Madulsima
PLANTATIONS PLC
A MEMBER OF MELSTACORP

07th June 2023

Ms Nilupa Perera
Senior Vice President – Trading Operations &^ Market Surveillance
Colombo Stock Exchange
Colombo 01.

Dear Madam,

ERRATA NOTICE – MADULIMA PLANTATIONS PLC – ANNUAL REPORT 2022

We write to bring to your attention following printing errors in the Annual Report of Madulsima Plantations PLC 2022 uploaded on the CSE website on the 5th June 2023. These errors require immediate correction, and we apologize for any inconvenience caused. Please find below the necessary amendments:

1) Page 45: **Correction** under the heading "Report on Other Legal and Regulatory Requirements" the following 2nd paragraph to be added "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."

2) Page 46: Financial Statement – Profit & Loss
Error "Income Tax charge/reversal)"
Correction – "(charge)"

3) Page 102: Note 35.1:
Error - "Melsta Logistics (Pvt) Ltd"
Correction – remove "Melsta Logistics (Pvt) Ltd" (due to no transactions during the year 2022)

4) Page 103: Note 35.4:
Error - "Amount (credited /debited 20212)"
Correction - "Amount 2022"

5) Page 42 -1st paragraph of Audit report
Error - "Significant accounting policies & other explanatory information set out on "Pages 45-110"
Correction- "Significant accounting policies & other explanatory information set out on "Pages 46-111"

Registered Office
Madulsima Plantations PLC
No. 833, Sirimavo Bandaranaike Mawatha, Colombo 14, Sri Lanka.
T: +94 11 252 2871 +94 11 252 2872

We kindly request your assistance in implementing the above corrections to ensure the accuracy of the Annual Report and we will be uploading the corrected version of the Annual Report 2022. If necessary Mr Mohan Fernando, CEO, (0777724342) and Mr Nadeesha Jayasinghe, Manager Finance (0764069018) of Madulsima Plantations PLC are available to provide any further clarification or information regarding these amendments.

Once again, we apologize for any inconvenience caused to you in this regard and thank you in advance for your understanding and valued cooperation.

Yours faithfully,
MADULSIMA PLANTATIONS PLC

P A Jayatunga
Company Secretary

Madulsima PLANTATIONS PLC

A MEMBER OF MELSTACORP

ANNUAL REPORT

2022

Kirkoswald Estate - Bogawantalawa
Established in 1872

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Our Vision

To be a trend setter to 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 agro economically value.

To improve the Socio Economic Conditions of the Workers.

To enhance returns to the Shareholders.

To become the 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 fresh Certificate of Incorporation 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 Limited in February 1996.

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

As per decision of the Government 10% (2 Mn. 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 Mn. 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) Ltd were purchased by related party Melstacorp PLC on 22nd September 2017.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of **MADULSIMA PLANTATIONS PLC** will be held as a virtual meeting at the Auditorium, Melstacorp PLC, # 110, Norris Canal Road, Colombo 10 on Thursday 29th June 2023 at 11.00 a.m. for the following purposes:

1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2022 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 80 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 70 years at 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 80 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".

5) To re-elect Mr M A N Sampath Perera at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.

6) To re-elect Mr K Dayaparan at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.

7) To re-elect Mr D S K Amarasekera 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.

8) 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
31st May 2023
Colombo

NOTES

1) In the interest of protecting public health the Thirtieth (30th) Annual General Meeting of Madulsima Plantations PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:

i) Attendance of the Chairman and the Board of Directors

The Chairman/Managing Director, Board of Directors certain Key Management Personnel, the Company Secretary, and the External Auditors will be available on the Virtual Platform on Thursday,29th June 2023 at 11.00 a.m.

Notice of Meeting

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 person 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 at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxy holder, if any, by perfecting Annexure II to the circular to shareholders and forward same to Company Secretary via **bplmplcompanysecretary@gmail.com** or by facsimile on +94 11 254033, to reach the Secretary **not less than two (02) days before the date of the meeting** so that the meeting login information could be forwarded to the e.mail address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

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 reach the Company Secretary via email **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 forty - eight (48) hours before the time fixed for 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 reach the Company Secretary, via e.mail to **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) days before the date of the meeting**. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2). The Annual Report of the Company for the year 2022 will be available for perusal of the Company website **http://melsta.com/our-core-sectors/plantations-services** and the Colombo Stock Exchange website on **www.cse.lk**

If you wish to receive a printed copy of the Annual Report for the year ended 2022, please complete and forward us the Form of Request attached hereto ***(Annexure 1)*** by post to the registered address of the Company, Madulsima Plantations PLC, # 833, Sirimavo Bandaranayke Mawatha, Colombo 14, Sri Lanka or e.mail **bplmplcompanysecretary@ gmail.com** or facsimile + 94 11 2540333.

Corporate Information

Company Name	Madulsima Plantations PLC	
Legal Form of the Company	Public Quoted	
Registration No.	P Q 184	
Parent Company	Melstacorp PLC #110, Norris Canal Road, Colombo 10 Sri Lanka.	
Registered Office	833, Sirimavo Bandaranayke Mawatha Colombo 14 Sri Lanka.	
Board of Directors	Mr. D. H. S. Jayawardena Mr. C.R Jansz Mr M.A N.S.Perera Mr D. Hasitha S Jayawardena Mr K.Dayaparan Dr. A. Shakthevale Mr. D. S. K. Amarasekera	- Chairman/MD - Non-Ex-Director (Appointed w.e.f. 01.01.2022) - Executive Director (Appointed w.e.f 02.01.2023) - Non-Ex-Director - Non-Ex-Director (Appointed w.e.f 15.09.2022) - Ind. Director - Ind. Director
Company Secretary	Mr. P. A. Jayatunga	
Auditors	Messrs KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Marker Mawatha, Colombo 03 Sri Lanka.	
Registrars	Corporate Solutions Unit Central Depository Systems Private Ltd. Ground Floor M&M Center 341/5 Kotte Road,Rajagiriya Sri Lanka.	
Bankers	Hatton National Bank PLC #16, City Office Janadhipathi Mawatha Colombo 01 Sri Lanka. Standard Chartered Bank- Fort Branch P O Box 112 Colombo 01 Sri Lanka. Bank of Ceylon Bank Road Badulla Sri Lanka. Commercial Bank of Ceylon PLC- Foreign Branch # 21, Sir Razik Fareed Mawatha P O Box 856 Colombo 01 Sri Lanka.	

Management Team

HEAD OFFICE - BADULLA

Chief Executive Officer	Mr. M. A. Fernando
Financial Controller	Mr. D. M. Samantha K. Dissanayake
Senior Executive- IT	Mr. T. T. P. T. Gayan Fernando

HEAD OFFICE - COLOMBO

Director Operations	Maj. Gen. (Retd). Dampath Fernando

COMPANY SECRETARIAL & LEGAL DIVISION

Company Secretary/Legal Officer	Mr. Pradeep Jayatunga

ESTATE MANAGERS

MADULSIMA REGION

Name of Estate	Name of Superintendent
Battawatte Estate	Mr. W.M.H.E Wijerathne
Cocogalla Estate	Mr. K.K Weerasinghe (Acting Superintendent)
El-Teb Estate	Mr. A.S.A Madena
Galloola Estate	Mr. A . Pathmanadan (Senior Assistant Superintendent in charge)
Mahadowa Estate	Mr. M.A Rathnadason
Roeberry Estate	Mr. W. M. T. C. Wedisinghe
Uvakellie Estate	Mr. S. Wikramage (Acting Superintendent)
Verellapatna Estate	Mr. D.T Gunerathne

BOGAWANTALAWA REGION

Deputy General Manager	Mr. L.G.S Wijerathne (w.e.f. 11th January 2023)

BOGAWANTALAWA REGION

Name of Estate	Name of Superintendent
Kew Estate	Mr. D.M.T Madhushan
Kirkoswald Estate	Mr. L.G.S Wijerathne
Theresia Estate	Mr. I.A Bogahawaththe
Venture Estate	Mr. C.M Senevirathne

Chairman's Review

I am pleased to present the Annual Report and Audited Financial Statements of Madulsima Plantations PLC for the financial year ended December 31, 2022, on behalf of the Board of Directors.

Company Performance

In 2022, the Company's total revenue increased to Rs. 4.17 billion from Rs. 3.10 billion in 2021. The Company also achieved an operating profit before finance cost and taxation of Rs. 961 Mn., and an after-tax loss of Rs. (203) Mn. This is a significant improvement from the previous year's operational Profit before finance cost and taxation of Rs. 39 Mn. and after-tax loss of Rs. (238) Mn.

Profit/(Loss) Rs. (Mn.)		
	2022	**2021**
Profit/(Loss) from Operations	961	(39)
Net Finance Cost	(873)	(283)
Profit/(Loss) before Taxation	89	(322)
Income Tax Benefit/(Expense)	(292)	84
Profit/(Loss) after Taxation	(203)	(238)

Despite the macro-economic stress, the Company has achieved tremendous growth and delivered an exceptional performance during the year, with a 36% increase in revenue compared to the previous year. The remarkable achievement of outperforming last year's financial results can be primarily attributed to improved tea prices, lower cost of production per kilogram, and reduced finance costs.

Details	2022	2021	2020	2019	2018
Production ('000kg)	3,734	5,252	5,084	4,119	4,144
Yield (kg/ha)	931	1,191	1,077	900	847
Revenue (Rs. Mn)	4,173	3,100	2,832	2,007	2,144
NSA (Rs.)	1,032	541	539	481	531
COP (Rs.)	1,140	660	649	722	685
Loss (Rs/kg)	(108)	(119)	(110)	(241)	(155)

The ban on the use of Glyphosate (weedicide) and fertilizer has had a negative impact on the Company's production. As a result, we have been unable to carry out the necessary agricultural practices to fully realize the potential of our Plantations.

Despite these challenges, the management team implemented a targeted strategy to enable the Company to produce high-quality tea consistently while maintaining a competitive cost structure and preserving the unit margin of the product.

Sri Lanka Tea Production					
	2022	2021	2020	2019	2018
Production Kg. (Mn.)	**252**	**299**	**279**	**300**	**304**
Annual Increase/Decrease Kg (Mn.)	(48)	20	(21)	(4)	(4)
Annual Increase/Decrease Mn Kg %	(16%)	7%	(7%)	(1%)	(1%)

Chairman's Review

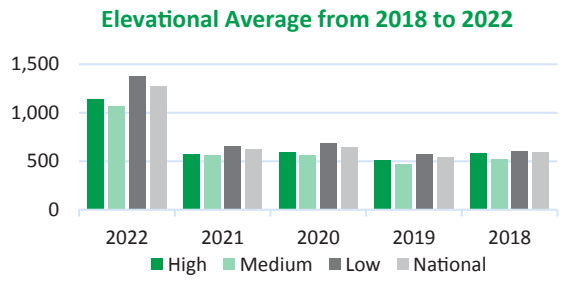
Plantations industry

Source: Sri Lanka Tea Board

In 2022, Sri Lanka's tea production was the lowest since 1996, with a total of 252 million kg produced. All elevations have shown a negative growth.

Elevation Average (Rs.Per Kg)					
	2022	2021	2020	2019	2018
High	**1.144**	**570**	**594**	**513**	**578**
Medium	1,069	560	562	469	521
Low	1,380	655	683	577	602
National	1,279	629	645	546	594

Source: Sri Lanka Tea Board



The national average price of tea rose by Rs. 650 per kg in 2022, representing a positive variance of 103% compared to the previous year's average of Rs. 629. This year's sale average is the highest ever in the Sri Lanka Tea Market, mainly due to the devaluation of the Sri Lankan rupee and lower tea production worldwide.

Despite the challenges facing the country, such as foreign exchange shortages, high inflation rates, and high bank interest rates, the Company is fully focused on achieving its goals and enhancing sustainable shareholder value.

The Board of Directors has implemented several reforms and made significant changes at the grass-roots level to mitigate losses and prevent tea leakage, resulting in the highest revenue in the Company's history and the re-payment of Rs. 850 mn. in borrowings during the year. With the cooperation of all staff, the Management hopes to achieve even better results next year through increased productivity, agricultural corrections, and sustained high prices, allowing for dividend payments to shareholders.

Additionally, the Management has taken steps to diversify crop production with more cinnamon, cardamom, and valuable timber varieties, rehabilitating previously abandoned areas and bringing them back into production.

Dividends

Unfortunately, I must inform you that the Directors are not recommending a dividend for the year ended 31st December 2022.

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/ Managing Director
Madulsima Plantations PLC.
31st May 2023

Board of Directors

MR D H S JAYAWARDENA

CHAIRMAN/MANAGING DIRECTOR

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 (Pvt) 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, Bogo Power (Pvt) Ltd., Bellactive (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) 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

Others

Mr. Jayawardena is the Honorary Consul for Denmark and was honored 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 (Appointed w.e.f. 01st January 2022)

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

Mr. Jansz holds a Diploma in Banking and Finance from London Metropolitan University, UK. He is a Chevening Scholar and a 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 (Pvt) 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.

MR M A N SAMPATH PERERA (Appointed w.e.f. 02nd January 2023)

EXECUTIVE DIRECTOR

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. Mr Perera holds an MBA from the 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 is the Group Managing Director of Melstacorp PLC and a director of Distilleries Company of Sri Lanka PLC, Aitken Spence PLC and Aitken Spence Hotel Holdings PLC.

MR K DAYAPARAN (Appointed w.e.f 15th September 2022)

NON INDEPENDENT - 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

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

Board of Directors

DR A SHAKTHEVALE

NON 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, 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 FAQ, as the National Consultant – Veterinary Production Specialist, UNDP, GTZ UNHABITAT, Land O'Lake Oxfom 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

NON 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 Tyres 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.

Dr N.M.A Gaffar

Dr N M A Gaffar who was a Non-Executive Director resigned w.e.f. 01st October 2022.

Sustainability Report

Sustainability

Madulsima we are committed to producing high yielding, quality products while ensuring they are conducting our business in an environmentally responsible and sustainable manner. We are conscious of the impact of our industry on the environment and seek to address environmental issues whilst balancing the concerns of our stakeholders/Our buyers who rely on Madulsima for creating value.

Consequently, we place significant emphasis on reducing our environmental impact and continually improving our environmental performance and to this end constantly explore the use of more efficient technologies and processes. Rigorous processes are in place for monitoring, reporting and reviewing our performance facilitating compliance with regulatory, certification and customer requirements. Our environment management policy is graphically depicted below together with the relevant Sustainable Development Goals.

Economic Environment

Learning sustainable growing practices is a key aspect in being adoptive and in being resilient to climate change. Educating our senior managers to share knowledge, raise awareness and support the implementation of sustainable agriculture principles and practices is an important aspect of our corporate sustainability strategy. Regular discussions and workshops have been undertaken in this regard to spread the message among our workforce with a view to improve their productivity. The training programs focus on topics such as practices for improved harvesting and thereby yields, crop diversification and achieving community support for adaptation of other crop varieties which traditionally they have been resisting.

The production process of tea is such that the industry's maximum power need coincides with the power system peak demand, thus consuming expensive energy. This industry is largely located in the Central and Uva provinces, where the topography coupled with heavy persistent rainfall offers a good opportunity to harness hydro-power, the most widely used power source in the plantation sector, to meet the entire power requirement of the industry. This potential remains largely underutilized, as grid electricity supply is at present available in almost all tea estates, particularly at the factories where tea is processed. These plantations also practice cultivation and harvesting of fast-growing tree species in abandoned tea-growing land to meet the industry's thermal energy requirements. This biomass usage could also be extended to electricity generation, though realizing the scope for this application in the Sri Lankan context is in an experimental stage.

growing land to meet the industry's thermal energy requirements. This biomass usage could also be extended to electricity generation, though realizing the scope for this application in the Sri Lankan context is in an experimental stage.

Sustainability Report

FORESTRY MANAGEMENT & SUSTAINABILITY

Overview: "Our Sustainable Environmental Management Strategies Follows an Integrated Levels Approach Models" Being an ownership/custodian of 7369 hectares of nation's economically high value and environmentally sensitive land resource, we are deeply committed towards protecting the environment in which we operate for the benefit of the present and future generations.

Our approach to environment management is well in line with the national policies and legislative requirements relating to the environment and biodiversity. We have obtained certification from the globally acknowledged Rainforest Alliance (RA), Sustainable Agriculture Network (SAN) and ISO 22000, whilst being a member of the Biodiversity Sri Lanka- the only national initiative in which the corporate sector works together with conservation agencies on environmental and biodiversity related issues.

Our well - integrated environmental strategy is formulated based on the comprehensive risk assessment set out below, covering all environmental aspects.

Environmental Risk Assessment **Risks Interconnected with Natural, Operational and Human Activities**	
Climate Change • Extreme Weather Conditions • Change in rainfall pattern and ambient temperature	**HIGH**
Risk Assessment • Land Degradation • Adverse impact on yields and quality of Tea. • Difficulty in forecasting crop and quality of tea. • Drop in crop intakes and profitability. • Forest Fires • Reduce employment opportunities. • Adverse impact on Biodiversity.	**Risk Management Strategies** • Planting tea, green manure/shade, native, cash crops and fruit plant species to increase tree canopy cover and carbon sequestrations. • Implementing sustainable agriculture practices. • Planting drought resistant cultivars. • Rainwater harvesting in ponds to sustain the ground water table, improve microclimate conditions and regulate ambient temperatures. • Partner of establishment of Peak Ridge Forest Corridor to conserve the mountainous Leopards in Bogawanthalawa region.
Water • Water scarcity due to climate change and high consumption by the expanding estate community.	**MODERATE**
Soil Fertility • Depletion of soil organic matter and nutrients.	**MODERATE**

Sustainability Report

Environmental Risk Assessment Risks Interconnected with Natural, Operational and Human Activities	
Risk Assessment • Extreme rainy weather may cause loss of top soil, soil fertility and soil nutrient. • Steep terrain in the tea fields may accelerate the soil erosion intensity. • 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 change the micro climatic conditions of the area.	**Risk Management Strategies** • Planting green manure and shade trees under five-year shade management plan of MPL. • Comprehensive forestry planting programs parallel to the five-year forestry management plan of MPL. • Inter planting Coffee as a shade tree and soil improvement technique. • Composting of weeds. • Establishing stone and live terraces. • Maintaining the standard mana grass density of tea new clearings. • Soil testing and rational application of dolomite and chemical fertilizer.
Green House Gas (GHG) Emissions • Green House Gas emissions from agricultural operational activities and domestic consumption.	**MODERATE**
Risk Assessment • Green House Gas emissions fuel used in transport and supervisory vehicles. • Green House Gas emissions from electricity usage in factories, staff quarters, officers and other buildings.	**Risk Management Strategies** • Measuring and monitoring GHG emissions at each operational site. • Measuring and monitoring electricity and fuel consumption at each operational site. • Planting trees and increasing tree canopy cover for increase carbon sequestration.

Forestry Plantations Management of MPL

Forest plantation Establishment and management are another key activities of our sustainability green venture.We are conducting our forestry replanting projects and management practices in two main objectives known as production and protection.

Production Forests

Currently company maintaining and 1470 Ha of Production Forest areas (Timber + Fuel wood) on a sustainable basis.Timber planting in the low yielding tea lands, duly timber harvested blocks and other vacant areas plant with high quality Eucalyptus species under company forestry replanting program which is parallel to the Five-year Forestry Master Plan under guidens of Forest Department.

Sustainability Report

Protection forests

Currently company maintaining 376 Ha of Protected plantations in 12 estates within the company, in both western high and Uva medium regions are therefore rich in biodiversity. The estates are endowed with diverse ecosystems and habitats consisting of lakes, streams, swamps & marshes,waterfalls, Natural forest Steep slopes etc. Planting program in protection forest blocks conducting to upgrade the Bio diversity and conserve the water catchment areas and wild life habitat.

Nursery Management- Uvakellie Timber- Nursery

Production Forestry Plantation Block

Other Compliance

Certification

We have obtained certification from the globally acknowledged Rainforest Alliance (RA), Sustainable Agriculture Network (SAN) and ISO 22000, whilst being a member of the Biodiversity Sri Lanka- the only national initiative in which the corporate sector works together with conservation agencies on environmental and biodiversity related issues.

Harvesting of Timber in production forests

All operations including felling, clearing, extraction & transportation of timber is undertaken in compliance with the environmental standards stipulated under the National Environmental Act. Various precautionary measures have been placed to minimize soil erosion and runoff fluctuation of the ground water table. It is mandatory in the Company to replant the harvested extents almost immediately during the succeeding monsoon, in addition to the establishment of conservation forest extents in vulnerable areas. Clear felling of trees in extents exceeding 2 hectares, felling of wind belts or any form of felling of trees in catchment areas or in lands with high gradients is totally avoided.

Sustainability Report

Conservation of Biodiversity

Protecting and preserving the wealth and variety of species, habitats, ecosystems, and genetic diversity on the planet, is important for the sustainability of our planet. As an environmentally and socially responsible company, we are committed to preserve biodiversity by raising community awareness on conservation.Through the RA program we have identified 376 Ha as biodiversity conservation areas and necessary initiatives have been implemented to protect and conserve these blocks to enrich the biodiversity value of our estates. All biodiversity blocks and wildlife habitats are identified of maps and protected with a 5 meter chemical free buffer zone and clear warning and sign boards in three languages familiar to the community.

Water Resources Management

Water conservation is one of the ways we nurture natural resources for future generations. The Company has undertaken various initiatives to preserve water and develop water resources via improved water retention techniques and harvesting of rainwater. We are in the process of establishing forest-like ecosystems on marginal land extents and also along the water streams present in the tea estates. Further to that we have started the construction of micro scale cascading reservoir systems etc, in order to improve the retention of the water we harvest. Thereby, in addition to improving the water availability for the estate matters and for the plantation community, above water harvesting initiatives would secure the water supply for the people living down the streams beyond our territory as well. Accordingly, we would be able to halt the decline in our water resources and prevent a major crisis in years to come, to secure and improve the performance of our cultivation. Some initiatives are

- Improve its stand of both high and low shade that not only serves to reduce ground temperatures but provides valuable raw material for mulching and reduce the velocity of heavy rainfall at the point of impact.
- Contour draining – a process that enables to maximize the harvesting of rain water among other agronomic benefits.
- Forking and burying of pruning material to improve soil permeability

Sustainable Soil Development

The company invest more than 5 Mn. per annul for sustainable soil development practices in our tea new clearings and other crops planting areas. Since the soil development has been declared under the MPL agricultural policy and organized as a thumb rule of productivity improvement in tea plantations

Reducing fossil fuel consumption

Maximum energy requirement of the factories in the tea production process is achieved by burning fossil fuels, which is an expensive source of energy. All of our factories are located in Central and Uva Provinces, where the topography with high rainfall and hydro power, the most widely used energy source in the plantations, offers a good opportunity to meet the entire electricity requirement. As grid electricity is currently available in all tea estates, especially tea processing factories, this potential remains largely untapped. In the next few years, plans are being made to reduce the use of fossil fuels by exploiting this potential.

Sustainability Report

In order to meet the thermal energy requirements of the industry, plantation of fast growing tree species and Bamboo are being planting on the abandoned tea lands and ravines and water catchment areas.

Carbon Foot Print

Madulsima Plantations PLC is the first tea growing, manufacturing and selling under the Uva tea growing region category, offering uncompensated carbon certified teas from its state of art facilities. The company is being placing great emphasis on the environmental aspect considering the effects of global warming. Our protocol of Green House Gas (GHG) Inventorying is IPPC 2018, Volume 7 and ISO 14064-1. scope was the cradle of plantation to warehouse gate. All emission sources were considered to cover scope 1,2 and 3 emission categories. ² Scope 1 (direct emissions)- Fossil fuel consumption in building and vehicles, agriculture land management activities ² Scope 2- Electricity and heat consumption in buildings ² Scope 3- Other indirect emissions (third party transport) Result of this exercise indicate total emission for fiscal year 2020 is 2015 tCO2e (metric tons of CO2 equivalent) taking all sources and sinks in to consideration. Total classic emission for the complete process is 0.014 tCO2e/Kg of Black Tea. Our next milestone to sink 100 g of CO2 equivalent, per production of 1 kg of made tea by 2025.

Water Footprint

Water Footprint of MPL tea estates is an indicator of both direct and indirect water use of the producer. Calculation process of water footprint of MPL estates done in to three main categories as per the CROPWAT 8.0 model developed by the Food and Agriculture Organization of the United Nation (FAO, 2003) and Water Foot Print Assessment manual 2011. Value of the water foot print of MPL estates around 1050.56 m3/ton/yr as per the assessment. Water audits, awareness programmers and water conservation practices are being implemented to manage the water resources available in MPL tea estates.

Crop Diversification and Sustainable Land Utilization

Madulsima Plantations PLC already completed an assessment of identification of existing low-yielding tea areas for diversification purposes. The company already planted Cinnamon, Pepper, Coffee, Cardamom and Mandarin as cash crops to improve land productivity through diversification. In 2021 company diversified and improved the existing low-yielding tea cultivated area of 5 Ha of land extent in to Coffee in Uvakellie and Robery Estates.

Also, land improvement practices for the establishment of cash crops such as pepper 2 Ha of low yielding tea area planted with low shade Glirecedia Plants to undertake pepper planting in the consecutive year. Currently Madulsima Plantations PLC is managing the following cash crops in the given extents.

Diversified Crop	Extent (Ha.)
Coffee (Inter planted with Tea)	20.00
Cinnamon	5.50
Pepper	3.00
Mandarin	0.40
Cardamom	2.00
Total	30.90

Madulsima Plantations PLC has been planted and maintenance initiatives of their crop diversification areas to uplift the land utilization from few years ago and generate additional income to the company cash flow.

Sustainability Report

INFORMATION TECHNOLOGY

In the era of digitization, technology has become an essential tool for coordinating, collecting, organizing, analyzing, and reporting necessary information promptly to organizations. This has significantly improved the planning and decision-making processes, particularly in industries like agriculture, where nature plays a significant role, and some elements are beyond human control.

Thanks to information technology, key variables such as human resources management (HRM), land management, and Data monitoring have become much more manageable than they were in the past. One company that has embraced this trend is Madulsima Plantation PLC (MPL), a renowned plantation company in Sri Lanka. The company has extensively invested in information technology systems to automate its operational and management aspects, allowing it to comply with industry technology trends and obtain strategic benefits through timely access to vital information.

MPL has implemented an industrial-grade, fully-fledged Enterprise Resource Planning (ERP) system with extensive security controls and other features to maintain the integrity and efficiency of the process. This system automates end-to-end operational aspects, and financial and management information systems, providing timely and accurate information to the management for better operational control and improved decision-making.

In addition, MPL has invested in technology security systems, such as CCTV, firewalls, end-point security solutions, and IT policies and procedures, to ensure the integrity and security of its operation and information systems. Field and factory operations are the heart of the industry, and MPL is further investing in digital weighing scales at fields and factories that integrate automatically with the ERP system. This will drastically minimize errors, delays in consolidating estate information, and frauds, and provide accurate information on a real-time basis to the management to assist in accurate and timely management decision-making. Overall, MPL's investment in information technology is a testament to the importance of technology in today's business environment, particularly in the agriculture industry.

Sustainability Report

Human Capital Development

People are most valuable asset. Retaining educated human capital is major challenge to any company. Human capital refers to the Economic value of a worker's experience and skills. It increases the people's level of productivity, innovation, efficiency and ultimately these all affect to economic growth. Though that is not listed on a company balance sheet it is an intangible asset to the company. human capital is like any other form of capital to improve the quality and level of production. This would require an investment in the education, training, and enhanced benefits of an organization's employees.

MPL company policies mainly focus on developing human capital and giving good living conditions to our workforce within the company. So that they won't have to look beyond our organization and they don't feel their efforts are not recognized. through that they are motivated to work and try to improve experience and skills.

We use following strategies to boost our employee's knowledge, skills and experience.

- Create training & development programme.
- Motivating employees through Financial & Non Financial benefits.
- Plan recruitment based on company needs.
- Appraising & review employee performance.
- Recognize employee achievements.
- Job rotation among the employees.

Sustainability Report

Human Capital Development

Evaluation of Superintendent's Performance for the Year 2022

ESTATE	Points & Rank according to the Evaluation of KPI'S		Gap Analysis	
	Points	Rank	Points	%
VERELLAPATNA	270	1		
THERESIA	262	2	8	3%
ROEBERRY	257	3	14	5%
COCOGALLE	241	4	30	11%
BATTAWATTE	239	5	32	12%
VENTURE	238	6	33	12%
GALLOOLA	236	7	34	13%
UVAKELLIE	216	8	55	20%
EL-TEB	209	9	62	23%
KEW	207	10	64	24%
MAHADOWA	206	11	65	24%
KIRKOSWALD	188	12	83	31%

In addition to that MPL Board of directors have taken decision to improve and motivate our employees through financial benefits and as a result of that company population are improving their living conditions on our expectation.

	2022	2021	2020	2019	2018
Salaries and wages Rs. (Mn)	1,643	1,709	1,446	1,291	1,407
Defined contribution plan (EPF & ETF) Rs. (Mn)	166	299	263	221	153
Gratuity payment Rs. (Mn)	124	82	100	126	113
Social welfare building Rs. (Mn)	134	7	7	13	19

When comparing the total outgoings with regard to Social Welfare Interventions and emoluments paid to all categories of workforce MPL, from 2018 to 2022, MPL has incurred, Rs.1,642.63 Mn in 2022, comparing that of Rs. 1,406.72 Mn, in 2018, which is 16.7% increase. This has directly contributed to improving the quality of life of the resident population in our Estates.

Sustainability Report

Social environment

Community affects our agriculture process under different segments of climate. We always attempt to look internally and externally understand our community and give some beneficial thing to back them. MPL company policy is improving living condition of society. We believe that long term value creation is directly linked to the sustainable development of our estates & community, as "passionate growers with sustainability at heart" we have made it the way of life at Madulsima to preserve the environment while combating climate & uplifting the lives of our tea harvesting community.

In our sustainability strategy we mainly focus on extending facilities for community development and establishing a social security system by investing in new housing- upgrading the existing housing and providing new latrines, developing child care and also mobilization of community.

We conducted the following awareness programs and social welfare activities during the year to drive progress on key social issues and raise awareness of them.

Health and Mobilization

1. Parental Committee Meeting
2. Planning on Project Sustainability
3. Steering Committee Meeting
4. Awareness on Non Communicable Diseases

Training Programme for Health & Social Activities

1. Training for Managers
2. Training for Estate Medical Assistants (EMA)
3. Quarterly Review Meeting & Awareness programme on Gender Violence
4. CDO Review and Awareness on Nutritional Improvement for Under 5 Years Children in Plantation Sector

Sustainability Report

Nutrition Programme for Estate Community

1. Nutritious food Awareness for Pregnant & Lactating Mothers
2. Nutrition & Leadership Programme for EMAs & Selected PFWOs
3. Cooking demonstration on Nutritious food awareness

Other Programme

1. Implementing Alcohol and Tobacco reduction Awareness
2. Children's Day celebration
3. Oral Cancer Screening Programme.

Early Childhood Development Project

1.Hardware Activities

1.1. New CDC Opening

1.2. Distribution of Indoor Play Material boxes to New and Renovated CDC

1.3. Issuing of Water Filters to CDCs

2.Software Activities

2.1. Child Assessment Programme

2.2. Parental Awareness Programme

2.3. CDO Diploma Awarding Ceremony

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 their Annual Report together with the Audited Financial Statement of the Company for the year ended 31st December 2022

PRINCIPLE ACTIVITIES

The Company's principal activities, which remained unchanged during the year were: the cultivation, manufacture, and marketing 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 3,293.85 ha under Revenue Tea Extent.

PARENT COMPANY

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

GOING CONCERN

Please refer to policy note 2.5.

REVIEW OF PERFORMANCE

The review of the Company's performance during the year 2022 is given in the Chairman's Review in the page No 8, 9 of the Annual Report.

DEVELOPMENT AND DIVERSIFICATION

Development and Diversification are covered in the page No 7 and 8 in this Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given in the pages 46 to 111 of this Annual Report.

AUDITORS' REPORT

The Auditors' Report on the financial Statements is given in the pages 42 to 45 of this Annual Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given in pages 51 to 73.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

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

DONATIONS

The company did not make any donations during the year.

FINANCIAL RATIOS		
	2022	**2021**
Debt Equity Ratio	11.63	5.8
Interest Cover	(1.10)	0.29
Quick Ratio	0.09	0.09

Report of the Board of Directors on the Affairs of the Company

FINANCIAL RESULTS		
	2022 Rs.'000	**2021** Rs.'000
Revenue	4,172,567	3,099,649
Profit/Loss Before Tax	88,547	(321,946)
Income Tax Benefit/(Expense)	(292,032)	83,758
Profit/Loss After Tax	(203,485)	(238,188)
Retained Loss B.F.	(5,690,592)	(5,077,361)
Timber Reserve	4,072,529	3,779,541
Proposed Dividend	-	-
Retained Loss C.F.	(6,144,937)	(5,690,592)

APPROPRIATION AND DIVIDEND

The directors have not recommended the payment of a dividend for the year ended 31st December 2022.

CAPITAL EXPENDITURE

The company incurred a capital expenditure of Rs. 257 Mn. of which Rs. 178 Mn. has been spent on field development and Rs. 79Mn. was invested on upgrading the factory, machinery, Motor vehicle, and other capital expenditure.

LAND HOLDING & INVESTMENT PROPERTIES

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

Estate	Location	Extent (Ha.)	Total Number of Buildings	Re-Value
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	9.80	260	40,693
Mahadowa	Madulsima	34.90	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	6,361
TOTAL		297.56	7,555	792,560

Report of the Board of Directors on the Affairs of the Company

CAPITAL COMMITMENTS & CONTINGENTS LIABILITIES

Capital commitments and contingents liabilities are disclosed in Notes 33 & 34 to the Financial Statements.

DIRECTORATE

The following Directors held office during the year under review.

Mr. D. H. S. Jayawardena	-	Chairman / Managing Director
Dr. N.M Abdul Gaffar	-	Non-Executive Director (Resigned w.e.f 01st October 2022)
Mr. C. R. Jansz	-	Non-Executive Director
Mr. D. Hasitha S. Jayawardena	-	Non-Executive Director
Mr. K Dayaparan	-	Non Executive Director (Appointed w.e.f 15th September 2022)
Dr. A. Shakthevale	-	Independent Director
Mr. D. S. K. Amarasekara	-	Independent Director

In terms of the Articles, 92 of the Articles of Association Mr. D. S. K. Amarasekara retires by rotation and being 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.

INTEREST REGISTER

Directors' interests in the Company are disclosed in Note 35 to the Financial statements and have been declared at a meeting 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 2022, Analysis Report of Shareholders, Market Statistics of Company's share and the list of 26 major shareholders are given on pages 112 and 113 of this Annual Report.

EVENT OCCURING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Please refer Note 38 for events occurring after the date of the Statement of Financial Position, which would require disclosure in the Financial Statement.

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 own 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 amended 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.

Report of the Board of Directors on the Affairs of the Company

The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three-month period 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 per-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 per-specified format agreed to by the Golden Shareholder and the Company.

AUDITORS

The Accounts of the year have been audited by M/s KPMG, Chartered Accountants. Fees paid to Auditors are disclosed on the page 64 in the Financial Statements.

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

Sgd.
C. R. Jansz
Non- Executive Director

Sgd.
D. Hasitha S. Jayawardena
Non- Executive Director

Sgd.
P. A. Jayatunga
Secretary

31st May 2023

Audit Committee Report

Composition

With effect from 20th March 2020, the Audit Committee of the parent company, Melstacorp PLC commenced to function as the audit committee of the company.

Committee Members	
Chairman	Mr.Reyaz Mihular (Appointed w.e.f 1st April 2023)
Member	Dr. A. N. Balasuriya
Member	Mr. N.de S.Deva Aditya
Member	Mr. D. Hasitha S. Jayawardena
Secretary	Ms. N. C. Gunawardana

Following the demise of Mr R. Seevarathnam on the 19th January 2023, Mr Reyaz Mihular was appointed as the Chairman to the Audit Committee w.e.f 01st April 2023.

Meetings

The Board Audit Committee met four (4) times during the year. The attendance of the members at this meeting is as follows.

Mr. R. Seevaratnam	4/4
Dr. A. N. Balasuriya	4/4
Mr.D. Hasitha S. Jayawardena	2/4
Mr N.De Deva Aditya	2/4

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

Terms of Reference

The Board 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.

Activities and Responsibilities For Financial Reporting

The Audit Committee Charter clearly sets out the terms of reference governing the Audit Committee ensuring 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.

The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its quarterly and annual financial statements with the Management and the External Auditors to ensure the reliability of the process and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

Internal Audit

The internal audit function of the company was carried out by the Company Internal Audit team with Group Audit Divisions. 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 upon 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 on the progress of the implementation of such recommendations in order to enhance the overall control environment.

Audit Committee Report

External Audit

The Audit Committee met with the External Auditors to discuss the cope 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 2022.

Compliance with Laws and Regulations

The Committee reviewed 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 assets are properly accounted for and adequately safeguarded.

Sgd.
Reyaz Mihular
Chairman- Audit Committee
31st May 2023

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.

Committee Members	
Dr. A. N. Balasuriya	Chairman
Mr. N. de. S. Deva Aditya	Member
Mr. D. Hasitha S. Jayawardena	Member
Mr N.C.Gunawardena	Secretary

Meeting

The Board Remuneration Committee met two (02) times during the Year. The attendance of the members at these meetings are as follows.

Mr. A.N Balasuriya	2/2
Mr N.De Deva Aditya	1/2
Mr.D. Hasitha S. Jayawardena	2/2

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 personal 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
31st May 2023

Related Party Transactions Review Committee Report

Composition

With effect from 20th March 2020, the Related Party Transactions Review Committee of the parent company comprising of the following commenced functioning as the Related Party Transactions Review Committee of the Company.

Committee Members	
Chairman	Mr Reyaz Mihular (Appointed w.e.f 1st April 2023)
Member	Dr. A. N. Balasuriya
Member	Mr. D. Hasitha S. Jayawardena
Secretary	Ms. N. C. Gunawardana

Following the demise of Mr Seevarathnam on the 19th January 2023, Mr Reyaz Mihular was appointed as the Chairman to the Related Party Transaction Review Committee w.e.f 01st April 2023..

The Related Party Transactions Review Committee is governed by the charter of Related Party Transactions Review Committee of Madulsima Plantations PLC and in terms of the code of Best Practice on related party transactions issued by the securities and exchange commission of Sri Lanka and the section 9 of the listing rules of the Colombo Stock Exchange.

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 Committee met four (4) times during the year. The attendance of the other members at these meetings is as follows:

Mr. R. Seevaratnam	4/4
Dr. A. N. Balasuriya	4/4
Mr.D. Hasitha S. Jayawardena	2/4

The Managing Director of Melstacorp PLC, Group Financial Controller, and Head of Systems Control & Internal Audit also attend these meetings by invitation when needed.

The Committee has reviewed all related party transactions in respect of the financial year and communicated the activities of the committee to the board on a quarterly basis circulating the minutes of the meeting of the committee to the Board of Directors.

Disclosures

During the year 2021, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. (Note 36.3)

Recurrent relating party transactions are disclosed in (Note 36.4)

Details of other related party transactions entered into by the Company during the above period is disclosed in Note 36 in the Financial Statements.

Sgd.
Reyaz Mihular
Chairman- Related Party Transactions Review Committee
31st May 2023

Corporate Governance Statement

Corporate Governance is the system by which companies are managed and controlled. Madulsima Plantations PLC is committed to comply with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICSL) & the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange.

A comprehensive view of the Government 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 Chairman/Managing Director, 03 Non-Executive Directors and 02 Independent Directors. The composition of the Company's Board has been structured in keeping with principles of good governance and long term strategy and the names of the members of Board of Directors and their brief resumes are given on pages 9 & 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 the Rule 7.10.3 (b) The Board meets as and when required to take 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 which require specific Board approval.

The main functions of the Board:

1. Conducting the business and facilitating executive responsibility for management of the Company's affairs,
2. Formulate short and long term strategies and monitor implementation,
3. Identify the principal risks of the business and ensure adequate risk management policies in place.
4. Institute effective internal control systems to safeguard the assets of the Company.
5. Ensure compliance with rules and regulations.
6. Approve the financial statements of the Company.
7. Approve the annual capital and operating budgets and review performance against budgets.
8. Determine and recommend interim and final dividends for the approval of shareholders.
9. Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

Executive Committee

The Executive Committee, which consists of the Chairman/Managing Director and the Chief Executive Officer has delegated the responsibility of monitoring the progress and implementing the policies of the Company. The Chief Executive Officer reports monthly on the progress of every Estate and that of the Company to the Executive Committee.

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 March 2020, in place of the existing Committees, 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.

Audit Committee

The Audit Committee as described above assists the Board by the entity's compliance with financial reporting requirements, Company's internal controls, risk management and assessment of the independence and performance of the external auditors. The Company has an Internal Audit Division, which submits its reports on a regular basis to the Audit Committee.

Corporate Governance Statement

The guidelines for the Internal Audit Policy ensure that the assets of the Company are protected against any unauthorized sue or misappropriation, proper records are maintained, and reliable information is received. Audit Committee Report on page 28 describes the activities carried out during the financial year.

Remuneration Committee

The Remuneration Committee as described above makes recommendations to the Board on the Company's framework of remunerating the Chairman/Managing Director. The Remuneration Committee Report appears on Page 30.

Related Party Transactions Review Committee

The composition of the "Related Party Transactions Review Committee" as described above. 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 31.

Corporate Governance Statement

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

Rule No	Applicable Requirement	Compliance Status	Details
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Complied	Annual Report of the board of Directors
7.10.2(a)	**Non Executive Directors** • At least two or one-third of the total number of Directors should be Non-Executive Directors	Complied	Three out of six Directors are Non-Executive Directors
7.10.2(a)	**Independent Directors Composition** • Two or one third of Non-Executive Directors whichever is higher should be independent	Complied	Two out of five 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
7.10.2(a)	**Disclosure Relating to Directors** • Names of Independent Directors should be disclosed in the Annual Report.	Complied	Refer Page 11-12
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 Page 32
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 Page 11-12
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	Refer Page 4-5
7.10.5	**Remuneration Committee** • A listed Company shall have a Remuneration Committee	Complied	Refer Page 30
7.10.5(a)	**Composition of Remuneration Committee** • Shall comprise Non-Executive Directors a majority of whom will be independent.	Complied	Refer Page 30

Corporate Governance Statement

Rule No	Applicable Requirement	Compliance Status	Details
7.10.5(b)	**Functions of Remuneration Committee** • The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer.	Complied	Refer Page 30
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	Refer Page 30
7.1	**Audit Committee** The Company shall have an Audit Committee	Complied	Refer Page 29
7.10.6(a)	**Composition of Audit Committee** • Shall comprise of Non-Executive Directors, a majority of who will be independent • Non-Executive Director shall be appointed as the Chairman of the Committee • 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	Refer Page 29
7.10.6(b)	• Audit Committee Functions	Complied	Refer Page 29
7.10.6(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	Complied	Refer Page 29
7.13.1(a)	Minimum Public Holdings	Not Complied	Refer Page 113
9.2	Related Party Transaction Committee	Complied	Refer Page 30

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 appropriate for the purpose of enabling them give their Audit Report in accordance with 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
31st May 2023

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 attempt to prevent many events which would otherwise have adverse effects on the business. Risk Management Process the Risk Management Process is designed to ensure 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. The Company has a systematic process of risk management that is aligned with its strategy.

Our Tea Plantations risk management under the two forms of risks, namely Strategic and Operational, is regularly reviewed to ensure the related risks are minimized where the complete elimination is not possible. No business that does not face any risk can be found in the world. Irrespective of the nature and the size of the business, the risk is inevitable in doing business. In broad, such risk factors can be two-fold, systematic risk and unsystematic risk.

MPL Board of Directors has taken the initiative to identify the organization's major risks and introduced several controls and measures to mitigate the risks faced by the Company's Internal and External Environment.

We perform Environmental analysis as well as SWOT analysis in regular intervals to identify probable risk factors and to understand opportunities and threats created by the external environment.

Key Risk Faced in Year 2021/2022

Strategic Risk

- Production Risk
- Climate Changes Risk
- Interest Risk
- Foreign Exchange Risk
- Inflation Risk

Operational Risk

- Technological Risk
- Market Prices
- Fertilizer Risk
- Workforce Turnover
- Market Prediction Risk
- Input Material Risk

Risk Management

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 risks on Company's performance. Following model is used to decide the risk management strategy for each and every risk identified by the management of MPPLC Mitigating Strategies Implemented.

Key objectives of risk management

The company aims to achieve the following key objectives by implementation of an effective risk management process,

i) Provide clear accountability and responsibility for risk management
ii) Early prediction and anticipation of risks.
iii) Early implementation of preventive action.
iv) Material issues are determined and resolved through a strong risk management process
v) Ensures to implement a sound system of controls including financial, operational and compliance are in place, to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.
vi) Internal audit team provides assurance on the effective functioning of processes and a whistle blowing policy is in place providing a direct line to the

The following are some of the major risks factors that the company is exposed to which carrying out its business and actions implemented to reduce or eliminate risk.

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Business Risk	Tea growing and manufacturing is our Principal line of business. The Company is susceptible to all risks associated with agriculture.	• Regular monitoring of performance for appropriate remedial action • Enforcing sustainable agricultural practices, Adopting practices recommended by the Tea Research Institute in infilling and replanting • Crop diversification • Value addition • Focus on producing quality tea. • Out sourcing agricultural practices and adopting motivational alternatives to encourage plantation youth to remain on plantations	High

Risk Management

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Operational Risk	Weaknesses in internal control systems, human error and limitations, frauds, natural disasters, obsolete systems and practices, equipment's that are obstacles to business objectives.	• Adopting effective internal control systems and periodic review. • Variance analysis of budgetary provisions against actual performance. • A monthly re-evaluation process where performance of each plantation is reviewed by Senior Executives of the Head Office. • Appropriate advice's conveyed to enforce a high degree of situational awareness among the Planting Executives. • Compliance audits and standardization procedures • Obtain comprehensive insurance policies to cover operational risks.	Moderate
Environmental Risk	Adverse and uncertain weather has a negative impact on agricultural produce.	• Monitoring weather patterns and their impact on crop harvests. • Adoption of sustainable agricultural practices. • Constant examination and review of soil nutrient contents • Undertaking effective soil conservation measures. • Reservation of forests and watersheds	High
Human Resource	Low productivity, reduction in resident manpower, disruptions in achieving the targeted objectives.	• Providing Welfare facilities and introducing participative housing projects to retain workers on plantations and improve their productivity . • Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes. • Improve employee motivation, commitment, welfare, recognition and appreciation. • Abide by the Collective Agreement entered into with the Trade Unions in the Company's capacity	Moderate
Product Quality Risk	Inconsistency in quality of end products and its negative impact on prices and market share.	• Ensure safety and ethical standards in providing a quality consumable product. • Upgrade manufacturing process and factories to cater to the fluctuating market demand. • Monitor quality assurance measures	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 Industry.	• Negotiating Collective Agreements with major Plantation Trade Unions. • Maintaining a closer dialogue with the Trade Union Leaders • Implementing human development policies	High

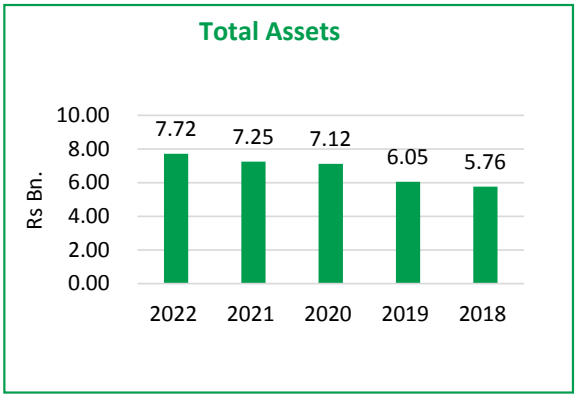
Risk Management

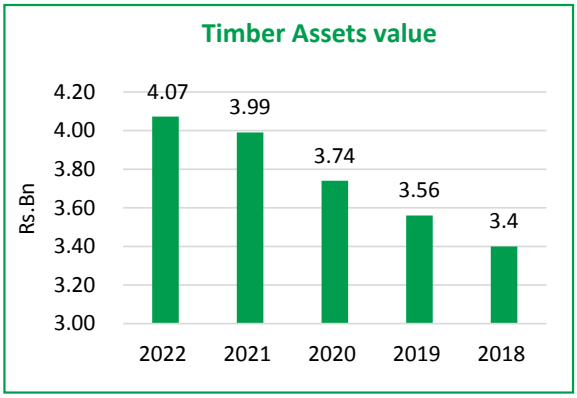
Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Interest Rate Risk	Fiscal and monitory policy changes have a direct impact on liquidity and production costs .	• Maintain cash flow and budgetary control systems • Diversification • Capital development • Upgrading plant and machinery • Maintenance of biological assets in optimum condition to enhance productivity andturnover	Moderate
Technical & IT Risk	Lack of accurate and timely information due to ineffective IT systems.	• Strengthen software development with internal controls including IT security and confidentiality • Implement a sound backup system in case of system failure • Use Licensed Software	Moderate
Investment Risk	Adequate return on investment heavily depends on global economic trends.	• Undertake proper evaluation and feasibility process • Continue replanting and infilling with a prudent policy and environmentally viable clones • Work closely with the TRI in developing an economic model to make replanting a viable investment.	Moderate
Inventory	Liquidity is a major concern as the industry is cyclical with long gestation periods for returns.	• Produce stocks are monitored closely for speedy disposal. • Input stock levels are controlled to avoid obsolescence and theft. • High value input stocks such as fertilizer, firewood and packing materials are purchased on a need basis.	Moderate
Risk of Competition	Competition from other major low cost producers.	• Monitoring market trends and fluctuations in supply and demand closely. • Regular check of tea samples to maximize market gains, • Adopting appropriate remedial measures to ensure market leadership of quality marks. • Rationalize manufacture during lean cropping months. • Close executive supervision on quality of leaf harvested. • Educating employees on the importance of their services.	Moderate
Company Reputation Risk	Maintaining loyalty and trustworthiness among stakeholders and compliance with statutory requirements.	• Compliance with statutory requirements • Compliance with the code of corporate governance by all employees. • Protection of the environment and adoption of sustainability initiatives, health & food safety procedures.	Low

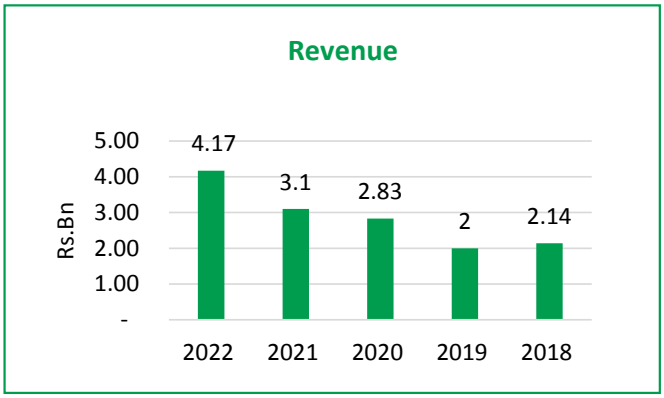
Financial Highlights

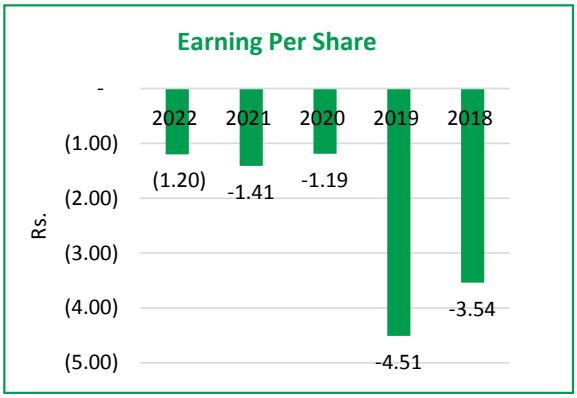
		2022	2021	Change
Financial Performance				
Revenue	Rs. Million	**4,173**	3,099	0.35
Gross profit	Rs. Million	**745**	(205)	(4.64)
Operating profit	Rs. Million	**961**	(39)	(25.64)
Net finance cost	Rs. Million	**(873)**	(283)	2.08
Profit/(loss) before tax	Rs. Million	**89**	(322)	(1.27)
Income tax expense	Rs. Million	**(292)**	84	(4.48)
Profit / (loss)for the period	Rs. Million	**(203)**	(238)	(0.15)
Gross margin	%	**0.18**	(0.07)	(3.71)
Operating margin	%	**0.23**	(0.01)	(19.79)
Net profit margin	%	**(0.05)**	(0.08)	(0.36)
Return on total assets	%	**(0.03)**	(0.14)	(0.81)
Position / Key Ratio				
Total assets	Rs. Million	**7,719**	7,252	0.06
Long term interest-bearing borrowing	Rs. Million	**3,435**	3,186	0.08
Total equity	Rs. Million	**611**	1,066	(0.43)
Debt/total assets	Times	**0.16**	0.17	(0.02)
Current ratio	Times	**0.43**	0.35	0.22
Quick asset ratio	Times	**0.08**	0.09	(0.14)
Shareholder Information				
Earning per share	Rs.	**(1.20)**	(1.41)	(0.15)
Net asset value per share	Rs.	**3.60**	6.29	(0.43)
Market price per share	Rs.	**11.30**	12.60	(0.10)
Market capitalization	Rs. Million	**139**	139	(0.00)
Value Addition				
To lenders of capital as interest	Rs. Million	**873**	283	2.08
To employees as remuneration	Rs. Million	**2,191**	2,007	0.09
Provision for depreciation	Rs. Million	**160**	157	0.02
Profit/(loss) retained	Rs. Million	**(203)**	(238)	(1.37)

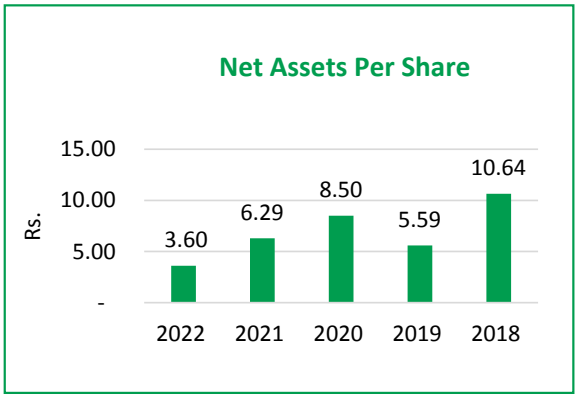
Financial Highlights











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 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 46 to 111.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31st December 2022, 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 issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA, Ms. S. Joseph FCA, S.T.D.L. Perera FCA, Ms. B.K.D.T.N. Rodrigo FCA, Ms. C.T.K.N. Perera ACA, T.J.S. Rajakarier FCA, Ms. S.M.B. Jayasekara FCA, G.A.U. Karunaratne FCA, R.H. Rajan FCA, A.M.R.P. Alahakoon ACA, W.W.J.C. Perera FCA, W.K.D.C Abeyrathne FCA, R.M.D.B. Rajapakse FCA, M.N.M. Shameel FCA, Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Zlyard FCMA (UK), FTII

Independent Auditor's Report

01. Measurement of Consumable Biological Assets	
Refer to the significant accounting policy in Note 3.2.3.6 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 4,330 Million as at 31st December 2022.	
Risk Description	**Our Response**
The commercially cultivated timber trees on estates managed by the Company classify as consumable biological assets and are measured at each reporting date at fair value less estimated cost to sell at harvest. The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, estimation of height/girth of trees used to arrive volume of timber and value per cubic meter used for the valuation of consumable biological assets, could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumable biological assets of the Company as at reporting date. We considered measurement of consumable biological assets as a key audit matter due to the magnitude of the value and significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.	Our audit procedures included, • Obtaining an understanding of the process of valuation and testing the design, implementation and operating effectiveness of the management key controls in relation to the valuation of consumable biological assets. • Assessing the objectivity, independence, competence, qualifications and experience in the biological assets being valued by the subject matter expert. • Obtaining estate wise census books of timber trees and comparing the number of timber trees recorded in the census book with the valuation report to ensure the completeness and accuracy of the data. • Physically verification of the actual girth and height pertaining to a selected sample of trees during our estate visits, in order to ascertain the accuracy of the average girth and height used in the valuation report. • Assessing the key assumptions and methodology used in the valuation, in particular the discount rate, estimated height and average market price by comparing with industry norms that are generally accepted in determining volume of timber. • Assessing the mathematical accuracy of the consumable biological assets valuation. • Assessing the adequacy of the disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.
02. Retirement Benefit Obligation	
Refer to the significant accounting policy in Note 3.3.1.2 and explanatory Note 27 to the financial statements	
The Company has recognized retirement benefit obligation of Rs. 1,285 Million as at 31st December 2022.	
Risk Description	**Our Response**
The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the computation of retirement benefit obligation. We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.	Our audit procedures included, • Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company. • Testing the samples of the employees' details used in the computation to the human resource records. • Assessing the other key assumptions used in the valuation, in particular the discount rate, mortality rates and future salary increases. • Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation. • Assessing the adequacy of the disclosures in financial statements

Independent Auditor's Report

03. Management assessment of the Company's ability to continue as Going concern	
Refer to the significant accounting policy in Note 2.5 to the financial statements	
Risk Description	**Our Response**
The Company has recorded a loss of LKR 203 Mn During the year ended 31st December 2022 and as of the date the Company has recoded accumulated losses amounted to LKR 6,145 million as at 31st December 2022. Further, current liabilities exceeded its current assets by LKR 723 million as at the reporting date. 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. In assessing the Company's ability to continue to operate as a going concern the Directors prepared a cash flow forecast which required the exercise of significant management judgments. 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.	Our audit procedures included: • Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and evaluating these key assumptions used in preparing the projections. • Inspecting the facility agreements for the Company's long- term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity. • Inspecting the letter of support received from the parent Company after evaluating their ability to provide the financial support in order to meet the liabilities of the Company as and when they fall due and payable. • Assessing the adequacy of disclosures in the financial statements (Note 2.5) in relation to going concern.

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 do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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.

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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,
2nd June 2023

Statement of Profit or Loss

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
Revenue	5	**4,172,567,832**	3,099,649,285
Cost of Sales		**(3,427,276,067)**	(3,304,157,415)
Gross Profit/ (Loss)		**745,291,765**	(204,508,130)
Gain on Change in Fair Value of Biological Assets	17.1	**299,549,856**	193,620,933
Other Income	6	**47,461,544**	100,790,778
Administrative Expenses		**(131,150,761)**	(128,669,345)
Profit/ (Loss) From Operation		**961,152,404**	(38,765,764)
Finance Income		**62,995**	39,576
Net Finance Expense		**(872,667,782)**	(283,220,010)
Net Finance Costs	7	**(872,604,787)**	(283,180,434)
Profit/ (Loss) Before Taxation	8	**88,547,617**	(321,946,198)
Income Tax (Charge)/Reversal	9	**(292,032,987)**	83,758,128
Profit/ (Loss) for the year		**(203,485,370)**	(238,188,070)
Basic Profit/ (Loss) Per Share	10	**(1.20)**	(1.41)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 through 111 form an integral part of the Financial Statements.

Statement of other Comprehensive Income

	Note	2022 Rs.	2021 Rs.
Loss for the year		**(203,485,370)**	(238,188,070)
Items that will not be reclassified to profit or loss			
Net Change in Fair Value Through OCI Financial Assets	16	**(17,663)**	182,101
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	27	**60,184,673**	(211,869,361)
Tax effect on Actuaril Gain/ (Loss) during the year	28.3	**(18,055,402)**	22,246,283
Revaluation Gain	13	**-**	-
Deferred tax Reversal / (Charge) on Revaluation Gain	28.3	**(294,119,903)**	52,790,751
Total other comprehensive income/(expense) for the year (net of tax)		**(252,008,295)**	(136,650,226)
Total Comprehensive Income /(Expense) for the year		**(455,493,665)**	(374,838,296)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 through 111 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st December,	Note	2022 Rs.	2021 Rs.
ASSETS			
Non Current Assets			
Right to use of Land	11	**108,035,582**	105,276,095
Immovable estate assets on financial lease (Other than bare land)	12	**330,626,498**	360,171,022
Tangible assets other than biological assets	13	**1,377,609,812**	1,455,420,986
Bearer Biological Assets	14	**1,020,537,784**	898,051,255
Consumable Biological Assets	15	**4,330,380,459**	3,999,563,151
Investment in Equity Securities-FVOCI	16	**3,996,172**	4,013,835
Total Non-Current Assets		**7,171,186,307**	6,822,496,344
Current Assets			
Produce of Bearer biological assets	17	**8,019,681**	1,458,551
Inventories	18	**435,601,159**	314,467,088
Trade and Other Receivables	19	**93,793,854**	108,381,149
Amounts due from Related Companies	20	**183,739**	183,729
Cash and Cash Equivalents	21	**10,231,874**	5,412,702
Total Current Assets		**547,830,317**	429,903,219
TOTAL ASSETS		**7,719,016,614**	7,252,399,563
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	22	**1,624,760,670**	1,624,760,670
Revaluation Reserve	23	**1,055,815,035**	1,349,934,938
Fair Value Through OCI Reserve	24	**2,780,089**	2,797,752
Timber Reserve	25	**4,072,529,730**	3,779,541,004
Retained Earnings		**(6,144,937,133)**	(5,690,592,308)
Total Equity		**610,948,391**	1,066,442,056
Non Current Liabilities			
Interest Bearing Loans & Borrowings	26	**3,434,990,728**	3,186,776,933
Retirement Benefit Obligations	27	**1,284,582,637**	1,266,870,989
Defferred Tax Liabilities	28	**905,559,295**	301,351,003
Defferred Income	29	**123,358,451**	128,623,786
Lease Liability to-SLSPC and JEDB	30	**88,464,265**	82,658,216
Total Non Current Liability		**5,836,955,376**	4,966,280,927
Current Liabilities			
Trade and Other Payable	31	**422,139,738**	393,061,790
Lease Liability to-SLSPC and JEDB	30	**16,745,016**	12,236,681
Amounts due to Related Companies	32	**90,392,184**	81,353,609
Interest Bearing Loans & Borrowings	26	**600,000,000**	578,148,148
Bank Overdraft	21	**141,835,909**	154,876,352
Total Current Liabilities		**1,271,112,847**	1,219,676,580
TOTAL LIABILITES		**7,108,068,223**	6,185,957,507
Total Equity and Liabilities		**7,719,016,614**	7,252,399,563
NET ASSET PER SHARE		**3.60**	6.29

Figures in brackets indicate deductions.
The accounting policies and notes on pages 51 through 111 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

D. M. Samantha K Dissanayake
Financial Controller

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.

D.H.S.Jayawardena
Chairman / Managing Director

D. Hasitha S Jayawardana
Non Executive Director

Colombo.
2nd June 2023

Statement of Changes in Equity

For the year ended 31st December 2022	Note	Stated Capital Rs.	Revaluation Reserve OCI Reserve Rs.	Fair value through Rs.	Timber Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2021		1,624,760,670	1,297,144,187	2,615,651	3,594,121,047	(5,077,361,203)	1,441,280,352
Total comprehensive income for the Year							
Loss for the year		-	-	-	-	(238,188,070)	(238,188,070)
Other comprehensive income/ (expense)							
Actuarial Loss on Retirement Benefit Obligation (net of tax)		-	-	-	-	(189,623,078)	(189,623,078)
Net Change in Fair Value Through OCI Financial Assets		-	-	182,101	-	-	182,101
Deferred tax liability Revaluation Gain (net of tax)		-	52,790,751	-	-	-	52,790,751
		-	52,790,751	182,101	-	(427,811,148)	(374,838,296)
Transferred to Timber Reserve	25	-	-	-	196,834,149	(196,834,149)	-
Transfered to retained earnings	25	-	-	-	(11,414,192)	11,414,192	-
Balance as at 31st December 2021		**1,624,760,670**	**1,349,934,938**	**2,797,752**	**3,779,541,004**	**(5,690,592,308)**	**1,066,442,056**
Balance as at 1 January 2022		1,624,760,670	1,349,934,938	2,797,752	3,779,541,004	(5,690,592,308)	1,066,442,056
Total comprehensive income for the Year							
Profit /(Loss) for the year		-	-	-	-	(203,485,370)	(203,485,370)
Other comprehensive income/ (expense)							
Actuarial Loss on Retirement Benefit Obligation (net of tax)		-	-	-	-	42,129,271	42,129,271
Net Change in Fair Value Through OCI Financial Assets		-	-	(17,663)	-	-	(17,663)
Deferred tax liability adjustment on Revaluation Surplus		-	(294,119,903)	-	-	-	(294,119,903)
		-	**(294,119,903)**	**(17,663)**	**-**	**(161,356,099)**	**(455,493,655)**
Transferred to Timber Reserve	25	-	-	-	292,988,726	(292,988,726)	-
Transferred to Retained Earning	25		-	-	-	-	-
Balance as at 31st December 2022		**1,624,760,670**	**1,055,815,035**	**2,780,089**	**4,072,529,730**	**(6,144,937,133)**	**610,948,391**

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 through 111 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (Loss) Before Taxation		**88,547,617**	(321,946,198)
Adjustments for :			
Depreciation	11,12,13,14	**160,277,117**	157,457,307
Interest Income	7	**(62,995)**	(39,576)
Interest Expenses	7	**825,250,847**	283,220,010
Provision for Defined Benefit Plan Cost	27	**204,661,049**	144,224,224
Gain on change in Fair Value of Biological Assets	17.1	**(299,549,856)**	(193,620,933)
ESC write off during the year	8	**7,633,330**	10,767,884
Dividend Income	6	**-**	(87,500)
Amortization of Grants	29	**(5,265,335)**	(5,266,728)
Provision for impairment of Immature Plantations	14.3	**1,900,756**	8,352,536
Writeoff of PPE	14	**3,131,609**	-
Profit on Sale of Timber	6	**-**	(34,325,616)
Operating Profit before Working Capital Changes		**986,524,139**	48,735,410
(Increase)/Decrease in Inventories		**(121,134,072)**	48,982,737
(Increase)/Decrease in Trade and Other Receivables		**6,953,968**	36,371,796
(Increase)/Decrease in Due from Related Companies		**(4,332,847)**	113,003
Increase/(Decrease) in Trade and Other Payable		**29,077,952**	8,734,898
Increase/(Decrease) in Due to Related Companies		**13,371,422**	19,559,524
Cash Generated from Operations		**910,460,562**	162,497,368
Interest Paid		**(13,385,845)**	(22,580,788)
Gratuity Paid	27	**(126,764,729)**	(82,089,120)
Net Cash Generated from Operating Activities		**770,309,988**	57,827,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	13	**(36,030,405)**	(55,653,829)
Investments in Immature Plantations	14	**(139,688,764)**	(142,086,845)
Investment in Timber Plantations-Biological Assets	15	**(37,828,582)**	(29,893,403)
Interest Received	7	**62,995**	39,576
Dividend Received	6	**-**	87,500
Proceeds from Timber sales		**-**	45,739,808
Net Cash used in Investing Activities		**(213,484,764)**	(181,767,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to Lease Creditor- JEDB/SLSPC	30	**(10,365,613)**	(13,021,410)
Loan Obtained	26	**204,440,628**	548,000,000
Loans Repayment	26	**(733,040,624)**	(487,437,573)
Grants Received	29	**-**	1,180,400
Net Cash Generated from /(Used in) Financing Activities		**(538,965,609)**	48,721,417
Net Increase in Cash and Cash Equivalents		**17,859,615**	(75,218,316)
Cash and Cash Equivalents at the beginning of the Year	21	**(149,463,650)**	(74,245,334)
Cash and Cash Equivalents at the end of the Year	21	**(131,604,036)**	(149,463,650)

Notes to the Financial Statements

For the year ended 31st December 2022

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. 7 of 2007. The registered office of the Company is located at No 833, Sirimavo Bandaranayaka Mawatha, Colombo 14 and Plantations are situated in the Madulsima and Bogawantalawa regions.

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

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 2022 is set out in detail in the statement of directors' responsibility.

The financial statements of the Company of the year ended 31st December 2022 were authorized for issue in accordance with resolution of the Board of Directors on 2nd June 2023.

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 notes to the Financial Statements and Significant Accounting Policies which have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No 15 of 1995. These Financial Statements, except 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 2022

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	12 & 13
	Consumable Mature Biological Assets	At fair value less costs to sell	15
	Agriculture produces harvested from biological assets	At fair value per	17
	Investment in Equity Securities are measured at FVOCI	At fair value per	16
Liabilities	Liability for Retirement Benefit Obligations	Actuarially valued and recognised at present value of the defined benefit obligation	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 Going Concern

The Company has recorded a loss of LKR 203 Mn (2021: 238 Mn) During the year ended 31st December 2022 and as of the date the Company has recoded accumulated losses amounted to LKR 6,145 million (2021: 5,690.5 Mn) as at 31st December 2022. Further, current liabilities exceeded its current assets by LKR 723 million (2021: 789.7 Mn) as at the reporting date.

The Financial Statements has been prepared on the going concern basis due to reliance on a letter of support, dated 02nd June 2023 , provided by the Directors of Melstacorp PLC , the Parent Company.

Through this letter of support the Directors of 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 2022 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.

Also ensure that it can pay its debts as and when they fall due and payable. This undertaking is provided for a minimum of 12 months period from the date of signing the Financial Statements for the period ended 31st December 2022.

Notes to the Financial Statements

For the year ended 31st December 2022

Apart from reliance on parent support Management in assessing the appropriateness of the use of going concern basis of accounting in the preparation of financial statements has conducted a comprehensive review of the Company's affairs including, but not limited to:

- The cash flow forecast of the Company for the period up to next 12 months
- The Company's ability of settling the statutory payables and other liabilities when they fall due and payable.
- Revenue and profitability forecasts for the Company for not only the next financial year, but beyond 31st December 2023.
- Impact of rapid change in macroeconomic factors have been considered as in note 38.
- The Melsta corp Plc the Parent Company has provided financial support through a loan facility amounting to LKR 3,899 Mn .

Further, based on the Company's assessment of the sources of funding available to the Company and strategies to improve performance and the financial position management believe it will be able to generate profits in future. Moreover, the Board of Directors have no plans to liquidate the Company or cease operations in the near future.

2.6 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 and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

Note 14-Tangible Assets other than Biological Assets

Information about assumptions and estimation uncertainties that have a significant risk of 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	2.6.1
Useful lifetime of the property, plant, and equipment	2.6.2
Fair value of Consumable Biological Assets	2.6.3
Fair value of Agriculture Produce harvested from Biological Assets	3.2.4
Fair value of Investment in Equity Securities measured at FVOCI	16
Impairment on non-financial assets	3.2.5.6
Measurement of defined benefit obligation: key actuarial assumptions	2.6.4
Provisions for liabilities, commitments, and contingencies	2.6.5
Recognition of deferred tax asset	2.6.6
Going concern basis	2.5

Notes to the Financial Statements

For the year ended 31st December 2022

2.6.1 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 it 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 13.11.

2.6.2 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 3.2.2.7 for more details.

2.6.3 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 ever 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.

2.6.4 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.

2.6.5 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 34.

2.6.6 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 utilised 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.

Notes to the Financial Statements

For the year ended 31st December 2022

2.7 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.

Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, 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 as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

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

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

2.9 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 1 on 'Presentation of Financial Statements'.

2.10 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Financial Statements

For the year ended 31st December 2022

3.1 Foreign Currency

3.1.1 Foreign Currency Transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognised in other comprehensive income.

3.2 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 realised in cash, during the normal operating cycle of the Company's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.2.1 Right to use of Asset

3.2.1.1 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.

3.2.1.2 Right to use Assets

The Company recognises 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

Notes to the Financial Statements

For the year ended 31st December 2022

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.

3.2.1.3 Depreciation expenses

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

3.2.1.4 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.

3.2.1.5 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.

3.2.1.6 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 to-SLSPC and JEDB' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short- term leases, including IT equipment. The Company recognises 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 2022

3.2.2 Property, Plant and Equipment

3.2.2.1 Recognition and Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for Bare Land on Lease which is stated at revalued amount on 31st December 2020 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.

3.2.2.2 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.

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

3.2.2.3 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 capitalised 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.

3.2.2.4 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.

Notes to the Financial Statements

For the year ended 31st December 2022

3.2.2.5 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 derecognised.

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.

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

Borrowing costs that are not capitalised 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.

3.2.2.7 Depreciation and Amortisation

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	2.040
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 2022

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

Asset Category		
Bare Land	53	1.89
Mature Plantations – Tea	30	3.33
Buildings	25	4
Plant & Machinery	20	5
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 derecognised.

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

3.2.2.8 Derecognition

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

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

3.2.3 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, 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.

3.2.3.1 Recognition and Measurement

The entity recognises 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.

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.

Notes to the Financial Statements

For the year ended 31st December 2022

3.2.3.2 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 (Tea, Rubber fields) 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.

3.2.3.3 Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised 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 capitalised 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 capitalised have been charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

3.2.3.4 Growing crop nurseries

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

3.2.3.5 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
Citrus	10	10

No depreciation is provided for Immature Plantations.

3.2.3.6 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 2022

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	LKRS

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.

3.2.4 Produce on Bearer Biological Assets

The Company recognises 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 day 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.

3.2.5. Financial instruments

3.2.5.1. 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.

3.2.5.2. 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.

Notes to the Financial Statements

For the year ended 31st December 2022

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount 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.

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

Financial assets - Business model assessment:

The 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 realising 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.

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For the year ended 31st December 2022

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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 paramount, 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.

3.2.5.3. Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised

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

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

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

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For the year ended 31st December 2022

Financial liabilities - Classification, subsequent measurement and gains and losses

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

3.2.5.4. Derecognition

Financial assets

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

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 derecognised.

Financial liabilities

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

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

3.2.5.5. 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 realise the asset and settle the liability simultaneously.

3.2.5.6. 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:

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

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 and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the 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

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.2.6. Inventories

3.2.6.1 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.

3.2.6.2 Agricultural Produce after further processing

Further processed output of Agricultural Produce is valued at the lower of cost and estimated net realisable 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.

3.2.6.3 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

3.2.6.4 Growing Crop Nurseries

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

3.2.7 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.

3.3 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

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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.

3.3.1 Employee Benefits

3.3.1.1 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.

3.3.1.2 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.

3.3.2 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.

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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 Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Company under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

3.3.3 Deferred Income

3.3.3.1 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.

3.3.4 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.

3.4 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.

3.4.1. 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 control of the goods

Notes to the Financial Statements

For the year ended 31st December 2022

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.

3.4.2 Expenditure Recognition

3.4.2.1 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.

3.4.2.2 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 recognized 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.

3.4.2.3 Finance Income

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

3.4.2.4 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 IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.4.2.4.1 Current Taxes

Current Tax expenses are accounted in the same period to which the revenue and expenses relate. Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances,

Notes to the Financial Statements

For the year ended 31st December 2022

deductions and exemptions determined 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.

3.4.2.4.2 Deferred Taxation

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

Temporary differences in relation to a right-of-use assets and lease liability are regarded as a net package (Right of Use of the assets) for the purpose of recognizing deferred tax.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 recognized 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 income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

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

3.4.2.4.3 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.

3.5 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.

Notes to the Financial Statements

For the year ended 31st December 2022

3.6 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 utilisation, 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 5.2 to the Financial Statements.

3.7 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.

detailed Related Party Transaction analysis is presented in Note 35.1.

3.8 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.

3.9 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 authorised for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments or disclosures are made in the Financial Statements, where necessary.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

Notes to the Financial Statements

For the year ended 31st December 2022

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

The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item.

The Key amendments are as follows:

The classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company does not anticipate this amended to have a significant impact

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

The key amendments include,

requiring companies to disclose their material accounting policies rather than their significant accounting policies.

clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Company does not anticipate this amended to have a significant impact.

4.4 Definition of Accounting Estimates (Amendments to LKAS 8)

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

	2022 Rs.	2021 Rs.
5 REVENUE		
Revenue from contracts with customers		
Sale of Produce Tea	**4,172,567,832**	3,099,649,285
Total Gross Revenue	**4,172,567,832**	3,099,649,285
5.1 Timing of Revenue Recognition		
Products & services transferred at a point in time	**4,172,567,832**	3,099,649,285
Total Revenue	**4,172,567,832**	3,099,649,285

	Madulsima Region				Bogowantalawa Region		Total	Total
	Uva High		Uva Medium		Western High			
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
5.2 Segmental Information								
Geographical Segment								
(a) Segment Revenue								
Revenue	**1,719,090,076**	1,251,555,403	**1,033,540,101**	740,565,947	**1,419,937,655**	1,107,527,935	**4,172,567,832**	3,099,649,285
Cost of Sales	**(1,362,221,538)**	(1,306,085,505)	**(851,075,192)**	(787,488,970)	**(1,213,975,338)**	(1,210,582,940)	**(3,427,276,067)**	(3,304,157,415)
Segment Results	**356,868,538**	(54,530,102)	**182,464,909**	(46,923,023)	**205,958,316**	(103,055,005)	**745,291,765**	(204,508,130)
Other Operating Income	**9,938,952**	10,153,529	**755,489**	10,555,797	**4,882,104**	6,716,990	**15,576,545**	27,426,316
Administration & General Expenses	**(46,818,518)**	(41,489,771)	**(26,525,762)**	(21,954,767)	**(56,890,730)**	(44,347,518)	**(130,235,010)**	(107,792,056)
	319,988,972	(85,866,344)	**156,694,636**	(58,321,993)	**153,949,690**	(140,685,533)	**630,633,300**	(284,873,870)

Head Office		
Other Operating Income	**31,884,999**	73,364,462
Administrative Expenses	**(915,751)**	(20,877,289)
Gain on Change in Fair Value of Timber Stock	**299,549,856**	193,620,933
Profit/(Loss) from Operating Activities	**961,152,404**	(38,765,764)
Net Finance Cost	**(872,604,787)**	(283,180,434)
Gain/Loss before Income Tax Expense	**88,547,617**	(321,946,198)
Income Tax Benefit/ (Expense)	**(292,032,987)**	83,758,128
Net Loss for the Year	**(203,485,370)**	(238,188,070)
Net Change in Fair Value Through OCI Financial Assets	**(17,663)**	82,101
Actuarial Gain/ (Loss) on defined benefit plans, net of tax	**42,129,271**	(189,623,078)
Revaluation Gain, net of tax	**(294,119,903)**	52,790,751
Other Comprehensive Income/(Expense), net of tax	**(252,008,294)**	(136,750,226)
Total comprehensive income/(Expense) for the Year	**(455,493,665)**	(374,938,296)

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

	Madulsima Region				Bogowantalawa Region		Total	Total
	Uva High		Uva Medium		Western High			
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
5.2 Segmental Information								
Geographical Segment								
(b) Segment Assets and liabilities								
Non Current Assets	**80,557,756**	49,916,315	**38,129,112**	16,793,039	**186,730,295**	82,117,335	**305,417,163**	148,826,689
Current Assets	**172,215,129**	147,809,084	**114,143,261**	75,688,663	**221,686,338**	154,565,780	**508,044,728**	378,063,527
	252,772,885	197,725,399	**152,272,373**	92,481,702	**408,416,633**	236,683,115	**813,461,891**	526,890,216
Unallocated								
Non Current Assets							**6,865,769,134**	6,673,669,655
Current Assets							**39,785,589**	51,839,692
Total Assets							**7,719,016,614**	7,252,399,563
Segment Liabilities								
Non Current Liabilities	**524,226,333**	521,806,437	**300,459,705**	287,896,346	**626,325,950**	462,717,891	**1,451,011,988**	1,272,420,674
Current Liabilities	**159,558,992**	130,647,882	**74,792,450**	73,686,261	**145,850,899**	132,728,570	**384,308,308**	337,062,713
Total Liabilities	**683,785,325**	652,454,319	**375,252,155**	361,582,607	**772,176,849**	595,446,461	**1,835,320,296**	1,609,483,387
Head Office								
Non Current Liabilities							**4,385,943,388**	3,693,860,253
Current Liabilities							**886,804,539**	882,613,867
Total Liabilities							**7,108,068,223**	6,185,957,507
Capital Expenditure - Estate	**64,327,826**	59,514,747	**38,525,895**	65,778,028	**133,773,085**	96,837,754	**236,626,806**	222,130,529
- Head Office							**20,126,346**	5,503,548
							256,753,152	227,634,077
Depreciation - Estate	**58,480,114**	58,617,654	**32,765,530**	35,539,900	**53,115,303**	48,668,580	**144,360,945**	142,826,134
- Head Office							**15,916,172**	14,631,173
							160,277,117	157,457,307

Notes to the Financial Statements

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
6 OTHER OPERATING INCOME			
Amortization of Capital Grant		**5,265,334**	5,266,728
Rent Income		**41,976,770**	49,710,494
Sundry Income		**219,440**	11,400,441
Profit on disposal of Property, Plant & Equipment		**-**	34,325,615
Dividend Income		**-**	87,500
		47,461,544	100,790,778
7 NET FINANCE COST			
Finance Cost			
Overdraft Interest		**30,605,299**	6,505,634
Bank Loans Interest		**15,790,142**	15,773,879
Term Loan Interest		**812,051,487**	248,501,583
Interest Expense on ROU Liability		**13,199,359**	12,438,914
Tea Boroker loan		**1,021,495**	-
		872,667,782	283,220,010
Finance Income			
Interest income		**62,995**	39,576
		62,995	39,576
Net finance Cost		**872,604,787**	283,180,434
8 PROFIT/(LOSS) BEFORE TAXATION			
Is stated after charging all expenses including the following			
Auditors'remunuration -Audit		**2,745,000**	2,387,000
-Non Audit		**239,700**	239,700
Depreciation/ Amortization			
- Leasehold right to Bare Land of JEDB / SLSPC Estates		**4,721,151**	4,447,529
- Immovable Leased Assets of JEDB/SLSPC Estates		**29,544,525**	32,222,654
- Tangible Assets		**110,709,968**	107,192,403
- Mature Plantations		**15,301,472**	13,594,721
Impairment of immature plantation			
- Rubber		**1,876,336**	8,352,536
- Avacado		**24,417**	-
Write off of ESC Receivable		**7,633,330**	10,767,884
Personnel Cost			
- Salaries and Wages		**1,642,626,432**	1,709,308,476
- Defined Benefit Plan- Gratuity		**204,661,048**	144,224,224
- Defined Contribution Plans- EPF/ESPS/CPPS		**166,309,006**	298,596,172

Notes to the Financial Statements

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
9 INCOME TAX EXPENSE			
9.1 Amounts recognised in Profit or Loss			
Current Tax Expense			
Income Tax Charge for the Year (Note 9.3)		-	-
Deferred tax expense			
Due to change in effective tax rate (Note 28.3)		**265,531,960**	(62,245,790)
Due to change in temporary deferences (Note 28.3)		**26,501,027**	(21,512,338)
Income Tax Charge/Reversal recognised in Statement of Profit or Loss		**292,032,987**	(83,758,128)

9.2 Amounts recognized in Other Comprehensive Income

For the year ended 31st December 2022	Value Before Tax	Tax (Expenses) / Benefit	Net of Tax
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)
	60,184,673	(312,175,305)	(251,990,631)
For the year ended 31st December 2021			
Item that will not be reclassified to profit or loss			
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	(221,869,361)	22,246,283	(189,623,078)
Revaluation Surplus on Land & Building	-	52,790,751	52,790,751
	(221,869,361)	75,037,034	(136,832,327)

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
9.3 Reconciliation of accounting profit to taxable income			
Accounting (Loss) before income tax expense		**88,547,617**	(321,946,198)
Aggregated Disallowed Items		**212,884,755**	111,118,868
Aggregated Allowable Items		**(441,089,748)**	(224,947,868)
Accounting Loss from Agro Farming		**494,601,164**	490,282,555
Statutory Income/(Loss) from Agro Processing		**354,943,788**	54,507,357
Other Source of Income		**-**	87,500
Total Statutory Income		**354,943,788**	54,594,857
Tax losses claimed during the year		**(354,943,788)**	(54,594,857)
Total Taxable Income		**-**	-
Income Tax Expense			
		-	-

Notes to the Financial Statements

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

Based on the Inland Revenue Amendment Act No. 10 of 2021, the Company is exempted to pay income tax on profit from its business of "Agro Farming" for a period of 5 years with effect from 1st April 2019. This exemption has been applied in calculating the taxable income.

Provision for income tax on profits from the business of "Agro processing" for the year ended 31st December 2022 has been calculated using the tax rate of 14%% and other income at 24% till 30th June 2022 and with effective from 1st July 2022 rates were 30% for both income sources. In accordance with the provisions of the Inland Revenue Act (Ammendment Act No 10 of 2021) (2021: Profits from agriculture at 14% and other income at 24%).

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
9.5 Accumulated Tax losses			
Tax losses brought forward		**3,592,775,420**	3,937,086,379
Adjustment in respect of previous years		**(256,356,502)**	(289,716,102)
Tax Losses During the Year		**-**	-
Tax losses claimed during the year		**(354,943,788)**	(54,594,857)
Tax losses carried forward		**2,981,475,130**	3,592,775,420

10 BASIC 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:."

For the year ended 31st December,	Note	2022 Rs.	2021 Rs.
(Loss) attributable to shareholders		**(203,485,370)**	(238,188,070)
Weighted average number of Ordinary Shares in issue		**169,501,097**	169,501,097
Basic Loss per share		**(1.20)**	(1.41)

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

	Note	2022 Rs.	2021 Rs.
11 RIGHT TO USE OF LAND			
Cost/Revaluation			
Balance as at 1st January		**227,696,076**	224,562,425
Remeasurement During the Year		**7,480,638**	3,133,651
Balance as at 31st December		**235,176,714**	227,696,076
Accumulated Amortization			
Balance as at 1st January		**122,419,981**	117,972,452
Charge for the Year		**4,721,151**	4,447,529
Balance as at 31st December		**127,141,132**	122,419,981
Carrying value as at 31st December		**108,035,582**	105,276,095

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 18 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 18th 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.

The Company has applied SLFRS 16 "Leases" with effect from 1st January 2019. As a result, the Company has changed its accounting policy for Leases.

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 Badulla 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 2021

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
Total			**4.39**	

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 2022. Accordingly, the transactions pertaining to those acqusitions are incomplete as at 31st December 2022.

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

All immovable assets in the JEDB/SLSPC estates under finance 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.
Cost/Revaluation							
As at 1st January 2021	146,663,085	4,417,562	29,980,829	369,825,000	3,346,579	9,292,578	563,525,633
Revaluation reversal of depreciation	-	-	-	-	-	-	-
Revaluation Gain	-	-	-	-	-	-	-
As at 31st December 2021	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 2022	146,663,085	4,417,562	29,980,829	369,825,000	3,346,579	9,292,578	563,525,633
As at 31st December 2022	**146,663,085**	**4,417,562**	**29,980,829**	**369,825,000**	**3,346,579**	**9,292,578**	**563,525,633**
Accumulated Amortization							
As at 1st January 2021	126,304,368	2,375,533	29,980,829	-	3,178,649	9,292,578	171,131,957
Charge for the Year	5,863,513	83,350	-	26,164,238	111,553	-	32,222,654
Revaluation reversal of depreciation	-						
As at 31st December 2021	132,167,881	2,458,883	29,980,829	26,164,238	3,290,202	9,292,578	203,354,611
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**
Net Carrying Value							
As at 31st December 2021	14,495,204	1,958,679	-	343,660,762	56,377	-	360,171,023
As at 31st December 2022	**9,745,407**	**1,875,329**	**-**	**319,005,762**	**-**	**-**	**330,626,498**

Notes to the Financial Statements

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

Mature Plantations-Tea	30 Years
Unimproved Lands	53 Years
Buildings	25 Years
Plant & Machinery	20 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 13.12.1. The value of Buildings which are carried foward from JEDB/ SLSPC agreement as per Note 12 and subsequent improvement thereon has not been seperately identified, due to inseperable nature and total revaluation gain on Buildings are recognised under Note 13.

The fair value of the Plant & Machinery 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 13.12.1.

13 FREEHOLD PROPERTY, PLANT & EQUIPMENTS

COST/REVALUATION	Life of the Asset Year	As at 01st January 2022	Additions/ Transfer in	Disposals/ Transfer out	Revaluation Gain	As at 31st December 2022	As at 31st December 2021
AT COST							
Land Improvements	49 Years	55,368,872	-	-	-	**55,368,872**	55,368,872
Water Projects & Sanitation	20 Years	25,698,539	-	-	-	**25,698,539**	25,698,539
Equipment	8 Years	70,725,162	6,252,641	-	-	**76,977,801**	70,725,162
Computer	4 Years	11,808,035	2,409,000	-	-	**14,217,035**	11,808,034
Furniture & Fittings	10 Years	5,709,822	352,940	-	-	**6,062,762**	5,709,823
		169,310,428	9,014,581	-	-	**178,325,009**	169,310,430
AT REVALUATION							
Improvements to Buildings	40 Years	784,860,772	7,699,188			**792,559,960**	784,860,772
Plant & Machinery	15/20 Years	474,476,214	10,093,938	-		**484,570,152**	474,476,214
Motor Vehicles	5 Years	181,733,472	9,222,699	-		**190,956,171**	181,733,472
		1,441,070,458	27,015,824	-	-	**1,468,086,283**	1,441,070,458
Capital Work-in-Progress		44,773,608	-	(3,331,609)	-	**41,641,999**	44,773,608
		1,655,154,494	36,030,405	(3,331,609)	-	**1,688,053,292**	1,655,154,496

DEPRECIATION	As at 01st January 2022 Rs.	Charge/ Adjustments for the Year Rs.	On Disposals/ Transfer out Rs.	Acc. Depreciation As at 31st December 2022 Rs.	Carrying Value As at 31st December 2022 Rs.	Carrying Value As at 31st December 2021 Rs.
AT COST						
Land Improvements	17,393,502	1,588,660	-	**18,982,162**	**36,386,710**	37,975,370
Water Projects & Sanitation	23,569,646	385,686	-	**23,955,332**	**1,743,207**	2,128,893
Equipment	43,595,393	5,519,441	-	**49,114,834**	**27,862,966**	27,129,769
Computer	10,651,464	722,339	-	**11,373,803**	**2,843,232**	1,156,570
Furniture & Fittings	4,948,548	103,299	-	**5,051,847**	**1,010,915**	761,275
	100,158,553	8,319,425	-	**108,477,978**	**69,847,030**	69,151,877
AT REVALUATION						
Improvements to Buildings	31,136,813	31,445,788	-	**62,582,601**	**729,977,359**	753,723,959
Plant & Machinery	32,262,825	34,186,186	-	**66,449,011**	**418,121,141**	442,213,389
Motor Vehicles	36,175,319	36,758,569	-	**72,933,888**	**118,022,283**	145,558,153
	99,574,957	102,390,544	-	**201,965,500**	**1,266,120,783**	1,341,495,501
Capital Work-in-Progress	-	-	-	**-**	**41,641,999**	44,773,608
	199,733,510	110,709,968	-	**310,443,478**	**1,377,609,812**	1,455,420,986

Notes to the Financial Statements

13. FREEHOLD PROPERTY, PLANT & EQUIPMENTS (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 12 and 13 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 disclosured 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 2022. (2021 – Nil).

13.5 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2021- Nil)

13.6 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st December 2022 by considering the Impact From Rapid Change In Macro Economic Factors (Note 38) as well Based on the assessment, no impairment provision is required to be made in the financial Statements as at the reporting date in respect of PPE (2021- Nil).

13.7 Fully depreciated property, plant and equipment in use

Property, plant and equipment includes fully depreciated assets with a cost of Rs. 2.43 Mn (31 December 2021- Rs. 2.2 Mn) which were in use during the year.

13.8 Property, plant and equipment pledged as security for liabilities

The value of the property, plant and equipment pledged as security against borrowings are nill.

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 2022.

13. FREEHOLD PROPERTY, PLANT & EQUIPMENTS (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 Charted 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	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. 327 Mn as at 31st December 2022.
Carrying value of revalued Motor Vehicles if carried at historical cost is Rs. 46.48 Mn as at 31st December 2022.
Carrying value of revalued Buildings if carried at historical cost is Rs. 185.98 Mn as at 31st December 2022.

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
Total		**777,543,926**				

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 2 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 31st 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 current market values of revalued motor vehicles range from Rs. 10,000/- to Rs. 12,500,000/-.

14 BEARER BIOLOGICAL ASSETS

14.1 Mature Plantations

Costs	Life of the Assets	As at 1st January 2022 Rs.	Additions/ Transfers in Rs.	Disposals/ Transfers out Rs.	As at 31st December 2022 Rs.	As at 31st December 2021 Rs.
- Tea	33 years	440,395,872	361,992,131	-	**802,388,003**	440,395,872
- Rubber	20 years	41,791,917	29,874,935	-	**71,666,853**	41,791,917
- Coffee	10 years	2,869,329	1,005,843	-	**3,875,172**	2,869,329
- Cloves		-	184,552	-	**184,552**	-
- Cinnamon		-	9,128,283	-	**9,128,283**	-
- Pepper		-	-	-	**-**	-
- Cocoa		-	-	-	**-**	-
		485,057,118	402,185,744	-	**887,242,863**	485,057,118

	Accumulated Depreciation			Carrying Value	
	As at 1st January 2022 Rs.	Depreciation for the Year Rs.	As at 31st December 2022 Rs.	As at 31st December 2022 Rs.	As at 31st December 2021 Rs.
- Tea	222,146,144	13,211,867	235,358,011	**567,029,978**	218,249,728
- Rubber	1,592,087	2,089,596	3,681,683	**67,985,175**	40,199,830
- Coffee	2,869,329	-	2,869,329	**1,005,843**	-
- Cloves	-	-	-	**184,552**	-
- Avacado	-	-	-	**9,128,283**	-
- Pepper	-	-	-	**-**	-
- Cocoa	-	-	-	**-**	-
	226,607,560	15,301,463	241,909,023	**645,333,831**	258,449,558

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 impirment in accordance with LKAS 16-Property,Plant and Equipment.

The immature plants are classified as mature plants when they are ready for commercial harvesting.

14.2 Immature Plantations

	As at 1st January 2022 Rs.	Additions During the Year Rs.	Transfer to Mature During the Year Rs.	Provision for Impairment Rs.	As at 31st December 2022 Rs.	As at 31st December 2021 Rs.
- Tea	562,117,269	135,229,604	(361,992,135)	-	**335,354,738**	562,117,269
- Rubber	60,818,738	983,702	(29,874,941)	(1,876,339)	**30,051,161**	60,818,738
- Coffee	3,425,292	561,911	(1,005,843)	-	**2,981,360**	3,425,292
- Cloves	184,552	-	(184,553)	-	**-**	184,552
- Citrus	80,512	-	-	-	**80,512**	80,512
- Avocado	24,417	-	-	(24,417)	**-**	24,417
- Pepper	1,967,300	293,892	-	-	**2,261,192**	1,967,300
- Cardamom	1,855,334	2,518,713	-	-	**4,374,047**	1,855,334
- Cinnamon	9,128,283	100,942	(9,128,283)	-	**100,942**	9,128,283
	639,601,697	139,688,764	(402,210,173)	(1,900,756)	**375,203,953**	639,601,697
Carrying Value	898,051,255				**1,020,537,793**	

14.3 Provision of Impairment of Immature Plantations

	2022 Rs.	2021 Rs.
Balance as at 1 January	**52,289,947**	43,937,411
Impairment Charge For the Year	**1,900,756**	8,352,536
Balance as at 31 December	**54,190,703**	52,289,947

The Company has performed an impairment assessment on immature biological assets and identified that some of immature plantations are non existing and / or untappable. Accordingly, the management has performed a calculation of provision for impairment on such immature fields based on the costs incurred after considering the recoverable amount of untappable trees based on fair value less cost to sell.

Notes to the Financial Statements

	Note	2022 Rs.	2021 Rs.
15 CONSUMABLE BIOLOGICAL ASSETS -TIMBER PLANTATIONS			
Balance as at 1st January		**3,999,563,151**	3,784,249,791
Increase due to New Planting		**37,828,582**	29,893,403
Decreased due to Harvesting/ Disposal		**-**	(11,414,192)
Gain on Change in Fair Value		**292,988,726**	196,834,149
Balance as at 31st December		**4,330,380,459**	3,999,563,151

15.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr.Weerssinghe Chandrasena,an indipendent incorporated valuation surveyor, using discounted cash flow (DCF) methods.The valuation report dated 31st December 2022 has been prepared based on the physically verified timber staistics provided by the Company.

The future cash flows are determined by referance 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. The Company also insures itself against natural disasters such as floods, landslides and hurricanes.

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.

NON FINANCIAL ASSETS - Consumable Biological Assets

As at 31st December 2022	Date of valuation	Level 1 Rs	Level 2 Rs	Level 3 Rs
Assets measured at fair value				
Consumable Biological Assets- Timber	31st December 2022	-	-	4,330,380,459

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. The appraised fair values are rounded within the range of values

Notes to the Financial Statements

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

Non Financial Assets	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Standing timber older than 4 years.	DCF Method The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree per- tree basis.	Discounting factor	18.5% + 3.5%	The higher the discount rate,the lower the fair value
		Optimum rotation (Maturity)	25-35 Years	Lower the rotation period, the higher the fair value.
		Volume at rotation	25 to 85 lbs Cu. Ft.	The higher the weight the higher the fair value
		Price per Cu. Ft.	Rs. 400/- Rs.700/- per Cu. Ft	The higher the price the higher the fair value
Young Plants (Age less than 4 years)	Cost techniques; 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	Rs. 250,000- Rs. 350,000	The estimated fair value would increase (decrease) if; The estimated cost of infrastructure, cultivation and preparation and buying and planting trees were higher/ (lower).
		- Estimated cost of buying and planting young plants per hectare	Rs. 62,000- Rs. 65,000	

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 meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka.

Key assumption used in the Valuation

1. The harvesting is 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.

Notes to the Financial Statements

15. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS (CONTD.)

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.

Managed Timber	10% Rs.	10% Rs.
As at 31st December, 2022	(433,038,046)	433,038,046
As at 31st December, 2021	(399,956,315)	399,956,315

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.

Managed Timber	-1% Rs.	+1% Rs.
As at 31st December, 2022	255,563,178	(85,066,481)
As at 31st December, 2021	139,082,586	(127,064,618)

16 INVESTMENT IN EQUITY SECURITY - FVOCI

	2022 Rs.	2021 Rs.
Investment in unquoted companies		
Investment in Bogo Power (Pvt) Ltd (3,500,000 Ordinary shares)	**4,013,835**	3,831,734
Fair Value Change during the year	**(17,663)**	182,101
	3,996,172	4,013,835

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 2022, 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. 1.1 per share) basis and the fair value gain / (loss) has been classified as fair value reserve.

Notes to the Financial Statements

17 PRODUCE ON BEARER BIOLOGICAL ASSETS

	2022 Rs.	2021 Rs.
Balance as at 01st January	**1,458,551**	4,671,767
Change in fair value less cost to sell	**6,561,130**	(3,213,216)
Balance as at 31st December	**8,019,681**	1,458,551

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows, Tea- Three days crop (50% of 6 days cycle), Oil palm- five days crop (50% of 10 days cycle) Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea commissioner's formula for bought leaf and the fair value measurement for the produce on bearer biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used. Estimated future tea market price is the significant unobservable input

17.1 Gain /(Loss) On Fair Value Of Biological Assets

	2022 Rs.	2021 Rs.
Change in fair value of consumable biological assets less cost to sell (Note No 15)	**292,988,726**	196,834,149
Change in fair value of produce on bearer biological assets less cost to sell (Note No 17)	**6,561,130**	(3,213,216)
Total change in fair value of biological assets	**299,549,856**	193,620,933

18 INVENTORIES

Input Materials	**86,483,343**	23,290,534
Biological Assets – Nurseries	**14,280,466**	14,673,815
Produce Stock (Tea)	**332,990,253**	275,618,668
Consumables & Spares	**1,847,097**	884,071
	435,601,159	314,467,088

19 TRADE AND OTHER RECEIVABLES

Trade Receivables		
Produce Debtors	**-**	2,580,382
Other Receivables		
Employee Related Debtors	**57,843,574**	48,040,892
Value Added Tax Receivable	**10,850,996**	10,850,996
With Holding Tax Receivable	**11,018,951**	11,018,951
Income Tax Recoverable	**6,517,024**	6,517,024
ESC Receivable	**-**	7,633,330
Deposits and Prepayments	**2,935,246**	7,612,391
ACT Recoverable	**41,034,639**	41,034,639
Other Debtors	**27,569,710**	37,068,831
	157,770,140	172,357,436
Provision for Doubtful Debts	**(63,976,287)**	(63,976,287)
	93,793,854	108,381,149

Notes to the Financial Statements

19.1 Provision for impairment of other receivables

	2022 Rs.	2021 Rs.
Balance at the begining of the year	**63,976,287**	63,976,287
Provision made during the year	**-**	-
Balance at 31st December	**63,976,287**	63,976,287

20 AMOUNTS DUE FROM RELATED PARTIES

Melstacorp PLC	**183,729**	183,729
	183,729	183,729

21 CASH AND CASH EQUIVALENTS

21.1 Favourable balance

Cash at Bank and Cash in Hand	**10,231,874**	5,412,702
	10,231,874	5,412,702

21.2 Unfavorable balance

Bank Overdraft	**(141,835,909)**	(154,876,352)
Cash and Cash Equivalents for the Purpose of Cash Flows	**(131,604,035)**	(149,463,650)

22 STATED CAPITAL

Issued and fully paid number of shares		
Ordinary Shares Including one Golden Share held by the Treasury which has Special right	**169,501,097**	169,501,097
	169,501,097	169,501,097
Value of issued and fully paid shares		
Ordinary Shares Including one Golden Share held by the Treasury which has Special right	**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 improvements to Buildings, motor vehicles,plants & machinery which has been revalued by the company.

	2022 Rs.	2021 Rs.
Balance at the beginning of year	**1,349,934,938**	1,297,144,187
Revaluation Gain (net of tax)	**-**	-
Effect of change in Deferred Tax Rate	**(294,119,903)**	52,790,751
Balance at the end of year	**1,055,815,035**	1,349,934,938

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 year	**2,797,752**	2,615,651
Changes in fair value	**(17,663)**	182,101
Balance at the end of year	**2,780,089**	2,797,752

25 TIMBER RESERVE

The timber reserve relates to valuation of consumable biological assets.

Balance at the beginning of year	**3,779,541,004**	3,594,121,047
Transferred to timber reserve	**292,988,726**	196,834,149
Transferred to retained earning	**-**	(11,414,192)
Balance at the end of year	**4,072,529,730**	3,779,541,004

26 INTEREST BEARING LOANS AND BORROWINGS

26.1 Movement of borrowings during the year.

	Term Loan	Bank Loans	Related party Loans	Finance Lease	2022 Rs. Total	2021 Rs. Total
Balance at the beginning of year	-	180,000,000	3,584,925,081		**3,764,925,081**	3,206,214,506
Obtained during the year	74,440,624	-	130,000,004	-	**204,440,628**	548,000,000
Repaid during the year	(74,440,624)	(180,000,000)	(478,600,000)		**(733,040,624)**	(487,437,573)
Balance as at 31st December	-	-	3,236,325,085	-	**3,236,325,085**	3,266,776,933
Interest payables as at 31 December	-	-	798,665,643	-	**798,665,643**	498,148,148
Total Balance as at 31st December	-	-	4,034,990,728	-	**4,034,990,728**	3,764,925,081

26.2 Analysis of borrowings by year of repayment

	2022 Rs.	2021 Rs.
Repayable within one year		
Term Loans	-	
Bank Loans	-	80,000,000
Related Party Loans	**600,000,000**	498,148,148
	600,000,000	578,148,148
Repayable after one year		
Bank Loans	-	100,000,000
Related Party Loans	**3,434,990,728**	3,086,776,933
Finance Lease	-	0
	3,434,990,728	3,186,776,933
Total Borrowings	**4,034,990,728**	3,764,925,081

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 2022	Repayment terms
Melstacorp PLC (Rs.200Mn)	200,000,000	AWPLR+1.25% (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+1.25% (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+1.25% (Monthly Review)	300,000,000	3,349,278,091	3,649,278,091	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+1% (Monthly Review)	50,000,000	85,712,637	135,712,637	Capital to be repaid after a moratorium of 03 years and interest payable monthly.
			600,000,000	3,434,990,728	4,034,990,728	

Notes to the Financial Statements

27 RETIREMENT BENEFIT OBLIGATIONS

	2022 Rs.	2021 Rs.
Retirement Benefit Obligations	**1,230,186,582**	1,210,160,244
Unclaimed Retiring Gratuity	**54,396,055**	56,710,745
Total Retirement Benefit Obligations	**1,284,582,637**	1,266,870,989

27.1 The movement in the retirement benefit obligation over the year is as follows:

Balance at the beginning of the year	**1,210,160,244**	933,488,065
Interest cost	**139,168,428**	83,861,308
Current Service Cost	**65,492,620**	60,362,916
Actuarial (Gain)/ Loss during the year	**(60,184,673)**	211,869,361
	1,354,636,620	1,289,581,650
Less: Payments made during the year	**(124,450,037)**	(79,421,406)
	1,230,186,582	1,210,160,244
Unclaimed Retiring Gratuity		
Balance at the beginning of the year	**56,710,745**	59,378,459
Less: Payments made during the year	**(2,314,690)**	(2,667,714)
Total Unclaimed Retiring Gratuity	**54,396,055**	56,710,745
Balance at the end of the year	**1,284,582,637**	1,266,870,989

27.1.1 Provision recognized in the statement of Profit or Loss

Interest cost	**139,168,428**	83,861,308
Current Service Cost	**65,492,620**	60,362,916
	204,661,048	144,224,224

27.1.2 Provision recognized in the statement of other comprehensive income

Actuarial loss/(gain) during the year	**(60,184,673)**	211,869,361
	(60,184,673)	211,869,361

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2022 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.

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

Within the next 12 months	**201,996,891**	196,017,813
Between 1- 2 years	**170,674,320**	150,070,722
Between 2 and 5 years	**232,413,826**	224,398,626
Beyond 5 years	**679,497,598**	696,383,828
	1,284,582,635	1,266,870,989

Notes to the Financial Statements

The key assumptions used by Messers.Actuarial & Management Consultants (Pvt) Ltd include the following.

		2022	2021
(i)	Rate of Interest	**18.50%**	11.50%

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rates are considered appropriate to be in line with the Company's targeted future & historical salary increments, when taking into account the current market conditions and inflation rate.

(ii)	Rate of Salary Increase		
	Staff (p.a.)	**16.50%**	7.50%
	Workers	**15.00%**	9.00%
(iii)	Retirement Age		
	Workers	**60 years**	60 years
	Staff	**60 years**	60 years
(iv)	Staff Turnover	**10%**	10%
(v)	The Company will continue as a going concern		

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 7.17 years and 8.89 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 2022 is Rs. 1,210.2 Mn (2020: Rs.933.5 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 "Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used.The sensitivity was carried for the change of discount rate and salary/ wage escalation rate. Simulation made for retirment obligation show that a rise or decrease by 1% of the discount rate and salary/wage has the following effect on the retirment benefit obligation.

	2022		2021	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	1%	1%	1%	1%
Impact on defind benefit obligation Rs.	**(83,324,396)**	**94,571,915**	(90,228,321)	103,581,482

	2022		2021	
Future Salary Increment rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	1%	1%	1%	1%
Impact on defined benefit Obligation Rs.	**98,481,218**	**(87,891,657)**	107,433,263	(94,925,002)

Notes to the Financial Statements

28 DEFERRED TAX

	2022 Rs.	2021 Rs.
Deferred tax assets (Note 28.1)	**(790,116,806)**	(274,681,159)
Deferred tax liability (Note 28)	**1,695,676,100**	576,032,162
Net Deferred tax liability	**905,559,295**	301,351,003

28.1 Deferred tax assets

Balance at the Beginning of the year	**274,681,159**	443,585,429
Originated/ (reversed) during the year-recognized in profit or loss	**23,368,896**	(80,254,196)
Originated during the year recognized in other comprehensive income	**(18,055,402)**	22,246,283
Effect of rate change	**510,122,152**	(110,896,357)
Balance as at 31st December	**790,116,806**	274,681,159

28.2 Deferred tax liabilities

Balance at the Beginning of the year	**576,032,162**	903,731,594
Originated/ (reversed) during the year-recognized in profit or loss	**49,869,923**	(101,766,533)
Originated during the year recognized in other comprehensive income	**-**	
Effect of rate change	**1,069,774,015**	(225,932,899)
Balance as at 31st December	**1,695,676,100**	576,032,162

28.3 Provision for the year

Deferred tax (reversal) / charged to profit or loss		
Due to change in the effective tax rate	**265,531,960**	(62,245,790)
Due to change in the temporary differences	**26,501,027**	(21,512,338)
	292,032,987	(83,758,128)
Deferred tax (reversal) / charged to other comprehensive income		
Due to change in the effective tax rate	**294,119,903**	(52,790,751)
Due to change in the temporary differences	**18,055,402**	(22,246,283)
	312,175,305	(75,037,034)

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 10 of 2021. The deferred tax liability is calculated at the rate of 30% (2021-10.5%) for the company as at 31st December 2022. The Corporate tax rate increment from 10.5% to 30%. resulted in an additional charge of LKR 559,651,863/- related to the remeasurement of deferred tax liability of the Company.

Notes to the Financial Statements

	2022		2021	
	Temporary Differences Rs.	Tax Effect Rs.	Temporary Differences Rs.	Tax Effect Rs.
Deferred Tax Liability				
Temporary difference on PPE	**1,474,282,561**	**442,284,768**	1,488,293,366	156,270,803
Temporary difference on Bearer Biological Assets	**1,010,231,931**	**303,069,579**	873,629,991	91,731,149
Temporary difference on Consumable Biological Assets	**3,156,893,187**	**947,067,956**	3,112,257,485	326,787,036
Temporary difference on Produced on bearer Bilogical Assets	**8,019,681**	**2,405,904**	1,458,551	153,148
Temporary difference on Net Lease Liability	**2,826,307**	**847,892**	10,381,198	1,090,026
As at 31st December	**5,652,253,667**	**1,695,676,100**	5,486,020,590	576,032,162
Deferred Tax Assets				
Temporary difference on Provision for dabutful Debts	**(63,976,429)**	**(19,192,929)**	(63,976,429)	(6,717,525)
Temporary difference on retirement benefit obligation	**(1,284,582,636)**	**(385,374,791)**	(1,266,870,989)	(133,021,454)
Carried forward tax losses	**(1,285,163,620)**	**(385,549,086)**	(1,285,163,620)	(134,942,180)
As at 31st December	**(2,633,722,685)**	**(790,116,806)**	(2,616,011,038)	(274,681,159)
Net Deferred Tax Liability as at 31st December	**3,018,530,982**	**905,559,295**	2,870,009,552	301,351,003

28.5 Unrecognised deferred tax assets

The Deferred Tax assets have been recognised in the Financial Statements to the extent of forecasted profit. The Company has not recognized the deferred tax assets on following accumulated tax losses since it is not probable that future taxable profits will be available against which the Company can utilise the benefit therefrom.

	2022		2021	
	Temporary Differences Rs.	Tax effect on temporary differences Rs.	Temporary Differences Rs.	Tax effect on temporary differences Rs.
Carried forward tax losses	**1,696,311,510**	**508,893,453**	2,307,611,800	242,299,239
	1,696,311,510	**508,893,453**	2,307,611,800	242,299,239

29 DEFERRED GRANTS AND SUBSIDIES

	2022 Rs.	2021 Rs.
Balance at the beginning of the year	**128,623,786**	132,710,114
Grants Received during the year	**-**	1,180,400
	128,623,786	133,890,514
Amortization for the year	**(5,265,335)**	(5,266,728)
Balance at the end of the year	**123,358,451**	128,623,786

Notes to the Financial Statements

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 and Other Comprehensive Income over the useful life of the respective assets.

30 NET LIABILITY TO LESSOR OF JEDB/SLSPC ESTATES

	2022 Rs.	2021 Rs.
Gross Liability		
At the beginning of the year	**94,894,897**	92,343,742
Remeasurement of Right-of-Use Asset	**7,480,638**	3,133,651
	102,375,535	95,477,393
Interest charges for the year	**13,199,359**	12,438,914
Payments made during the year	**(10,365,613)**	(13,021,410)
Total Net Liability	**105,209,281**	94,894,897
Maturity analysis of lease liability		
Current	**16,745,016**	12,236,681
Non Current	**88,464,265**	82,658,216
Total	**105,209,281**	94,894,897

30.1 Leasehold rights can be analysised as follows

Amount Payable within One Year	**16,745,016**	12,236,681
Amount Payable after One Year and Less than Five Years	**34,857,929**	35,647,798
Amount Payable More than Five Years	**53,606,336**	47,010,418
Total Net Liability	**105,209,281**	94,894,897
Amounts recognised in statement of profit or loss and other comprehensive income		
Interest on lease liability	**13,199,359**	12,438,914
Amortization of Leasehold right to Bare Land of JEDB / SLSPC Estates	**4,721,151**	4,447,529
Amount recognized in statement of cashflows		
Total cash outflows for leases	**10,365,613**	13,021,410
Maturity analysis of contractual undiscounted cashflows		
Within one year	**17,708,195**	13,129,340
1-2 years	**14,166,556**	13,129,340
2-5 Years	**42,499,668**	39,388,020
More than 5 years	**251,456,369**	239,610,455
	325,830,788	305,257,155

Notes to the Financial Statements

31 TRADE AND OTHER PAYABLES

	2022 Rs.	2021 Rs.
Trade Creditors	**132,868,535**	71,406,684
Others Creditors	**27,702,514**	50,303,679
Employee Related Creditors	**244,373,962**	250,460,260
Accrued Expenses	**17,194,727**	20,891,167
	422,139,738	393,061,790

32 AMOUNTS DUE TO RELATED PARTIES

Stassen Exports (Pvt) Limited	**6,487,348**	20,421,397
Balangoda Plantations PLC	**7,174,172**	6,295,583
Distilleries Company of Sri Lanka Limited	**72,904,658**	48,133,994
Fourmula world	**1,390,142**	3,236,851
Belventage Pvt Ltd	**1,642,857**	720,752
Bogo Power (Pvt) Limited	**819,507**	2,544,532
Melsta Technologies Pvt Ltd.	**500**	500
	90,392,184	81,353,609

33 CAPITAL COMMITMENTS

Capital Commitments as at the reported date Budgeted, but not provided for	**404,693,173**	260,693,376
Total	**404,693,173**	260,693,376

34 CONTINGENCIES

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.

35. 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:

35.1 Transactions with the Parent and Related entities.

Company	Relationship	Nature of Transaction	Transaction Amount		Balance as at 31st December	
			2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Melstacorp PLC	Parent Company	Loan & Interest Settlements Reimbursement of expenses	771,707,420 (198,600,000) -	781,599,764 (122,295,006)	3,899,278,091	3,326,170,671
Other Related Parities						
Stassen Exports (Pvt) Ltd	Related Company	Rent of Colombo Office Reimbursement of expenses Settlements	17,604,330 - (31,538,378)	2,280,000 20,941,664 (3,539,729)	6,487,348	20,421,397
Balangoda Plantations PLC	Related Company	Fertilizer supplied Reimbursement of expenses Settlements	11,188,766 (10,337,177) -	- 9,626,615 (10,711,820)	7,147,172	6,295,583
Distilleries Company of Sri Lanka PLC	Related Company	Factory Machinery Purchase Vehicle expenses Settlements	53,476,591 (28,705,928)	- 3,086,943	72,904,658	48,133,994
Bogo Power (Pvt) Ltd	Related Company	Settlements Withholding Tax Deduction Maintenance expenses	(2,977,175) (750,000) 2,002,150	- 23,638,000 (24,126,548)	819,507	2,544,532
Milford Exports Ceylon (Pvt) Ltd	Related Company	Loan & Interest Loan Interest Paid	26,958,227 (150,000,000)	14,600,548 -	135,712,637	258,754,410
Melsta Technologies (Pvt) Ltd	Related Company	IT Services Settlements	-	- (929,337)	500	500
Belventage Pvt Ltd	Related Company	Implementation Fees Settlements	922,105	- (2,527,574)	1,642,857	720,752
Formula world (Pvt) Ltd	Related Company	Implementation Fees Settlements	6,198,256 (4,808,114)	- -	1,390,142	3,236,851

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

Notes to the Financial Statements

35.2 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.

35.3 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 31st December 2022 audited Financial Statements.

35.4 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 31st December 2022 audited Financial Statements. Details of related party disclosures are as follows,

Company	Relationship	Nature of transaction	Amount	
For the year ended 31 December			**2022 Rs.**	**2021 Rs.**
Melstacorp PLC	Parent Company	Loans & Interest	781,599,764	781,599,764
		Revenue as per latest audited financial statements	4,172,567,832	3,099,649,285
		Percentage on revenue	19%	25%

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

35.5 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.

	2022 Rs.	2021 Rs.
Short term employment Benefits	11,873,611	10,618,750

35.6 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

36 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 2022 are disclosed below.

Notes to the Financial Statements

The funds borrowed by the Company are given in Note 26.

	2022 Rs.	2021 Rs.
Balance as at 01st January	**3,764,925,081**	3,456,162,346
Net Cash Flows from Financing Activities	**(538,965,609)**	60,562,427
Non Cash Changes	**809,031,256**	248,200,308
Balance as at 31st December	**4,034,990,728**	3,764,925,081

37 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosures in the financial statements other than following,

38 Impact from Rapid Change in Macro Economic Factors

The Macro Economic Environment of Sri Lanka
The Company's operations are in Sri Lanka that has been witnessing, severe events that have set off an interconnected fiscal, monetary and economic crisis and as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of 'Default Imminent (C)' when, on April 12th, 2022, the Sri Lankan Government announced that it will withhold payment on the bonds due and discontinuation of payments on all of its foreign debts.

Due to drastic decrease in foreign reserves of Sri Lanka, Central bank of Sri Lanka decided to float the rupee from 10th March 2022 and as a further measurement, the CBSL increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022. These changes in underlying economic factors have fluctuated the prices of inputs and outputs of the company and the plantation industry as elaborated below.

This has resulted in an uncontrolled rise in prices and the drastic depreciation of the Sri Lankan Rupee, impacting intensely the purchasing power of the Sri Lankan citizens, driving a currency crisis, high inflation and rise in the consumer price index.

Impact on Internal Operations & Business Continuity
Since March 2022, the impact on cash flow considerably improved with the higher tea prices gained in auctions due to depreciation of rupee and demand exceeding the supply resulted from relatively lower tea crop in first quarter in 2022 with similar trend is envisaged during the short term period of future inflation. Prices of Inputs such as fertilizer, packing materials, fuel etc. resulted increase in cost of production to some extent. However, increase in sale prices exceeding the increase in running costs mainly arose from outsourced material and with brought forward buffer stock of fertilizer, fuel, and packing material prior to price hikes shielding the company to control the cost escalations to a limited extent , survive logistics and supply chain challenges to a certain extent during market shortages. These net gains were used to strengthen the working capital . The GOSL decision of Reversal of chemical fertilizer ban, possible re-introduction of fertilizer subsidy and low interest loans scheme for fertilizer purchase & replanting will further reduce the impact in future.

Impact on Assets & Impairments
As a result of the steps taken by company, Company could maintain the standard operations without causing disturbance to performance of the company and its assets. Therefore, no requirement arose on impairment of Financial and Non-Financial Assets of the company while the Company has improved the plant and machinery for serving a better quality of tea to the market.

Company's responses on the impact on the future operations and the financial condition of the Company
The Management closely monitor and develop mitigating factors for potential downside risks to the business that can arise due to rapid changes in macro-economic factors and will continue to strengthen the working capital ,humanitarian sustainability initiative and cost mitigating factors to continue the business operations without any disruption, while timely addressing the new opportunities and threats arising from the situation.

39. 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.

As at 31st December 2022	Financial assets at amortised cost	FVTOCI - Equity Instruments	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment in Equity Securities- FVOCI	-	3,996,172	-	**3,996,172**	-	-	3,996,172	3,996,172
Financial assets not measured at fair value								
Trade and other receivables	57,843,544	-	-	**57,843,544**	-	-	-	-
Amounts due from related party	4,516,577	-	-	**4,516,576**	-	-	-	-
Cash at banks and in hand	10,231,874	-	-	**10,231,874**	-	-	-	-
Total financial assets	**108,542,307**	**3,996,172**	**-**	**112,538,473**	**-**	**-**	**3,996,172**	**3,996,172**
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	-	4,034,990,728	**4,034,990,728**	-	-	-	-
Trade and other payables	-	-	422,139,746	**422,139,745**	-	-	-	-
Amount due to related parties	-	-	94,725,0321	**94,725,0321**	-	-	-	-
Lease liability to SLSPC and JEDB	-	-	105,209,281	**105,209,281**	-	-	-	-
Bank overdrafts	-	-	141,835,909	**141,835,909**	-	-	-	-
Total financial liabilities	**-**	**-**	**4,798,900,694**	**4,798,900,694**	**-**	**-**	**-**	**-**

Notes to the Financial Statements

As at 31st December 2021	Financial assets at amortised cost	FVTOCI - Equity Instruments	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment in Equity Securities- FVOCI	-	4,013,835	-	**4,013,835**	-	-	4,013,835	4,013,835
Financial assets not measured at fair value								
Trade and other receivables	50,621,274	-	-	**50,621,274**	-	-	-	-
Amounts due from related party	183,729	-	-	**183,729**	-	-	-	-
Cash at banks and in hand	5,412,702	-	-	**5,412,702**	-	-	-	-
Total financial assets	**113,977,580**	**4,013,835**	**-**	**117,991,415**	**-**	**-**	**4,013,835**	**4,013,835**
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	-	3,764,925,081	**3,764,925,081**	-	-	-	-
Trade and other payables	-	-	393,061,790	**393,061,790**	-	-	-	-
Amount due to related parties	-	-	81,353,609	**81,353,609**	-	-	-	-
Lease liability to SLSPC and JEDB	-	-	94,894,897	**94,894,897**	-	-	-	-
Bank overdrafts	-	-	154,876,352	**154,876,352**	-	-	-	-
Total financial liabilities	**-**	**-**	**4,489,111,729**	**4,489,111,729**	**-**	**-**	**-**	**-**

Notes to the Financial Statements

40 FINANCIAL RISK MANAGEMENT

40.1 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

40.2 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.

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

	2022 Rs.	2021 Rs.
Trade and Other Receivables	**57,843,574**	50,621,274
Amounts due from Related Companies	**4,516,576**	183,729
Cash and Cash Equivalents	**10,231,874**	5,412,702
	108,542,301	113,977,580

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

40.2.1 Trade and Other Receivables

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 31st December 2022 is as follows.

Trade receivables		
Neither past due not impaired	**-**	2,580,382
Total not impaired trade receivables	**-**	2,580,382

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customer operates.

The Company limits the exposure to credit risk from the trade receivables due to the establishment of a maximum payment period of seven days from the tea brokers.

The Company's customers have been transacting with the Company for over the many years, and none of these customers' balances have been written off or are credit impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company trades only with recognised, credit-worthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the results that the Company's exposure to bad debts is not significant.

40.2.2 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.

40.2.3Cash and Cash Equivalents

The Company held cash at bank of Rs. 10.2 Mn as at 31st December 2022 (31st December 2021 - Rs.5.4 Mn) which represent its maximum credit exposure on these assets. The cash at bank with counterparties, which are reted AA- / AAA, based on fitch ratings.

40.3 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."

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.
As at 31st December 2022							
Interest bearing loans & borrowing	4,034,990,728	4,988,096,613	-	1,000,643,619	393,179,619	3,594,273,375	-
Trade & other payables	422,139,745	422,139,745	422,139,745	-	-	-	-
Amount due to related companies	94,725,031	94,725,031	94,725,031	-	-	-	-
Bank Overdraft	141,835,909	141,835,909	141,835,909	-	-	-	-
Lease Liability to – SLSPC and JEDB	105,209,281	329,372,427	-	17,708,195	17,708,195	42,499,668	251,456,369
	4,798,900,694	5,976,169,725	658,700,686	1,018,351,814	410,887,814	3,636,773,043	251,456,369
As at 31st December 2021							
Interest bearing loans & borrowing	3,764,925,081	4,886,244,761	-	898,791,767	393,179,619	3,594,273,375	-
Trade & other payables	393,061,790	393,061,790	393,061,790	-	-	-	-
Amount due to related companies	81,353,609	81,353,609	81,353,609	-	-	-	-
Bank Overdraft	154,876,352	154,876,352	154,876,352	-	-	-	-
Lease Liability to – SLSPC and JEDB	94,894,897	305,257,155	-	13,129,340	13,129,340	39,388,020	239,610,455
	4,489,111,729	5,820,793,667	629,291,751	911,921,107	406,308,959	3,633,661,395	239,610,455

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.

40.4 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.

40.4.1 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 Stated Dollar. (USD)
Since the frequency of the transaction done in foreign currencies is very low, the company is not export to a higher degree of currencies risk.

40.4.2 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.

	As at 31st December 2022			As at 31st December 2022		
	Variable interest rate Rs.	Fixed interest rate Rs.	Total Rs.	Variable interest rate Rs.	Fixed interest rate Rs.	Total Rs.
Financial liabilities						
Loans and borrowings	3,236,325,085	-	3,236,325,085	3,266,776,932	-	3,266,776,932
Bank Overdraft	141,835,909	-	141,835,909	154,876,352	-	154,876,352
Maximum exposure	3,378,160,994	-	3,378,160,994	3,307,892,477	-	3,307,892,477

Notes to the Financial Statements

(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 2022		As at 31st December 2021	
	Variable-rate		Variable-rate	
	Impact on PBT	Impact on equity	Impact on PBT	Impact on equity
Increase in 100 basis points				
Financial liabilities				
Loans and borrowings	**(32,363,251)**	**(22,654,276)**	(32,667,769)	(28,094,282)
Bank Overdraft	**(1,418,359)**	**(992,851)**	(1,548,764)	(1,331,937)
	(33,781,610)	**(22,654,276)**	(34,216,553)	(29,426,219)
Decrease in 100 basis points				
Financial assets / liabilities				
Loans and borrowings	**32,363,251**	**22,654,276**	32,667,769	28,094,282
Bank Overdraft	**1,418,359**	**992,851**	1,548,764	1,331,937
	33,781,610	**29,052,185**	33,781,764	29,052,185

40.4.3 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.

	2022 Rs.	2021 Rs.
Interest bearing borrowing		
Total Liabilities	**7,112,401,075**	6,185,957,507
Less:Cash and cash equivalents	**(10,231,874)**	(5,412,702)
Net Debt	**7,102,169,201**	6,180,544,805
Equity	**610,948,391**	1,066,442,056
Gearing ratio	**11.62**	5.80

Shareholder and Investor Information

Stock Exchange Listing

The issued Ordinary shares of Madulsima Plantations PLC arevlisted with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31st December 2022 have been submitted to the Colombo Stock Exchange.

Distribution of shareholdings as at 31 st December 2022				
No. of Shares Held	No. of Share Holders	No. of Share Holders	Total Holdings %	Total Holdings %
1-1,000	18,627	97.21	2,811,172	1.66
1,001-10,000	429	2.24	1,461,656	0.86
10,001-100,000	95	0.50	2,847,865	1.68
100,001-1,000,000	7	0.04	1,364,740	0.81
1,000,001-& Over	3	0.02	161,015,664	94.99
Grand Total	19,161	100.00	169,501,097	100

Categories of Share Holders				
No. of Shares Held	No. of Share Holders	No. of Share Holders	Total Holdings %	Total Holdings %
Individuals	19,059	99.47	6,685,569	3.94
Institutions	102	0.53	162,815,528	96.06
Grand Total	19,161	100.00	169,501,097	100.00
Residents	19,151	99.95	169,197,755	99.82
Non- Residents	10	0.05	303,342	0.18
Grand Total	19,161	100.00	169,501,097	100.00

Market of Statistics		
	31st December 2022	31st December 2021
Number of shares	169,501,097	169,501,097
Earning/(Loss) per Share Rs	(1.20)	(1.41)
Net Asset Per Share Rs	3.60	6.29
Dividend Per Share Rs	-	-
Highest Share Price Rs	19.9	17.10
Lowest Share Price Rs	6.5	7.40
Closing Share Price Rs	11.3	12.60

Shareholder and Investor Information

Twenty Five Major Shareholders as at 31st December 2022			
No	**NAME**	**No. of Shares**	**%**
1	MELSTACORP PLC	94,429,833	55.71
2	STASSEN EXPORTS (PVT) LIMITED	62,785,831	37.04
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	239,844	0.14
6	MR. T.D.P. MADURANGA	187,732	0.11
7	DEUTSCHE BANK AG SINGAPORE A/C 2 (DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE- PWM WM CLIENT)	149,090	0.09
8	PEOPLE'S LEASING & FINANCE PLC/MR.W.M.D.I.P. ABEYRATHNE	138,950	0.08
9	SEYLAN BANK PLC/SENTHILVERL HOLDINGS (PVT) LTD	117,772	0.07
10	MR. M.S.M.S. MUEEN	102,988	0.06
11	MR. A.V.R. DE SILVA JAYATILLEKE	100,000	0.06
12	ENTERPRISE CEYLON CAPITAL (PRIVATE) LIMITED (STOCK DEALER)	100,000	0.06
13	PMF FINANCE PLC/ H.A.U. CHAMINDA	94,000	0.06
14	SAMPATH BANK PLC/HI-LINE TRADING (PRIVATE) LIMITED	85,000	0.05
15	MR. H.M. IBRAHIM	82,779	0.05
16	MR. M.Z.M. AASHATH	80,000	0.05
17	MR. M.R. LAFFIR	73,289	0.04
18	MRS. M. DE ZOYSA	65,101	0.04
19	MR. H.D.A. PREMALAL	64,010	0.04
20	MR. P.M. PATHIRAJA	63,624	0.04
21	MR. G.V. SANJAYA	60,124	0.04
22	MRS. J.K.P. SINGH	60,000	0.04
23	BANSEI SECURITIES CAPITAL (PVT) LTD/D.G SANJEEWA	55,100	0.03
24	DR. G.S. PERERA	50,343	0.03
25	MR. Z.G. CARIMJEE	50,000	0.03
26	MR. I.P. GALHENAGE	50,000	0.03
		163,513,774	**96**
	Others	**5,987,323**	**3.52**
	Total	**169,501,097**	**100.00**

1) The Percentage of ordinary shares held by the public was 7.25% (2021- 6.51%) of the issued share capital as at 31st December 2022.

2) Total number of shareholders representing the public holds are 19,158.

3) The float adjusted market capitalization as at 31st December 2022 is Rs. 138,809,324.30.

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 compiled with the minimum public holdings requirement applicable under the said option.

Performance of Estates 2022 and 2021

Estate	Elevation	Year	Tea Extent ha	Total Crop kg	Yield kg/ha	COP Rs/kg	NSA Rs/kg
Battawatte	Uva High	2022	184	421,199	935	1161	1081
		2021	181	585,197	1237	598	523
Cocogalla	Uva High	2022	126	116,348	813	1353	988
		2021	124	146,538	1091	682	511
El Teb	Uva Medium	2022	298	475,830	977	1142	1054
		2021	318	694,339	1176	624	548
Galloola	Uva High	2022	121	90,707	744	1016	1023
		2021	120	120,176	1005	621	533
Mahadowa	Uva High	2022	444	360,918	738	1162	929
		2021	443	558,932	1026	651	522
Roeberry	Uva Medium	2022	415	471,053	879	1041	962
		2021	408	578,179	1088	620	508
Uvakellie	Uva High	2022	163	148,574	898	912	1066
		2021	161	189,714	1138	581	535
Verellapatna	Uva High	2022	217	409,760	1535	935	1007
		2021	224	608,100	1956	538	530
Kew	Western High	2022	304	278,211	915	1250	1068
		2021	303	376,991	1219	808	577
Kirkoswald	Western High	2022	458	406,678	865	1399	1092
		2021	481	657,118	1051	784	576
Theresia	Western High	2022	297	287,649	949	1161	1049
		2021	295	375,085	1217	731	558
Venture	Western High	2022	231	266,733	1079	1111	1084
		2021	237	361,766	1333	706	558
Company		2022	3257	3,733,660	931	1140	1032
		2021	3293	5,252,135	1191	660	541

Statement of Value Addition

	Year ended 31.12.2022		Year ended 31.12.2021	
	%	Rs.'000	%	Rs.'000
REVENUE		**4,172,568**	-	3,099,649
Other Income		**47,462**	-	100,790
Total Revenue		**4,220,029**	-	3,200,439
Cost Of Materials and Services Bought		**1,199,826**	-	1,148,457
Value Addition	**100**	**3,020,203**	100	2,210,393
DISTRIBUTION OF VALUE ADDITION				
A To Employee as remuneration	**73**	**2,190,807**	91	2,007,904
B To Government at taxes	**-**	**-**	-	-
C To Lenders of Capital as Interest	**29**	**872,605**	13	283,220
D to Shareholders as Dividends	**-**	**-**		-
E Retained in Business	**-**	**-**		-
E1 provision for Depreciation	**5**	**160,277**	7	157,457
E2 Profit / (Loss) Retained	**(7)**	**(203,485)**	(11)	(238,188)
		3,020,203		2,210,393

Financial Information

	2022	2021	2020	2019	2018
Revenue	**4,172,568**	3,099,649	2,832,067	2,006,977	2,144,945
Profit before income tax expense	**88,548**	(321,946)	(132,077)	(781,066)	(425,166)
Income Tax Expense	**(292,033)**	83,758	(68,818)	17,358	(175,033)
Profit after income Tax Expense	**(203,485)**	(238,188)	(200,895)	(763,709)	(600,199)
Profit/(loss)brought forward	**(5,690,592)**	(5,077,361)	(4,693,769)	(3,740,607)	(2,900,407)
Dividend	**-**	-		-	-
Retained Earnings/(loss)	**(6,144,937)**	(5,690,592)	(5,077,361)	(4,693,769)	(3,740,607)
Non Current Assets	**7,171,186**	6,822,496	6,571,936	5,596,438	5,296,897
Current assets	**547,830**	429,903	551,372	450,870	464,535
Current Liabilities	**1,271,112**	1,219,677	1,106,688	695,024	643,483
Defered income	**123,358**	128,624	132,710	138,073	143,390
Non current lliabilities	**5,836,955**	4,966,281	4,575,340	4,404,374	3,313,878
Net Assets	**1,215,157**	1,066,442	1,441,280	947,909	1,804,071
Share Capital	**1,624,761**	1,624,761	1,624,761	1,624,761	1,624,761
Timber Reserve	**4,072,530**	3,779,541	3,594,121	3,376,701	3,220,459
Revaluation Reserve	**1,055,815**	1,349,934	1,297,144	637,258	637,257
Retained Profit/(Loss)	**(6,144,937)**	(5,690,592)	(5,077,361)	(4,693,769)	(3,681,606)
Fair value through OCI reserve	**2,780**	2,798	2,616	2,959	3,199
Share holder's funds	**923,124**	1,066,442	1,441,280	947,909	1,804,072
Number of shares (000)	**169,501**	169,501	169,501	169,501	169,501
Earning/(Loss)per share (Rs)	**(1.20)**	(1.41)	(1.19)	(4.51)	(3.54)
Dividend per share (Rs)	**-**	-	-	-	-
Net Assets per shares (Rs)	**3.60**	6.29	8.50	5.59	10.64

District Wise Performance	2022	2021	2020	2019	2018
Total Production Kgs.					
Madulsima	**2,494,389**	3,481,175	3,663,016	2,668,868	2,750,106
Bogawantalawa	**1,239,271**	1,770,960	1,421,195	1,450,490	1,394,128
Total	**3,733,660**	5,252,135	5,084,211	4,119,358	4,144,234
Estate Crop Kgs					
Madulsima	**1,827,640**	2,373,620	2,285,484	1,718,233	1,653,172
Bogawantalawa	**1,204,911**	1,547,992	1,386,475	1,435,694	1,371,986
Total	**3,032,551**	3,921,612	3,671,959	3,154,197	3,025,158
Yield Kg/ha					
Madulsima	**929**	1,199	1,110	810	765
Bogawantalawa	**934**	1,178	1,027	1,037	973
Total	**931**	1,191	1,077	900	847
COP Rs/kg					
Madulsima	**867**	556	593	675	626
Bogawantalawa	**1,007**	706	796	804	771
Total	**914**	607	649	720	680
NSA Rs/kg					
Madulsima	**1,011**	527	529	459	519
Bogawantalawa	**1,075**	569	565	476	556
Total	**1,032**	541	539	465	532
Profit/(Loss)Rs/kg					
Madulsima	**(75)**	(81)	(64)	(216)	(107)
Bogawantalawa	**(173)**	(193)	(231)	328	(215)
Total	**(108)**	(119)	(110)	(255)	(148)

Notes

Form of Proxy

I/We.....of.....
.....being a member /members of 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 Thirtieth (30th) Annual General Meeting of the Company will be held as a **"Virtual Meeting"** at the Auditorium Melstacorp PLC **at 11.00 on Thursday, 29th June 2023,** 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 in accordance with 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 2022 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 80 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 70 years at 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 80 years prior to the Annual General Meeting and that he shall accordingly be re-appointed	☐	☐
5)	To re-elect Mr M A N Sampath Perera at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.	☐	☐
6)	To re-elect Mr K Dayaparan at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.	☐	☐
7)	To re-elect Mr D S K Amarasekera 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.	☐	☐
8)	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.	☐	☐

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

.....
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**, or **facsimile on +94 11 2540333** or by post to the registered address of the Company, Madulsima Plantations PLC. # 833, Sirimavo Bandaranaike Mawatha, Colombo 14, Sri Lanka **not less than forty eight (48) hours before the time fixed for the meeting.**

Please provide the following details (mandatory):

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

Folio No :.....

E.mail address of the Shareholder/(s) or proxy holder

(other than a Director appointed as proxy) :.....

Mobile No : .....

Fixed Line : .....

Notes

MADULSIMA PLANTATIONS PLC

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