2023 together with the Auditors' Report thereon	<input type="checkbox"/>	<input type="checkbox"/>
2) To appoint Mr D H S Jayawardena who is above the age of 70 years as a Director by passing the following resolution.	<input type="checkbox"/>	<input type="checkbox"/>
"That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr D H S Jayawardena who has reached the age of 81 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".	<input type="checkbox"/>	<input type="checkbox"/>
3) To appoint Mr C R Jansz who is above the age of 70 years as a Director by passing the following resolution.	<input type="checkbox"/>	<input type="checkbox"/>
"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr C R Jansz who has reached the age of 71 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".	<input type="checkbox"/>	<input type="checkbox"/>
4) To appoint Dr A Shakthevale who is above the age of 70 years as a Director by passing the following resolution.	<input type="checkbox"/>	<input type="checkbox"/>
"That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Dr A Shakthevale who has reached the age of 81 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr D Hasitha S Jayawardena who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine the remuneration of the Auditors, Messrs. KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Company Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this .....day of .....Two Thousand and Twenty Four.

.....  
 Signature/s

### Instructions for Completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided, and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
5. Duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to [bplmplcompanysecretary@gmail.com](mailto:bplmplcompanysecretary@gmail.com), or facsimile on +94 11 2540333 or by post to the registered address of the Company, Madulsima Plantations PLC. # 833, Sirimavo Bandaranayake Mawatha, Colombo 14, Sri Lanka not less than Two (02) working days before the date of the meeting.

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s : .....

Folio No : .....

Email address of the Shareholder/(s) or proxy holder  
(other than a Director appointed as proxy) : .....

Mobile No : .....

Fixed Line : .....



