

Heladiv[®]

TEA FROM PARADISE



VISION

Our Vision is to make HVA FOODS PLC a truly global company dealing in every kind of tea & tea-based products.

MISSION

To drive the flagship brand HELADIV to win customer confidence and loyalty in tea and tea-based products in all corners of the world, thereby empowering HVA FOODS PLC to reach its objectives.

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ABOUT US

HELADIV stems from the word Heladiva, symbolising a product that is home-grown and synonymous with Ceylon Tea. HELADIV also connotes taking pride and distinction in an indigenous product while serving the needs of the modern marketplace.

Registered as a brand in over 40 countries around the world, HELADIV has also been a pioneer in product development in keeping with the dynamic changes taking place in the global marketplace. So much so that it has carved out a special niche for itself in the international arena.

SYMBOLISING PRODUCT EXCELLENCE AND CUSTOMER CONFIDENCE

All teas packed under the HELADIV brand carry a guarantee of product quality. The Heladiv 'Pure Ceylon Tea' varieties are also branded with the Lion emblem, the recognised seal of guarantee for single origin tea blends.

Sri Lanka is an identified 'ozone-friendly' nation compliant with all protocols associated with the reduction of harmful chemicals that consume the ozone layer as well as zero use of prohibited chemicals in Sri Lankan tea plantations. Ceylon Tea is currently among the cleanest produced in the world and consequently, the Heladiv 'Pure Ceylon Tea' range proudly carries the ozone friendly Earth symbol logo on its packs.

At the HVA production facility, we observe the 'good earth policy' focusing on the conservation of energy, nominal wastage, re-use of waste with zero emissions and therefore the protection of fauna and flora. These principles are inherent in all we do at Heladiv. The HVA cluster carefully adheres to the Company ethics elaborated elsewhere in this annual report. The Company has enjoyed excellent industrial harmony over the years; an affidavit to our continued application of moral values at each level and therefore the reason why we term our products 'guilt-free'.

Tea is a fine liquid that helps maintain a balanced life-style. New analysis has emerged on the therapeutic and curative properties of tea, which is considered be wealthy in antioxidants. Our analysis and development department continuously analyses our teas to balance taste,

observe chemical residue and guarantee purity. Our products are pure and health-supportive and aid in healthy living. This is often an extra strength when promoting our product through major supermarkets and independent stores around the world. Globally-recognised certifications guarantee fair costs to customers and fair trade premiums to the manufacturer.

The Rainforest Alliance Certified seal assures customers that the merchandise they're getting has been grown and harvested using environmentally and socially accountable practices. HVA works to conserve diversity and improve livelihoods by implementing globally recognised sustainability standards in its many business areas.

USDA Organic is a labelling term that indicates that food or alternative agricultural products are created through approved mechanisms that integrate cultural, biological, and mechanical practices that recycle resources, promote ecological balances and conserve bio diversity. Under this, Artificial fertilisers, sewage sludge, irradiation and genetic engineering may not be used.

Organic EU adheres to the strictest EU legal provisions for sustainable farming and prime quality food product provision to EU market, responding to citizens' growing expectations for food to be environmentally sustainable and healthy. It additionally confirms that products bearing this logo have not originated through Genetically Modified Organisms (GMO).

"Halal" is an Arabic word which suggests lawful or permissible. Any food or drink that carries this logo is permissible for Muslims' consumption. It additionally implies that product is produced in accordance with the Sharia law. Therefore, products of the HVA cluster are safe and suitable for the consumption by Muslim consumers anywhere as we do not use any non-permitted ingredient.

Our state-of-the-art producing facility complies with the ISO 22000:2018 food safety management international standards. This certification confirms that each nutrient created in our processes is free from physical, chemical and microbiological hazards by managing our supply chain. This is achieved through continuous observance of critical management points and maintaining the best degree of fine producing practices. The system is sporadically assessed internally as well as by an external certification establishment.



CHAIRMAN'S MESSAGE



“ The current woes of Sri Lanka have been proof of the idea ‘export or perish’ for economies of this nature. Given the size and resources of our economy, the government’s priority must be an intensified export drive with the right policy support and incentives extended to the critical export sector. ”

I welcome you to the Annual General Meeting of H V A Foods PLC and present herewith the Annual Report and Financial Statements for the year ended 31 March 2022.

Sri Lanka has been enduring challenging times this past year, which are set to continue well into the coming year. The economic constraints were amplified by Covid-19 and it is to the credit of Sri Lanka’s corporate sector that they have transformed and re-strategised to ensure good performances despite the tough conditions. Your company too adopted a positive outlook because we believe Sri Lankan can; I am happy to note that our determination to forge ahead has indeed borne fruit.

This was the first full year of operations since a controlling stake of H V A Foods PLC was acquired by George Stewart & Co. The synergies arising from the

acquisition have held us in good stead this year, but a far greater potential lies dormant and can be tapped into as economic conditions become more conducive. H V A Foods PLC has always reveled in its modern, bold approach to tea; it is a philosophy that will firmly remain part of our identity even under the umbrella of our parent company.

MACROECONOMIC PERFORMANCE

The year under review remained under the cloud of the Covid-19 pandemic, with Sri Lanka and other countries imposing continued restrictions including intermittent lockdowns to arrest the spread of virus variants. Sri Lanka’s worst Covid wave struck during the first quarter of the financial year, with official figures showing nearly 2,500 deaths. The country’s vaccination drive overcame early hiccups and gathered pace very quickly, which enabled the restoration of

normalcy and resumption of economic activity, albeit with health protocols in place.

It was unfortunate that having borne the brunt of the Covid impact, Sri Lanka entered 2022 with its economy teetering under high levels of inflation and soaring debt along with a plummeting rupee and meagre reserves.

For 2021, Sri Lanka recorded 3.7% growth – an improvement from the contraction of 3.6% the previous year. The agriculture sector only grew by 2% with services growing by 3% and industry by 5.3%. Annual Exports for 2021 totaled USD 14.99 Bln, a 15% growth year-on-year. Of this, tea exports amounted to USD 1,325 Mn, a growth of 6.7% compared to 2020. All sub-categories such as tea packets, bulk tea, tea bags, instant tea and green tea registered increased export volumes.

CHAIRMAN'S MESSAGE

The results must be taken in the context of a marginal drop in tea production during the year to 288 million kilograms, with 280 million kilograms destined for export. After a strong performance in the first half of the year, the tea industry faced the fall out of the ill-timed ban on fertiliser and blanket switch to organic inputs. This together with wage issues and other macroeconomic impacts resulted in tea output slowing down during the second half.

Global tea production meanwhile increased by 3% in 2021 to 6,469 million kilograms; total tea exports from producing countries amounted to 1,879 million kilograms, a 2.6% growth. China was both the largest producer of tea in volume and largest exporter of tea in dollar terms during the year. Sri Lanka was the world's fourth largest producer of tea and the third largest exporter, claiming 10% of global tea export revenues.

COMPANY PERFORMANCE

It is with pleasure that I report that H V A Foods PLC has shown remarkable resilience during the year to record a revenue of Rs 1.26 billion for the year ended 31st March 2022. This was an 8% increase year-on-year. In terms of profitability, the Company recorded a gross profit of LKR 45.9 Mn with eroding GP margins for the period under review. The exponential increase in freight rates combined with a conscious strategic decision taken to absorb some of the increases in tea and packaging costs to key customers, with a long-term view of building on the companies' presence in key markets weighed down the GP margins. Although Your Company posted a net loss of LKR. 228.8 Mn for the year under review, the Company through its restructuring efforts is well-poised to arrest the decline in the coming year, as evident in the recently published interim report for the 3 month ended 30th June 2022.

The Middle East & Africa remained the major market for our products despite an 18% drop in sales compared to last

year. The USA/Canada region recorded an impressive growth of 60% year-on-year, while the Far East Asia and Europe regions recorded significant growth. The company has significantly strengthened its local presence, growing the Sri Lankan market by 67% year on year following the appointment of George Steuart Consumer as local distributor.

While maintaining our momentum is our priority, we are cognizant of the potential impact of the rising cost of production of Ceylon Tea, and the resultant higher prices which may potentially negate the advantage of rupee depreciation in the medium term. The unprecedented price levels reached during the year arose mainly due to the impact of having no fertiliser which impacted both the volumes and quality of tea produced. We caution against these cost escalations and call on the government to take meaningful actions to control the unprecedented inflation levels. We welcome the government's decision to adopt a flexible exchange rate, moving away from the fixed exchange rate policy. We urge authorities to adopt urgent strategies to address the long-term competitiveness of Ceylon Tea.

Under the new parent company, H V A Foods PLC has been pursuing fresh strategies to achieve sustainable growth, and has paid increased attention to prudent cost control. Similarly, improving the equity position of your company has been a priority and thus a rights issue was announced in November 2021 to raise fresh capital to reduce part of the debt held by the Company. The rights issue of 49,821,495, Ordinary Voting Shares in the proportion of three (03) Ordinary Share for every four (04) Ordinary Shares at a consideration of Rs.5 per share was successfully completed in the new financial year on 19th April 2022. The issue increased the total number of shares in the Company to 116,250,155 Ordinary Voting Shares. The total sum raised was Rs.249,107,475/- which were used to settle in part the short-term loans obtained from NDB Bank and George Steuart and Company Limited, thereby strengthening the Balance Sheet.

INNOVATION

I am happy to report we have reactivated the Bumble Bee Innovation Centre, which has been the hive of our research and development activities from inception, established by the Company's founder Rohan Fernando, will no doubt lead to exciting new products being developed to meet current and future needs. Notably, we have focused on products that include high-quality Sri Lankan superfoods, such as cinnamon, moringa, king coconut and aloe vera, and will explore the extension of our product range to include not just food and beverages but also other applications such as cosmetics and nutraceuticals.

FUTURE DIRECTION

Sri Lanka's great reset requires its transformation to a competitive export economy linked to global value chains. The current woes of Sri Lanka have been proof of the idea 'export or perish' for economies of this nature. Given the size and resources of our economy, the government's priority must be an intensified export drive with the right policy support and incentives extended to the critical export sector. We encourage government institutions and agencies to facilitate and encourage exports and to wean away backward policies such as control and licensing.

DRAMATIC EVENTS POST-BALANCE SHEET

In the first half of the 22/23 financial year, Sri Lanka has faced much political upheaval, following civil unrest triggered by the economic crisis the country now faces; the public 'Aragalaya' protests which resulted in the resignation of the President and Prime Minister as well as senior figures in the administration, had ended at the time of writing this report. Public life however, continues to be disrupted with shortages in essentials such as fuel, cooking gas, medicine and food while soaring prices across the board have been a shock to all segments of consumers. Sovereign debt repayments were suspended in an orderly default and

the government and Central Bank has now commenced discussions with the International Monetary Fund on a bailout programme and with bilateral donors on a restructure of debt. While the results in this report have had no impact from such civic action, our performance for the coming year would no doubt be influenced by the developments in the political environment and monetary and fiscal policy spaces.

APPRECIATIONS

I extend my appreciations to the members of the Board who have readily offered me both counsel and support during the year.

I express a heartfelt thank you to the all employees of the Company led by the management team; you have truly performed well above expectations this year and I am humbled by your commitments and passion for this company.

On behalf of the board and management, I must also thank the officials of the Tea Board, the BOI, Export Development Board and all other public institutions for their willing and ready support at all times.

And finally, I thank you for your trust and look forward to your support in the coming year. Let me assure you that our flagship brand Heladiv will grow to greater heights in the coming years, just as it has demonstrated resilience during this volatile year.



B. S. M. De Silva
Chairman

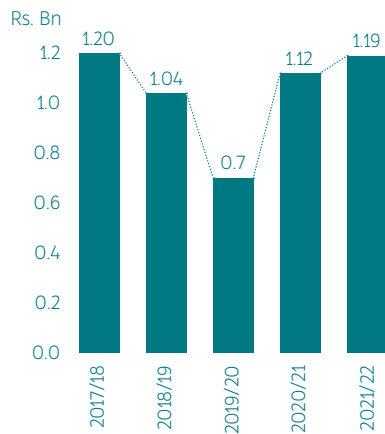
29th August 2022

ANALYSIS OF PERFORMANCE

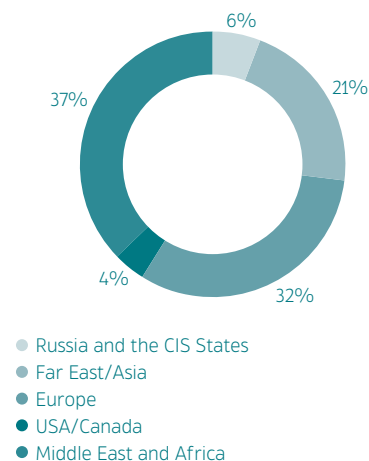
Revenue

The Company recorded an export revenue of Rs. 1.19 billion for the year under review, with a 6% increase compared to Rs. 1.12 billion recorded in the previous financial year. Middle East and African regions contributed the highest revenue of Rs 439.6 million, while Europe and Far East/Asia contributed Rs 385.8 million and Rs 246.9 million respectively.

EXPORT REVENUE GROWTH



EXPORT REVENUE



Other Income

Other income includes profit on disposal of non-current assets held for sale, Insurance claims and other nonoperational income such as the Write back of payables. Such income categories vary each year as the majority of these income components are of non-recurring nature. Other income during 2021/22 stood at Rs. 94.1 Mn compared to Rs. 6.2 Mn recorded during the prior year.

Administrative Expenses

Administrative expenses mainly include personal costs such as salaries of administrative staff, bonus to staff, other staff costs, office rent, utility expenses and maintenance costs etc. Administrative costs increased by 15% during the year under review reaching Rs. 316.8 Mn as at year end. The main reasons for these increases are inventory write-offs and bad debt write-offs.

Selling and Distribution Expenses

Selling and distribution (S&D) expenses mainly consist of Business promotion expenses, Courier charges, Foreign travelling, Incentive – marketing, Commission on sales, Trademark registration and other sales related expenses. In 2021/22, total S&D expenses reduced significantly by 26% owing to the reduction in commission on sales compared to the prior year.

Finance Costs

The main components under finance costs are loan interest and foreign exchange gain. HVA Foods PLC reported a significant decrease in finance costs in 2021/22 by 38% where the improved revenues and cash flows allowed for a reduction in use of loans.

FINANCIAL POSITION

Total Assets

The Group's total assets decreased by 5% to Rs.1.22 billion during the year, with non-current and current assets growing by 14% and 29% during the year respectively. This decrease of 5% is mainly attributable to the Non-current assets classified as held for sale. Inventories including Raw Materials-Tea, flavours and finished goods showed an increase of 8% to LKR 166.5 Bn.

Total Liabilities

Total liabilities increased by 10% to Rs. 1.39 billion during the year, mainly due to the growth in Interest-bearing loans and borrowings. Current liabilities of the Company reduced to Rs. 844.5 Mn in 2021/22 from Rs. 1,006.9 Mn recorded as at the prior year end.

Working capital

Even though the Company recorded negative working capital at the year end, compared to last year working capital ratio improved to 0.93 from 0.61. The major contributory factor to this improvement were the decrease in short term - interest bearing loans and liabilities.

BOARD OF DIRECTORS

MR. B S M DE SILVA

*Chairman
Non Executive/Independent
Director*

Mr. de Silva counts over 41 years of experience in the spice industry, especially in the Cinnamon industry and is the Founder Chairman of the Spice Council in Sri Lanka. He has held many positions in the spice industry including the Chairmanship of the Export Development Board Advisory Committee on Spices and Allied products Trade Facilitation and the Ministry of Commerce and Industry Advisory Committee on Spices and Allied products and has been a member of the National Council of Economic Development (NCED) – Export Cluster and the steering committee to form the National Competitiveness Council of the Ministry of Finance. Mr. De Silva is also the president and Patron of National Chamber of Exporters of Sri Lanka.

He is the Chairman and Managing Director of B. Darsin De Silva & Sons (Pvt) Ltd., and the Chairman of Cinnamon Trading Academy Limited and a Director of Ceylinco General Insurance Limited. He was the Chairman and the Managing Director of Intercom Group of Companies until his retirement in 2014.

As founder Chairman of the Ceylon Cinnamon Association, Mr. De Silva was instrumental in highlighting the importance of the Cinnamon Industry over the last three decades. Mr. De Silva counts over 26 years of experience in the Tourism and Leisure Industry with the Serendib Hotels group, as a Director of Dolphin Hotels PLC and Hotel Sigiriya PLC and several other companies.

He was a Director of the Co-operative Wholesale Establishment (CWE) from 1994 to 2000 and Acting Chairman in 1998; and Chairman of the Committee appointed by the Minister of Trade and Commerce in drafting procurement of the CWE.

MR. C HETTIARACHCHI

*Chief Executive Officer
Executive Director*

Mr. Hettiarachchi counts over 19 years of experience in leading multinationals both in Sri Lanka and Australia, with a proven track record in the fields of Marketing and Business Administration as well as establishing and driving start-ups prior to joining HVA Foods PLC as the Chief Marketing Officer in 2018. Mr. Hettiarachchi started his career at Unilever Sri Lanka Ltd as a management trainee and has managed flagship brands such as Pears, Rin and Sunlight. He has also worked in senior management positions in SPC Ardmona (A subsidiary of Coca Cola Amatil Australia) and J H Heinz Co in Australia.

Mr. Hettiarachchi holds a Bachelor's Degree from Manchester Metropolitan University, UK and a Master of Business Administration from La Trobe University Australia.

He is currently serving as an advisory committee member to the Tea Exporters Association of Sri Lanka and is the current Vice President of the Sri Lanka USA Business Council.

MS. V S A FERNANDO

*Non Executive/Non Independent
Director*

Ms. Varuni Amunugama is the co-founder of Triad, the largest and most awarded Sri Lankan communication powerhouse extensively diversified to offer integrated communication solutions. She also serves as a Director in many companies including Powerhouse (Pvt) Ltd., the holding company of Sri Lanka's premium entertainment offering, TV Derana and FM Derana.

She is also a Director of George Steuart Group, which is the oldest corporate house and one of the largest conglomerates in Sri Lanka, diversified into almost every industry.

Her stamp on corporate Sri Lanka is accentuated by her belief that 'Sri Lanka Can', which has been the driving principle behind the Group's ventures.

Ms. Amunugama read for her LLB at the University of Colombo and is an Attorney-at-Law. She also holds a Diploma in Advertising from L'Ecole-de-Publicitaire, Paris.

BOARD OF DIRECTORS

MR. M P D COORAY

Non-Executive/Independent Director

Mr Cooray is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.

He has worked with Ernst & Young for over 40 years of which 30 years was as a Senior Assurance and Talent Partner. He functioned as the Deputy Managing Partner from 2016 to 2019 and served as a member of Ernst & Young's Management Committee from the time the Management Committee was established in 1998 until his retirement in 2019. Mr Cooray was instrumental in establishing the Ernst & Young Practice in the Republic of Maldives in 1995 and functioned as the Partner responsible for the overall management of the Maldivian Practice from its inception. He represented Sri Lanka and Maldives for a number of years in the EY ASEAN Regional Partner Forum. He was seconded to EY USA for a year, where practical experience was gained by being part of assurance teams that performed audit engagements on several large enterprises.

Mr Cooray also spearheaded the Ernst and Young Sri Lanka/ Maldives Family Business Centre for Excellence which was instrumental in sending several eminent second generation family members to business schools worldwide. He has also served as a member of the Council of the Chartered Institute of Management Accountants UK.

Mr Cooray is the Managing Director of Management Systems (Pvt) Ltd and a Director of some of its Subsidiaries. He is also the Chairman of United Motors Lanka PLC and its subsidiaries and also serves as a Director of Hatton National Bank PLC, JAT Holdings PLC and Life Insurance Corporation (Lanka) Ltd.

MR. S A AMERESEKERE

Non Executive/Non Independent Director

Qualified in both business and engineering, Sarva Ameresekere has extensive local and foreign exposure in diverse areas of business.

Sarva Ameresekere is the Group Executive Director of George Steuart & Company Ltd., Sri Lanka's oldest business entity established in 1835. He plays a pivotal role in the management and strategic planning of the Group's diversified sectors including tea exports, healthcare, FMCG, financial services, industrial solutions and travel & leisure. Accordingly, he holds several key positions within the group including directorships of all of its listed entities - Citrus Leisure PLC and its subsidiaries, Colombo Land and Development Company PLC, and HVA Foods PLC.

Sarva also serves as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading creative communication entities. The Triad Group integrates a cluster of companies specialised in a plethora of communication disciplines, thereby offering clients an unmatched holistic and synchronised communication solution.

Sarva holds a master's degree in Engineering Management from the University of Southern California, Los Angeles and a bachelor's degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

SENIOR MANAGEMENT

MR. C HETTIARACHCHI

CEO / Executive Director

MR. G S INDIKA

Finance Manager

HVA GROUP ETHICS AND PRINCIPLES OF ENGAGEMENT

LABOUR ETHICS

The HVA group ensures compliance with all legal parameters needed by the govt, in line with the recommendations of the International Labour Organisation (ILO). The HVA Group's labour recruitment policy is designed to avoid bias towards any gender, race or faith. Furthermore our recruitment policy includes provisions to engage differently-abled persons. We have a zero tolerance policy towards child labour while a minimum age of eighteen is obligatory for those securing employment.

STAFF WELFARE ETHICS

At HVA, employees welfare is paramount as we believe our employees are the most vital asset of the Company. Among our welfare ethics, we practice the following principles and programmes:

WAGES

Staff wages are higher than the minimum level suggested by statute. All workers are entitled to a profit bonus disbursed on a carefully designed format that has been operational for the past 5 years, without any complaints from the workers. Each year workers are appraised face to face on a simple but extremely effective format for concurrence on performance and skills.

MEDICAL BENEFITS

The workers are provided medical insurance cover that provides for but in patients and out-patient treatment. A certified doctor makes regular visits to the Company's premises in stipulated time intervals to address any medical attention need of employees.

STAFF MEALS

Improving on our previous approach of providing a subsidised mid-day meal to the workers, the Company has currently extended this facility to cover all three meals to workers throughout their operating hours.

EXTENDED FAMILY BENEFITS

At the start of each year, all children of workers are supplied with school text books and accessories as well as medically recommended school bags, lunch boxes and even shoes to assist and encourage the schooling of those youngsters.

STAFF DIGNITY

The dignity of all workers is secured through a staff access mechanism for the discussion of grievances at numerous levels, expedited by the Human Resource department.

WORKING ENVIRONMENT

All buildings are positioned in such a way as to generate natural light and climate management with a dust-free and heat subtle operating surroundings. The massive extent of land in the compound is planted with trees in the manner of a forest garden.

RECYCLING WASTE

All man-made waste is recycled at the point of waste generation. Bio-degradable waste is recycled in a large purpose engineered compost tank. Paper, aluminium, plastics and metallic element waste are separated at the point of waste and sold to recyclers. Human waste generated in washrooms is subject to aerobic and anaerobic activity to be transformed to sludge for straightforward and safe disposal. The cluster operates an outsized organic farm growing fruits and vegetables as a part of its commitment to scale back its carbon footprint. The farm, initiated in 1996, is earmarked for growth into a mega project to supply organic fruits and vegetables for national and international markets. Most of the waste converted to compost within the cluster is used within the organic farm.

SHARP EYE ON DENGUE ERADICATION

The wipeout of dengue has currently become a national priority. In this regard, the corporate, led by the Board

of Directors, has enforced an effective programme to regulate and eradicate the dengue epidemic. Daily, weekly and monthly programmes are enforced to examine for dengue breeding places as well as to apply prescribed treatment for wipeout of mosquito larvae.

ENERGY ETHIC

The energy policy of the Company helps cut back energy prices in production while reducing the draw on the national power supply that is dependent mainly on fossil fuels such as oil and coal. In this regard, all company buildings are positioned on the east-west solar path to facilitate most illumination throughout the day from 6am to 6pm, requiring very little or no lighting of bulbs. As a result the share of energy value in reference to the turnover of the cluster is less than 0.4%.

RAW MATERIAL SOURCING PRINCIPLES

As an HACCP compliant Company, all raw materials are sourced through a well-known supplier list. All teas are purchased through legal means specified and supervised by the Ceylon Tea Traders Association (CTTA) and the Ceylon Tea Board (SLTB). As a result the costs of procured tea mirrors true worth, thereby activating a trickle down result to the tea farmer and estate workers.

STATUTORY ETHICS

The HVA group together with one of its main subsidiaries, HVA Foods PLC, operative as a public quoted company, is transparent for public scrutiny. It is the policy of the HVA group to comply entirely with all government taxes and levies, employee profit contributions to EPF and ETF funds as well as correct declaration of transactions to the internal and external auditors. By virtue of applying ethics and principles diligently in our day to day operations, the corporate is proud to declare that all our products are ethically produced and guilt-free.

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the need to ensure the highest standards of accountability to all stakeholders.

HVA Foods PLC is fully committed to the principles of good governance and recognises that good corporate governance is the cornerstone of a successful organisation. The Company is committed to acting with integrity, transparency and fairness in all of its dealings and considerable emphasis is placed by the Board on the development of systems, processes and procedures to ensure the maintenance of high standards throughout the organisation.

BOARD OF DIRECTORS

The Board is the highest authority and it provides leadership to achieve the Company's strategic goals and compliance with generally accepted corporate governance practices, the requirements under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka.

COMPOSITION OF THE BOARD

The composition of the Board is governed by the Company's Articles of Association as well as the listing rules of the Colombo Stock Exchange. The Board comprises of five Directors who possess a broad range of skills and experience across a range of industries and functional areas. A detailed profile of each member of the Board appear on pages 7 and 8 of this Annual Report.

As at the reporting date, the Board comprised of one (01) Executive and four (04) Non-Executive Directors.

NON-EXECUTIVE DIRECTORS/ EXECUTIVE DIRECTOR

Four members of the Board namely the Chairman - Mr. B. S. M. De Silva and Directors - Ms. V. S. A. Fernando, Mr. M. P. D. Cooray & Mr. S. A. Ameresekere are Non-Executive Directors and Mr. C Hettiarachchi functions as an Executive Director.

INDEPENDENCE OF DIRECTORS

Based on declarations submitted by the Non-Executive Directors, the Board has determined that two Non-Executive Directors out of four, namely, Mr. B. S. M. De Silva and Mr. M. P. D. Cooray are "Independent Directors" in terms of Rule 7.10.3 (a).

APPOINTMENT/RE-ELECTION/RESIGNATION/RETIREMENT OF DIRECTORS

Board members are appointed through a formal and transparent process which includes ensuring that Directors meet for requirements of being fit and proper for their role.

At each Annual General Meeting one third of the Directors except those appointed to the office of Chairman, Deputy Chairman, Chief Executive, Managing or Joint Managing Director or other Executive Director, retire by rotation.

All Directors who are appointed as additional Directors or to fill causal vacancies retire at the next Annual General Meeting following their appointment and offer themselves for re-election by the Shareholders.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

With effect from 22nd January 2021, the roles of the Chairman and Executive Directors have been separated with a clear distinction of responsibilities, which ensures balance of power and authority. Mr. B S M De Silva who is an Independent Non-Executive Director is the Chairman of the Board of Directors and Mr. Charithra Hettiarachchi functions as the Chief Executive Officer/Executive Director.

BOARD MEETINGS

Board Meetings are held quarterly, or more often when required, to ensure the effective discharge of its duties and any other matter directed to the Board which can be resolved by circular resolution, is decided by Resolutions in writing.

The Board reviews strategic and operational issues, approves interim and annual financial statements and annual budgets, assesses performance, internal controls and risk management and ensures compliance with all statutory and regulatory obligations. Further, procedures are in place for the Directors to seek professional advice at the Company's expense when it is requested by the Board members.

The Board met 7 times during the period under review and the attendance is given below:

Directors' Attendance at the Board Meeting from 01.04.2021 to 31.03.2022

Name of the Director	2021						2022
	19.05.2021	09.08.2021	25.08.2021	03.09.2021	08.11.2021	19.11.2021	07.02.2022
Mr. B S M De Silva (Chairman)	✓	✓	✓	✓	✓	✓	✓
Mr. C Hettiarachchi	✓	✓	✓	✓	✓	✓	✓
Ms. V S A Fernando	✓	✓	✓	✓	✓	✓	✓
Mr. M P D Cooray	✓	✓	✓	✓	✓	✓	✓
Mr. S A Ameresekere	✓	✓	✓	✓	✓	✓	✓
Mr. W G U I Ranaweera	✓	✓	✓	✓	✓	✓	Resigned w. e. f. 07.02.2022

CORPORATE GOVERNANCE

BOARD SUB COMMITTEES

The Board of Directors has formed three Sub Committees in compliance with the Listing Rules of the Colombo Stock Exchange.

Current composition of Board Sub Committees is set out in the Annual Report of the Board of Directors appearing on page 22. As required by the Listing Rules, the Report of the Audit Committee, the Report of the Remuneration Committee and the Related Party Transactions Review Committee Report appear on pages 14 to 18 respectively.

MEETINGS OF BOARD SUB COMMITTEES

The Audit Committee and Related Party Transactions Review Committee meet quarterly with provision to schedule additional meetings if required. The Remuneration Committee meets as and when necessary.

The attendance at Board Sub Committee Meetings held during the year was as follows:

Audit Committee

Name of Director	Status	Attendance
Mr. M P D Cooray (Chairman)	NED/ IND	6/6
Mr. B S M De Silva (Member)	NED/ IND	6/6
Mr. W G U I Ranaweera (Ceased w.e.f. 07.02.2022)	NED	5/5

Remuneration Committee

Name of Director	Status	Attendance
Mr. B S M De Silva (Chairman)	NED/ IND	1/1
Mr. M P D Cooray (Member)	NED/ IND	1/1
Mr. W G U I Ranaweera (Ceased w.e.f. 07.02.2022)	NED	1/1

Related Party Transactions Review Committee

Name of Director	Status	Attendance
Mr. M P D Cooray (Chairman)	NED/ IND	4/4
Mr. B S M De Silva (Member)	NED/ IND	4/4
Mr. S A Ameresekere (Member)	NED	4/4
Mr. W G U I Ranaweera (Ceased w.e.f. 07.02.2022)	NED	3/3

COMPANY SECRETARY

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretary. The Company Secretary maintains minutes of all Board, Audit Committee, Related Party Transactions Review Committee, Remuneration Committee, meetings and attends to Shareholder related matters. The Company Secretary assists in ensuring the Board procedures are followed.

The Company Secretary is also responsible for timely circulation of information and papers related to Board and Sub-Committee meetings and advice on matters relating to corporate governance. Board procedures, rules and regulations. All Directors have access to the advice and services of the Company Secretary.

ADVICE AND GUIDANCE TO SENIOR MANAGEMENT

Advice and Guidance is provided to the Senior Management team at monthly performance review meetings which provide an opportunity to evaluate progress and ensure accountability of the Senior Management team. Performance targets for the Senior Management team are set at the beginning of the financial

year by the Board which is in line with the short term, medium term and long term objectives of the Company. This is an ongoing process and is reviewed periodically. A strong focus on training and career development has created a committed and empowered workforce which continues to generate value and drive the Company towards high standards of achievement.

INTERNAL CONTROLS

The Board is responsible for the Company's internal controls. In this respect controls are established for safeguarding the Company's assets, making available accurate and timely information and imposing greater discipline on decision making. The process is strengthened by regular review by the Audit Committee on internal controls and procedures in the areas of finance, operations, human resources, and relevant legal and regulatory compliance. The Company is ISO 22000:2018 certified. All systems are well documented with clearly defined processes, duties and responsibilities.

COMPLIANCE WITH LAWS AND REGULATIONS

All necessary steps have been taken by the Board and the Management to ensure compliance with all relevant laws and regulations. The services of Lawyers, Auditors and other Consultants are obtained whenever it is necessary, to provide assurance to the Board in this respect.

GOING CONCERN

The Directors have reviewed the Company's budgets, capital expenditure requirements and future cash flows and are satisfied that the Company has sufficient resources to continue in operations for the foreseeable future. Therefore, the Going concern principle has been adopted in the preparation of the Financial Statements.

FINANCIAL REPORTING

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the Sri Lanka Accounting Standards (LKAS / SLFRS) and the relevant Statutes and has established formal and transparent processes for financial reporting and internal controls. The Statement of Directors' Responsibilities for the Financial Reporting is given on page 80 of this Report.

CORPORATE DISCLOSURES AND SHAREHOLDER RELATIONSHIP

The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public.

Shareholders are provided with the Annual Report and, the Company disseminates to the market, Interim Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange. The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company and its subsidiaries.

COMPLIANCE

The Company has complied with Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on 'Corporate Governance'.

By Order of the Board HVA Foods PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

29th August 2022

AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Audit Committee of HVA Foods PLC comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The composition of the Committee since 7th February 2022 is as follows;

Mr. M P D Cooray - Independent Non-Executive Director – Chairman of the Committee

Mr. B S M De Silva - Independent Non-Executive Director – Member

Mr. S A Ameresekere - Non-Independent Non-Executive Director – Member (appointed with effect from 07.02.2022)

The Chairman of the Committee, Mr. M P D Cooray, is Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.

Mr. W G U I Ranaweera served in the Committee upto 7th February 2022.

Finance Manager also attended to meetings of the Audit Committee.

The Company Secretary acts as Secretary to the Audit Committee.

Messrs BDO Partners, Independent Auditors are requested to be present as and when required.

MEETINGS

The Committee met six times during the period under review.

Member's Attendance at the Audit Committee Meetings from 01.04.2021 to 31.03.2022 is as follows.

Name of the Director	2021					2022
	19.05.2021	09.08.2021	25.08.2021	03.09.2021	08.11.2021	07.02.2022
Mr. M P D Cooray (Chairman)	✓	✓	✓	✓	✓	✓
Mr. B S M De Silva (Member)	✓	✓	✓	✓	✓	✓
Mr. W G U I Ranaweera (Member)	✓	✓	✓	✓	✓	Ceased w. e. f. 07.02.2022

THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to management on Risk Management, appropriate internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange. The proceedings of the Audit Committee are regularly reported to the Board of Directors through formal minutes.

- » Monitoring the financial reporting process.
- » Monitoring the statutory audit of the Group's Financial Statements.
- » The Company's compliance with legal and regulatory requirements.
- » Reviewing the Group's Financial Statements and the material financial reporting judgments contained therein.
- » The Committee evaluates the internal control reports and compliance reports furnished by the management and are satisfied that an effective internal control system is in place.
- » Ensure the independence of the External Auditors and recommend the appointment of Independent Auditors and their fees
- » Identification of risks that would impact on the Company's business.
- » Based on the proceedings of the Audit Committee meetings, recommendations and observations were reported to the Board for appropriate action.
- » Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

FINANCIAL REPORTING

The Committee reviewed and discussed the unaudited Interim Financial Statements and the Financial Statements for the year with the management and the External Auditors ensuring that the Company's financial reporting gives a true and fair view in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 prior to the recommendation of same to the Board.

OPERATIONS OF THE AUDIT COMMITTEE

The Chairman of the Audit Committee is a Fellow Member of Institute of Chartered Accountants of Sri Lanka. The Statutory Auditors, the Internal Auditors, Chief Executive Officer, Finance Manager attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. Outsourced Internal Auditors, Messrs Ernst & Young are required to attend meetings as and when required.

The internal audit function is carried out by Messrs Ernst & Young, Chartered Accountants. The scope is planned to cover all significant areas of operations in a twelve month cycle. The Internal Audit observations were discussed with Management and corrective action taken as appropriate.

The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met six times during the financial year ended 31st March 2022.

EXTERNAL AUDITORS

The Committee held meetings with the External Auditors to review the nature, approach and scope of audit. The Committee also reviewed the Audited Financial Statements with the External Auditors.

The Committee also has a private audience with the External Auditors. No matters other than those that have already been discussed with management were raised by the External Auditors.

The Audit Committee is satisfied that the independence of the External Auditors has not been influenced by any event that results in a conflict of interest.

The fees pertaining to audit have been reviewed and recommended to the Board.

The Audit Committee has recommended to the Board of Directors that Messrs BDO Partners continue as Auditors for the ensuing financial year, subject to the approval of the shareholders at the next Annual General Meeting.

INDEPENDENCE OF AUDITORS

The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. To the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

RE-APPOINTMENT OF AUDITORS


The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2023, subject to the approval of the shareholders at the next Annual General Meeting.

CONCLUSION

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the set rules and that systems are in place to minimise the impact of identifiable risks.

The Committee further assessed the future prospects of its business operations and is satisfied with the going concern assumption used in the preparation of the Financial Statements as being appropriate.

This report was approved by the Board and signed on its behalf by:



Mr. M P D Cooray
Chairman - Audit Committee

29th August 2022
Colombo

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration Committee of HVA Foods PLC, appointed by and responsible to the Board of Directors, comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The Composition of the Committee since 7th February 2022, is as follows:

Mr. B S M De Silva – Independent Non-Executive Director - Chairman of the Committee

Mr. M P D Cooray – Independent Non-Executive Director - Member

Ms. V S A Fernando – Non -Independent Non-Executive Director - Member (appointed with effect from 07.02.2022)

Mr. W G U I Ranaweera served in the Committee upto 7th February 2022.

MEETINGS

The Committee met once times during the period under review. A Report of decisions approved and Recommended by the Committee is reported to the Board of Directors.

Member's Attendance at the Remuneration Committee Meetings from 01.04.2021 to 31.03.2022;

Name of the Director	2022
	07.02.2022
Mr. B S M De Silva (Chairman)	✓
Mr. M P D Cooray (Member)	✓
Mr. W G U I Ranaweera (Member)	Ceased w. e. f. 07.02.2022

SUCCESSION PLANNING AND TALENT MANAGEMENT

Succession planning, and talent management continued to be a key area of focus in the deliberations of the Committee during the year under review. The Committee conducted in depth talent reviews covering critical roles of the Group, the incumbent in such roles, and the potential successors. Accordingly, the Committee also reviewed the progress of their development plans.

REMUNERATION POLICY

The Remuneration policy of the Company endeavors to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of the Company

The remuneration policy of the Company is determined considering the following factors:

- » Annual Increments are given to all confirmed employees (prorated less than one year) unless there is an issue of impropriety or misconduct that is being investigated.

- » The overall cost of the increments is treated as a guideline taking into the account the profitability of the Company.
- » Increments are granted based on the performance of staff and their contribution for which the views of the supervising staff are noted.
- » Annual bonuses are granted in line with industry norms and realised profits.
- » The remuneration paid to the executive and non-executive Directors.

SCOPE

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision-making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.



Mr. B S M De Silva
Chairman - Remuneration Committee

29th August 2022
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in 6th February 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

COMPOSITION OF THE COMMITTEE

The Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The names of the members of the Related Party Transactions Review Committee are as follows:

Mr. M P D Cooray - Independent Non-Executive Director - Chairman of the Committee

Mr. B S M De Silva - Independent Non-Executive Director - Member

Mr. S A Ameresekere - Non-Independent Non-Executive Director - Member

MEETINGS

The Committee met four times during the period under review.

The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

Member's Attendance at the Related Party Transactions Review Committee Meetings from 01.04.2021 to 31.03.2022;

Name of the Director	2021			2022
	19.05.2021	09.08.2021	08.11.2021	07.02.2022
Mr. M P D Cooray (Chairman)	✓	✓	✓	✓
Mr. B S M De Silva (Member)	✓	✓	✓	✓
Mr. S A Ameresekere (Member)	✓	✓	✓	✓
Mr. W G U I Ranaweera (Member)	✓	✓	✓	Ceased w. e. f. 07.02.2022

RELATED PARTY TRANSACTIONS DURING THE YEAR UNDER REVIEW

- » All recurrent Related Party Transactions of the Company during the financial year 2021/22 were reviewed and approved by the Committee. The aggregate value of the recurrent related party transactions did not exceed 10% of the gross revenue/income of the Company during the year (Note 38.3.1 to the Financial Statements).
- » Therefore, a requirement to make a disclosure 9.3.2(b) of the Listing Rules of the CSE has not arisen. The comments and Observations of the Related Party Transactions Review Committee have been communicated to the Board.

DUTIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

- » The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant statutes and regulations.
- » The Committee reviews and pre-approves all proposed non-recurrent Related Party Transactions of the Company.
- » The Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.
- » Scheduling quarterly meetings to review and report to the Board, on matters involving RPT falling under its terms of Reference.
- » To review the disclosures requirements relating to the Related Party Transactions.
- » Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- » Ensure that all transactions with related parties are in the best interest of the Company and for all shareholders and adequate transparency is maintained.
- » Establish guidelines and policies for the management and reporting of related party transactions.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

KEY MANAGEMENT PERSONNEL

Key management personnel include all the members of the Board of Directors of the Company having authority and responsibilities for planning, directing and controlling the activities of the Company.

COMMITTEE EVALUATION

The Board conducted the annual evaluation of the Committee during the year and the review concluded that the Committee continues to operate effectively.

DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 22 of the Annual Report.



Mr. M P D Cooray
*Chairman - Related Party Transactions
Review Committee*

29th August 2022
Colombo

RISK MANAGEMENT

The Company empowers workers at all levels to contribute to and be part of risk management and has recognised the following as key risks for HVA Foods PLC.

MARKET RISK

The Company operates globally and follows a policy of geographic diversification on exports sales. Each hub is supported by assigned managers who maintain close partnerships with foreign agents/buyers (inter alia) through periodic visits to those markets. Further, the company operates in domestic markets through native distributors, supermarkets and HTC cafés. In order to mitigate market risk, the company has in place mechanisms for constant and active awareness of changing conditions in each market.

SUPPLY RISK

Individual business units constantly monitor changes in actual and potential supplier sources and take acceptable action to scale back exposure to factors such as adverse movements in material value. In rare events of high price fluctuations, material inputs are managed to scale back the impact on customers.

CREDIT RISK

The main objective is to manage the impact on the Company of potential default by outstanding debtors, in the present competitive business atmosphere. The company evaluates the credit-worthiness of customers at the pre-shipment stage and maintains applicable credit administration, analysis and observance procedures. In addition, credit insurance policies obtained from the Sri Lanka Export Credit Insurance Corporation cover the risks addressed under this category wherever required.

LIQUIDITY RISK

HVA Foods PLC manages liquidity by endeavouring to invariably have adequate liquidity to satisfy its liabilities when they fall due. It maintains cash and

money equivalents at a level surpassing expected cash outflows (other than on trade payables) in the immediate future, and closely monitors the quantity of expected assets and trade liabilities.

In addition, it maintains unutilised lines of credit to meet any unforeseen circumstance.

EXCHANGE RATE RISK

Most of HVA Foods PLC revenue is generated in foreign currency. Exposure to fluctuations within the relative values of these currencies is substantial. Company's exchange payments are matched against export receipts, making a natural hedge. It is HVA Foods PLC policy to not engage in foreign currency speculation.

OPERATIONAL RISK

This class of risk arises as a result of business process errors, systems and procedural failures, natural disasters, human error, non-compliance with internal policies and external laws and rules and fraud. Although such risks cannot be completely avoided, HVA Foods PLC strives to reduce them by actively evaluating and refining its internal controls and reviewing its operational processes.

At HVA Foods PLC, audits on internal controls are carried out by internal auditors' M/s Ernst & Young, who report findings relating to control weaknesses and non-compliance to the Audit Committee. The Audit Committee oversees the effectiveness of the Company's internal controls. HVA Foods PLC is committed to 'Business Continuity Planning' (BCP), which suggests that operational risks flowing from a disaster are managed by early preparation. The BCP process at HVA Foods PLC considers every division on an individual basis, with the aim of facilitating business recovery within the shortest possible time, and with minimal adverse impact on stakeholder value.

HUMAN RESOURCES

Risks connected to human resources are managed to mitigate operational risks for the corporate. Measures are in place for regular coaching of workers and key operational personnel, while structured performance appraisal processes are in place.

IT SYSTEMS

Geographically separate locations from the head office are given on-line systems access for observance and controlling functions. Such access is subject to adequate controls to prevent unauthorised access.

The Company has taken measures for on-line and offline backup procedures for information storage. Additionally, alternative security measures have also been enforced through firewall and virus protection.

REPUTATION RISK

The name of HVA Foods PLC is of utmost importance in maintaining and increasing business. HVA Foods PLC strongly believes that the success it has achieved is primarily thanks to our high standards of integrity in all our activities. A series of rigorous quality controls are in place to confirm that customers receive merchandise and services that meet expected standards. The company strives to create unique merchandise which is extremely difficult to counterfeit.

LEGAL AND REGULATION RISK

The Company's policy is to conform to strict compliance with legal and regulatory necessities and to establish integrity in its dealings. Such policies are strictly enforced throughout the organisation by making certain that workers at all levels are responsive to the Company's commitment in this regard.

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

The Board of Directors of H V A Foods PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary for the financial year ended 31st March 2022, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No.07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

GENERAL

H V A Foods PLC is a Public Limited Company which was incorporated under the Companies Act, No. 17 of 1982 as a Private Limited Company on 22nd August 1997 and re-registered as per the Companies Act, No. 07 of 2007 on 8th January 2008 with PV 1765 as the new number assigned to the Company. The Company was converted to a public limited liability company on 3rd November 2010 and it obtained a listing on the Colombo Stock Exchange on 15th February 2011.

Consequent to the listing on the Colombo Stock Exchange, the name of the Company was changed to "H V A Foods PLC" on 4th May 2011 with Company No PV 1765 PB/PQ as the new number assigned to the Company.

The Company was a Subsidiary of HVA Lanka Exports (Private) Limited, which was principally involved in exporting bulk tea up to 10th February 2021. Consequent to the acquisition of 51.1% of the issued shares of the Company by George Steuart and Company Limited, the Company became a subsidiary of George Steuart and Company Limited which has a diverse range of businesses.

PRINCIPAL ACTIVITIES

During the year under review the principal activities of the Company were processing, packing and export of value added teas. The Company was also engaged in the development, manufacture and distribution of tea Extract-based products. The Company's wholly owned subsidiary, HVA Holdings (Private) Limited is the owner of the worldwide franchise for the 'Heladiv' trade mark and other brands used for the business of the Company.

REVIEW OF OPERATIONS

Analysis of the performance of the Company during the financial year under review.

The Company had recorded a revenue of Rs 1.26 Bn as against the 1.16 Bn achieved in the previous year. Exports to USA, Far East/Asia and European region performed satisfactorily when compared with the previous year's turnover. But Middle East and Africa regions generated lower than the expected revenue. During the year, turnover of the Company increased by 8% compared to the previous year. The Company's gross profit margin reduced to 4% compared to the level of 11% in the previous year.

Distribution expenses were decreased by 26% in comparison to the previous year. Reported loss before tax was Rs 248.9 Mn and the effect of relevant tax benefit for the period amounted to Rs 20 Mn. After all the aforementioned expenses and charges, the Company recorded an after-tax loss of Rs. 228.89 Mn and a negative comprehensive income of Rs. 228.84 Mn during the year. Statement of Comprehensive Income of the Company are set out on page 30 of the Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising Sri

Lanka Financial Reporting Standards (SLFRS) and the Sri Lanka Accounting Standards (LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The aforesaid Financial Statements, duly signed by the Finance Manager, two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of the Annual Report of the Board of Directors.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements is given on pages 26 to 29.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 34 to 44 and are consistent with those of the previous period.

DIRECTORS

As at end of the financial year under review, the Board consisted of five Directors namely, one Executive Director and four Non-Executive Directors, two (02) of whom are Independent.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 7 to 8.

Executive Director

Mr. C Hettiarachchi

Non-Independent Non-Executive Directors

Ms. V S A Fernando
Mr. S A Ameresekere

Independent Non-Executive Directors

Mr. B S M De Silva
Mr. M P D Cooray

CHANGES IN THE DIRECTORATE OF THE COMPANY

Mr. W G U I Ranaweera resigned as a Non-Independent Non-Executive Director with effect from 7th February 2022.

Recommendation for re-election of Directors who retire by rotation

Mr. S A Ameresekere retires by rotation in terms of Article 88(i) of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

DIRECTORS OF THE SUBSIDIARY

The directors of the subsidiary, H V A Holdings (Private) Limited as at 31st March 2022 consisted of the following:

Ms. V S A Fernando
Mr. S A Ameresekere

There were no changes in the Directors of the subsidiary, during the year under review and upto the date of this report.

DIRECTORS' SHAREHOLDING IN THE COMPANY

Name of the Director	No. of shares as at 31.03.2022	No. of shares as at 31.03.2021
Mr. B S M De Silva/ Acuity Partners (Pvt) Ltd	800	800
Ms. V S A Fernando	Nil	Nil
Ms. M P D Cooray	Nil	Nil
Mr. S A Ameresekere	Nil	Nil
Mr. C Hettiarachchi	Nil	Nil

INDEPENDENCE OF DIRECTORS

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that two (02) Non-Executive Directors, namely, Messrs B S M De Silva and M P D Cooray are 'Independent' in terms of Rule 710.3(a) of the Listing Rules.

DIRECTORS INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND INTEREST REGISTER

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

DIRECTORS' REMUNERATION

The Directors' Remuneration is disclosed under key management personnel compensation in Note 38.2.1 to the Financial Statements on page 72.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of their state of affairs.

The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 30 to 79. have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Director Responsibility for Financial Reporting is given on page 80.

CORPORATE GOVERNANCE

The Directors place a high degree of importance on sound corporate governance practices and are committed to the highest standards of corporate governance within the organisation.

The Directors confirm that, the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

The report on Corporate Governance is given on pages 11 to 13 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

Mr. M P D Cooray- Independent Non-Executive Director- Chairman of the Committee

Mr. B S M De Silva- Independent Non-Executive Director - Member

Mr. S A Ameresekere - Non- Independent Non-Executive Director - Member

The Report of the Audit Committee is appearing on page 14 to 15.

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent;

Mr. B S M De Silva - Independent Non-Executive Director - Chairman of the Committee

Mr. M P D Cooray - Independent Non-Executive Director - Member

Ms. V S A Fernando - Non-Independent Non-Executive Director - Member

The Report of the Remuneration Committee is appearing on page 16.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent;

Mr. M P D Cooray - Independent Non-Executive Director - Chairman of the Committee

Mr. B S M De Silva - Independent Non-Executive Director - Member

Mr. S A Ameresekere - Non-Independent Non-Executive Director - Member

The Report of the Related Party Transactions Review Committee is appearing on pages 17 to 18.

DECLARATION - COMPLIANCE WITH RULE 9 OF THE LISTING RULES

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2022.

AUDITORS

Messrs BDO Partners, Chartered Accountants served as the Auditors of the Company during the year under review. An audit fee provision Rs. 945,000/- and non-audit fee Rs. 537,600 are recorded by H V A Foods PLC.

Messrs S & C Associates, Chartered Accountants served as the Auditors of the subsidiary Company during the year under review. An audit fee provision of Rs. 18,040/- is recorded by H V A Holdings (Pvt) Ltd.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 26th August 2022 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 was Rs. 333,857,588/- represented by 66,428,660 ordinary shares (Rs. 333,857,588/- represented by 66,428,660 ordinary shares as at 31st March 2021).

Subsequent to the financial year ended 31st March 2022, the Company has raised a sum of Rs.249,107,475/- by way of a Rights Issue of 49,821,495, Ordinary Voting Shares in the proportion of three (03) Ordinary Share for every four (04) Ordinary Shares held in the Company at a consideration of Rs.5 per share, which concluded on 19th April 2022.

Accordingly, the stated capital of the Company increased upto 582,965,063.

INVESTOR INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market value per share, earnings per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 81 to 82 under Shareholders' Information.

PUBLIC SHAREHOLDING PERCENTAGE

The percentage of public shareholding as at 31st March 2022 is 37.796%.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company.

EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2022, 53 persons were in employment (54 persons as at 31st March 2021). There were no material issues pertaining to employees and industrial relations during the financial year.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF, ETF and taxes as applicable have been made within the stipulated periods during the financial year.

RESERVES

The reserves of the Company with the movements during the year are given on page 57 in the Financial Statements.

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given in Note 12 to the Financial Statements on pages 48 to 50.

The revaluation details of the Plant and Machinery are given in Note 12.6 on page 50. The land, buildings and other equipments located at 39A, Linton Road, Kandana were disposed for a total consideration of Rs. 338mn as mentioned in Note 23 - Non-Current Assets classified as held for sale.

INVESTMENTS AND FINANCIAL INSTRUMENTS

Details of investments and financial instruments held by the Company are disclosed in Note 14 & 36 to the Financial Statements on pages 51 & 64.

CAPITAL COMMITMENTS

There were no material capital or other commitments as at reporting date as set out in Note 40 to the Financial Statements on page 76.

CONTINGENT LIABILITIES

There were no Contingent Liabilities as at reporting date as set out in Note 40 to the Financial Statements on page 76.

DONATIONS

No Donations were made by the Company and the subsidiary during the year under review.

DIVIDENDS

Directors do not recommend a dividend for the year under review.

RELATED PARTY TRANSACTIONS/DISCLOSURES DURING THE YEAR

Non-Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(a) of the Listing Rules

There were no non-recurrent Related Party Transactions, where the aggregate value exceeds 10% of equity or 5% of total assets in the Audited Financial Statements as at 31st March 2022, which requires additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 (a) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(B) of the Listing Rules

The aggregate value of recurrent Related Party Transactions entered into by the Company with related parties during the year under review did not exceed 10% of the Company's Turnover as per the Audited Financial Statements as at 31st March 2022, which requires additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 (b) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

The Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party transactions entered during the Financial Year ended 31st March 2022.

RIGHT ISSUE - 2022

The objectives of the Rights Issue – 2022 was to infuse fresh capital for the purpose of reducing part of the debt, thereby improving the negative equity position of the Company to strengthen the Balance Sheet and, the funds so raised were to be utilized for the part settle short term loans obtained from NDB Bank and the parent company, George Steuart and Company Limited more fully set out in the Circular to Shareholders dated 10th February 2022.

Status of utilization of the proceeds of the Rights Issue as at 29th August 2022 is set out in Note 39 on page 76.

EVENTS OCCURRING AFTER THE REPORTING DATE

Details of events after reporting date are set out in Note 39 on page 76.

GOING CONCERN

After making adequate enquiries from the management and from based on the Annual Budget approved by the Directors, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future as disclosed in Note 41 on page 77.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirm that to the best of their knowledge and belief that the Company has complied with the relevant environmental laws and regulations.

SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING

The Directors have recommended amendments to the Articles of Association whereby the provisions governing the Use of the Company Seal has been incorporated into the Articles of Association. Accordingly, a special resolution is placed before the shareholders at the forthcoming Annual General Meeting to obtain shareholders' approval for the said amendments to the Articles of Association.

ANNUAL GENERAL MEETING

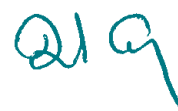
The Annual General Meeting of the Company will be held by electronic means on Wednesday, 28th September 2022 at 9.00 a.m. centered at Triad (Pvt) Ltd, 45/6, Alwis Place, Colombo 03.

The Notice of the Annual General Meeting appears on pages 85 to 86.

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



B S M De Silva
Chairman



M P D Cooray
Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th August 2022
Colombo

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT



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Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

TO THE SHAREHOLDERS OF HVA FOODS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HVA Foods PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 34 to 79.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and Group as at 31st March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

a) Carrying Value of Inventories

Refer to Note 3.9 for the accounting policies and Note 16 for notes to the financial statements on Inventories.

Basis for Opinion

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

Key Audit Matters

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

Risk Description	Our Responses
<p>As shown in Note 16, the Group holds inventory of Rs. 166,504,061/- and management judgment is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs.</p> <p>A risk surrounding the carrying value of inventory when compared to the net realizable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete, and damaged inventory involves estimates and judgments, considering forecast sales and historical usage of information.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Evaluating the design and implementation of the Group's key controls relating to the existence of inventory quantities and assessment of inventory valuation and inventory provisioning. » Attending to the inventory physical count conducted by the management and performing the following procedures: <ul style="list-style-type: none"> – Observing management's inventory count procedures to assess compliance with Group's policy and proper conduct of the count. – Making inquiries regarding obsolete inventory items and inspecting the condition of items counted.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). M.N. Mohamed Nabeel ACA. D. Jerad N. Dias ACA. Madhura V. De Silva FCA, MSc.

Risk Description	Our Responses
<p>Further, determination of whether inventories will be realized at the stated amounts, especially considering the current global & local macro-economic conditions, requires management to exercise judgments and apply assumptions relating to realization of inventories considering the markets where inventories are sold.</p>	<ul style="list-style-type: none"> » Comparing the quantities counted to the quantities recorded to ensure that accounting records have properly been updated for physical quantities existed as of the reporting date. Also, inquiring management for explanations for significant inventory count variances and inspecting supporting documents to validate those explanations. » On a sample basis, testing the accuracy of valuation of raw materials, work in progress and finished goods, bearing in mind the appropriateness of costing methods used and absorption rates applied. » Inspecting the post period sales transactions to evaluate whether inventories are measured at lower of cost or net realizable value. » Inquiring from the management with regards to the impact of current economic conditions on the sales and verify whether there have been inventories not sold or sold at a lesser price due to current economic conditions. » Assessing whether the Group's policies had been consistently applied and the adequacy of the financial statements disclosures in respect of the judgment and estimation made for inventory provisioning.

b) Impairment Assessment on Goodwill

Refer to Note 3.5 for the accounting policies and Note 13 for notes to the financial statements on Goodwill.

Risk Description	Our Responses
<p>The financial statements include goodwill amounting to Rs.263,849,498/- with infinite useful life. It represents the goodwill arising on the acquisition of business operations and certain assets of HVA Lanka Exports (Pvt) Ltd in the previous year.</p> <p>Goodwill is subject to an annual impairment test using significant estimates as disclosed in Note 13 to the financial statements.</p> <p>We identified the assessment of potential impairment of Goodwill as a key audit matter because such assessment involves certain judgmental assumptions which could be subject to management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Group and experience of the industry in which it operates. » Challenging management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the related operations and compared them against historical forecasts and performance and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied. » Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models. » Assessing whether the impact of current macro-economic conditions has been considered when preparing impairment assessment and evaluating the reasonableness of assumptions and judgments made in this regard. » Assessing the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT



c) Impairment Assessment on the Intangible Assets of Trademarks

Refer to Note 3.5 for the accounting policies and Note 15 for notes to the financial statements on Intangible assets.

Risk Description	Our Responses
<p>The financial statements include intangible assets of Trademarks amounting to Rs.49,388,997/- on acquisition of HVA Holdings (Pvt) Ltd and acquisition of business operations and certain assets of HVA Lanka Exports (Pvt) Ltd. Those Trademarks have indefinite useful life.</p> <p>Trademarks are subject to an annual impairment test using significant estimates as disclosed in Note 15 to the financial statements.</p> <p>We identified the assessment of potential impairment of Trademarks as a key audit matter because such assessment involves certain judgmental assumptions which could be subject to management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Assessing the accuracy of royalty rates for the respective market segments based on available current market information and valuation reports given by the external specialists at the time of acquisition. » Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Group and experience of the industry in which it operates. » Challenging management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the related operations and compared them against historical forecasts and performance and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied. » Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models. » Assessing whether the impact of current macro-economic conditions has been considered when preparing impairment assessment and evaluating the reasonableness of assumptions and judgments made in this regard. » Assessing the adequacy of the disclosures in the financial statements.

Other Information

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as the 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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- » Identify and assess the risks of material misstatement of the consolidated 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 and Group'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 use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- » Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's 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 relevant ethical requirements in accordance with the Code of Ethics regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4291.



CHARTERED ACCOUNTANTS

Colombo

29th August 2022

JD/dm

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Revenue	5	1,261,234,481	1,164,440,585	1,261,234,481	1,164,440,585
Cost of sales		(1,215,324,928)	(1,032,347,737)	(1,215,324,928)	(1,032,347,737)
Gross profit		45,909,553	132,092,848	45,909,553	132,092,848
Other operating income	7	94,166,619	6,274,176	94,166,619	6,193,976
Distribution expenses		(15,507,477)	(20,979,965)	(15,507,477)	(20,979,965)
Administration expenses		(317,019,350)	(275,596,387)	(316,865,110)	(275,547,187)
Reversal of impairment provision on related party receivables		-	322,813,036	-	322,813,036
Results from operating activities	8	(192,450,655)	164,603,708	(192,296,415)	164,572,708
Net finance expenses	9	(56,661,031)	(91,282,659)	(56,656,541)	(91,279,059)
Profit/(loss) before income tax		(249,111,686)	73,321,049	(248,952,956)	73,293,649
Income tax expense	10	20,066,395	5,269,058	20,066,395	5,269,058
Profit/(loss) for the year		(229,045,291)	78,590,107	(228,886,561)	78,562,707
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Actuarial gain on retirement benefit obligations	27	52,698	84,912	52,698	84,912
Tax on other comprehensive income	26	(7,378)	(11,888)	(7,378)	(11,888)
Total other comprehensive income		45,320	73,024	45,320	73,024
Total comprehensive income for the year		(228,999,971)	78,663,131	(228,841,241)	78,635,731
Profit/(loss) attributable to;					
Owners of the Company		(229,045,291)	78,590,107	(228,886,561)	78,562,707
Non-controlling interest		-	-	-	-
Profit/(loss) for the year		(229,045,291)	78,590,107	(228,886,561)	78,562,707
Total comprehensive income attributable to;					
Owners of the Company		(228,999,971)	78,663,131	(228,841,241)	78,635,731
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		(228,999,971)	78,663,131	(228,841,241)	78,635,731
Basic earnings per share	11	(3.45)	1.18	(3.45)	1.18

Figures in brackets indicate deductions.

The accounting policies and notes on pages 34 to 79 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	44,154,530	50,190,533	44,154,530	50,190,533
Goodwill	13	263,849,498	263,849,498	263,849,498	263,849,498
Investment in subsidiary	14	-	-	45,000,001	45,000,001
Other intangible assets	15	53,251,884	52,181,337	8,312,887	7,242,340
Deferred tax assets	30	71,390,000	14,776,364	71,390,000	14,776,364
Total non-current assets		432,645,912	380,997,732	432,706,916	381,058,736
Current assets					
Inventories	16	166,504,061	154,790,222	166,504,061	154,790,222
Financial assets - Fair value through profit or loss	17	1,887,938	2,236,894	1,887,938	2,236,894
Trade receivables	18	287,376,671	227,770,025	287,376,671	227,770,025
Amounts due from related parties	19	706,525	136,715	935,925	213,515
Pre-payments and other receivables	20	40,634,369	7,732,994	40,634,369	7,732,994
Deposits and advances	21	165,236,467	69,744,343	165,236,467	69,744,343
Cash and cash equivalents	22	125,562,484	150,829,210	125,556,669	150,818,905
Total current assets		787,908,515	613,240,403	788,132,100	613,306,898
Non-current assets classified as held for sale	23	-	291,537,524	-	291,537,524
Total assets		1,220,554,427	1,285,775,659	1,220,839,016	1,285,903,158
EQUITY AND LIABILITIES					
Stated capital	24	333,857,588	333,857,588	333,857,588	333,857,588
Revaluation reserve	25	16,701,071	237,613,039	16,701,071	237,613,039
Accumulated losses	26	(527,436,938)	(555,691,982)	(527,134,309)	(555,548,083)
Total equity attributable to the equity holders of the Company		(176,878,279)	15,778,645	(176,575,650)	15,922,544
Non-controlling interest		-	-	-	-
Total equity		(176,878,279)	15,778,645	(176,575,650)	15,922,544
Non-current liabilities					
Retirement benefit obligations	27	7,113,868	6,502,105	7,113,868	6,502,105
Interest-bearing loans and borrowings - non-current	28	536,840,000	246,540,477	536,840,000	246,540,477
Government grant - non-current	29	8,875,126	9,984,526	8,875,126	9,984,526
Total non-current liabilities		552,828,994	263,027,108	552,828,994	263,027,108
Current liabilities					
Trade payables	31	40,865,145	33,001,613	40,865,145	33,001,613
Interest-bearing loans and borrowings - current	28	270,202,758	696,369,563	270,202,758	696,369,563
Government grant - current	29	1,109,400	1,109,400	1,109,400	1,109,400
Income tax payable	35	-	317,468	-	317,468
Deposits and advances	32	308,106,204	133,764,447	308,106,204	133,764,447
Accrued expenses and other payables	33	70,508,588	55,612,497	70,490,548	55,596,097
Amount due to related parties	34	92,290,527	47,443,616	92,290,527	47,443,616
Bank overdrafts	22	61,521,090	39,351,302	61,521,090	39,351,302
Total current liabilities		844,603,712	1,006,969,906	844,585,672	1,006,953,506
Total liabilities		1,397,432,706	1,269,997,014	1,397,414,666	1,269,980,614
Total equity and liabilities		1,220,554,427	1,285,775,659	1,220,839,016	1,285,903,158

Figures in brackets indicate deductions.

The accounting policies and notes on pages 34 to 79 form an integral part of these financial statements.

These financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Mr. Sameera Gamage
Finance Manager

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.

Mr. M P D Cooray
Director

Mr. B S M De Silva
Director

Colombo
29th August 2022

STATEMENT OF CHANGES IN EQUITY

Group

For the year ended 31 March	Attributable to equity holders of the Company				Non-controlling interest Rs.	Total Rs.
	Stated capital Rs.	Revaluation reserves Rs.	Accumulated losses Rs.	Total Rs.		
Balance as at 31st March 2020	333,857,588	237,613,039	(634,355,113)	(62,884,486)	-	(62,884,486)
Comprehensive income						
Profit for the year	-	-	78,590,107	78,590,107	-	78,590,107
Other comprehensive income						
Defined benefit plan actuarial gain	-	-	84,912	84,912	-	84,912
Tax on other comprehensive income	-	-	(11,888)	(11,888)	-	(11,888)
Total comprehensive income	-	-	78,663,131	78,663,131	-	78,663,131
Balance as at 31st March 2021	333,857,588	237,613,039	(555,691,982)	15,778,645	-	15,778,645
Comprehensive income						
Loss for the year	-	-	(229,045,291)	(229,045,291)	-	(229,045,291)
Other comprehensive income						
Defined benefit plan actuarial gain	-	-	52,698	52,698	-	52,698
Tax on other comprehensive income	-	-	(7,378)	(7,378)	-	(7,378)
Realisation of revaluation surplus on disposal of assets held for sale	-	(257,255,015)	257,255,015	-	-	-
Deferred tax impact on realisation of revaluation surplus	-	36,343,047	-	36,343,047	-	36,343,047
Total comprehensive income	-	(220,911,968)	28,255,044	(192,656,924)	-	(192,656,924)
Balance as at 31st March 2022	333,857,588	16,701,071	(527,436,938)	(176,878,279)	-	(176,878,279)

Company

For the year ended 31 March	Stated capital Rs.	Revaluation reserves Rs.	Accumulated losses Rs.	Total Rs.
Balance as at 31st March 2020	333,857,588	237,613,039	(634,183,814)	(62,713,187)
Comprehensive income				
Profit for the year	-	-	78,562,707	78,562,707
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	84,912	84,912
Tax on other comprehensive income	-	-	(11,888)	(11,888)
Total comprehensive income	-	-	78,635,731	78,635,731
Balance as at 31st March 2021	333,857,588	237,613,039	(555,548,083)	15,922,544
Comprehensive income				
Loss for the year	-	-	(228,886,561)	(228,886,561)
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	52,698	52,698
Tax on other comprehensive income	-	-	(7,378)	(7,378)
Realisation of revaluation surplus on disposal of assets held for sale	-	(257,255,015)	257,255,015	-
Deferred tax impact on realisation of revaluation surplus	-	36,343,047	-	36,343,047
Total comprehensive income	-	(220,911,968)	28,413,774	(192,498,194)
Balance as at 31st March 2022	333,857,588	16,701,071	(527,134,309)	(176,575,650)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 34 to 79 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cash flow from operating activities					
Profit/(loss) before tax		(249,111,686)	73,321,049	(248,952,956)	73,293,649
Adjustments for:					
Depreciation on property, plant and equipment	12	10,705,265	16,780,032	10,705,265	16,780,032
Amortization of intangible assets	15	55,677	-	55,677	-
Provision for defined benefit obligations - gratuity	27	1,535,261	2,812,234	1,535,261	2,812,234
Interest income on deposits and savings	9	(1,781,686)	(293,965)	(1,781,686)	(293,965)
Reversal of provision for inventories	16	(7,012,869)	(2,591,591)	(7,012,869)	(2,591,591)
Write off - inventories		42,718,782	-	42,718,782	-
Provision on trade receivables	18	6,600,565	123,269,309	6,600,565	123,269,309
Reversal of impairment provision on related party receivables		-	(322,813,036)	-	(322,813,036)
Income tax written off	35	-	375,545	-	375,545
Income tax set off against ESC	35	(529,040)	-	(529,040)	-
ESC Write off		2,668,599	-	2,668,599	-
Dividend income	7	(67,496)	(38,100)	(67,496)	(38,100)
Amortization of government grant	29	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Loss/(gain) on fair valuation of financial investments	7	348,956	(853,488)	348,956	(853,488)
Unrealized exchange loss on borrowings	28	26,781,557	19,484,733	26,781,557	19,484,733
Interest on lease	9	-	1,412,973	-	1,412,973
Interest expenses	9	89,458,838	73,433,333	89,458,838	73,433,333
Write back of other payables	7	(36,039,861)	(4,244,913)	(36,039,861)	(4,164,713)
Write off - other receivables		6,489,703	27,640,254	6,489,703	27,640,254
Write off - advance of trade creditors		9,113,705	-	9,113,705	-
Write off - trade receivables		132,184,934	5,904,074	132,184,934	5,904,074
Profit on disposal of non-current assets held for sale	7	(41,026,570)	-	(41,026,570)	-
Loss/(profit) on disposal of property, plant and equipment	7	(175,000)	1,578,324	(175,000)	1,578,324
		240,919,920	(59,253,682)	240,919,920	(59,173,482)
Operating profit/(loss) before working capital changes		(8,191,766)	14,067,367	(8,191,766)	14,120,167
Increase in inventories		(47,419,752)	(20,318,588)	(47,419,752)	(20,318,588)
Increase in trade receivables		(198,392,145)	(118,169,707)	(198,392,145)	(118,169,707)
(Increase)/decrease in pre-payments and other receivables		(42,059,677)	13,224,364	(42,059,677)	13,224,364
(Increase)/decrease in amounts due from related parties		(569,810)	365,188,866	(722,410)	365,222,266
Increase in deposits and advance receivables		(95,492,124)	(55,645,080)	(95,492,124)	(55,645,080)
Decrease in trade payables		(1,250,173)	(9,194,297)	(1,250,173)	(9,194,297)
Increase in amount due to related parties		44,846,911	47,443,616	44,846,911	47,443,616
Increase in deposits and advance payables		174,341,757	87,434,346	174,341,757	87,434,346
Increase in accrued expenses and other creditors		50,935,952	13,092,879	50,934,312	13,010,279
Cash generated/(used) from operations		(124,575,469)	337,123,766	(124,570,979)	337,127,366
Interest paid	9	(89,458,838)	(73,433,333)	(89,458,838)	(73,433,333)
Gratuity paid	27	(870,800)	(14,570,072)	(870,800)	(14,570,072)
Net cash generated/(used) from operating activities		(213,580,465)	249,120,361	(213,575,975)	249,123,961
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(5,490,086)	(695,856)	(5,490,086)	(695,856)
Acquisition of intangible assets	15	(305,400)	-	(305,400)	-
Acquisition of business - HVA Lanka Exports (Pvt) Ltd	13	-	(290,000,000)	-	(290,000,000)
Interest received	9	1,781,686	293,965	1,781,686	293,965
Dividend received	6	67,496	38,100	67,496	38,100
Proceeds from sale of property, plant and equipment	7	175,000	10,878,900	175,000	10,878,900
Proceeds from disposal of non-current assets held for sale	7	332,564,095	-	332,564,095	-
Net cash generated/(used) in investing activities		328,792,791	(279,484,891)	328,792,791	(279,484,891)
Cash flows from financing activities					
Payments of finance lease liabilities		-	(12,808,479)	-	(12,808,479)
Proceeds from interest bearing loans and borrowings		1,230,906,341	255,947,779	1,230,906,341	255,947,779
Repayment of interest bearing loans and borrowings		(1,393,555,181)	(99,757,844)	(1,393,555,181)	(99,757,844)
Net cash generated/(used) in financing activities		(162,648,840)	143,381,456	(162,648,840)	143,381,456
Net increase/(decrease) in cash and cash equivalents		(47,436,514)	113,016,926	(47,432,024)	113,020,526
Cash and cash equivalents at the beginning of the year (Note A)	22	111,477,908	(1,539,018)	111,467,603	(1,552,923)
Cash and cash equivalents at the end of the year (Note B)	22	64,041,394	111,477,908	64,035,579	111,467,603
At the beginning (Note A)					
Cash in hand and balance at bank		150,829,210	34,757,655	150,818,905	34,743,750
Bank overdraft		(39,351,302)	(36,296,673)	(39,351,302)	(36,296,673)
		111,477,908	(1,539,018)	111,467,603	(1,552,923)
At the end (Note B)					
Cash in hand and balance at bank		125,562,484	150,829,210	125,556,669	150,818,905
Bank overdraft		(61,521,090)	(39,351,302)	(61,521,090)	(39,351,302)
		64,041,394	111,477,908	64,035,579	111,467,603

Figures in brackets indicate deductions.

The accounting policies and notes on pages 34 to 79 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

HVA Foods PLC (the "Company") is a public quoted company domiciled in Sri Lanka. The Company was incorporated on 02nd August 1997 and the registered office of the Company is located at No. 118, Braybrooke Place, Colombo 02.

Ordinary shares of the Company are listed on the Colombo Stock Exchange and the Company became a public quoted company on 04th May 2011.

1.2 Principal activities and nature of operations

The principal activity and nature of operations of the Company are processing, packing and exporting of value-added teas. The Company also engages in the development, manufacture and distribution of tea extract-based products and franchise operation of tea cafes.

1.3 The parent entity

George Steuart and Company Limited is the parent entity which owned 51.1% of ordinary shares of the Company. The shareholding of the parent entity has increased up to 67.1% on the right issue made on 13th May 2022 as disclosed in Note 39.2 to the financial statements.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements of HVA Foods PLC, as at and for the year ended 31st March 2022 comprise the Company and its subsidiary company (together referred to as the "Group" and individually as "Group entities").

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and the summary of significant accounting policies and other explanatory information have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS), and the requirements of the Companies Act, No. 07 of 2007 and provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

The financial statements of HVA Foods PLC ("Company") and the consolidated financial statements of the Company and its subsidiary ("Group") for the year ended 31st March 2022, were authorised for issue by the Board of Directors on 29th August 2022.

2.2 Responsibility for the financial statements

The Board of Directors take responsibility for the preparation of these financial statements in accordance

with the requirements of Companies Act No.07 of 2007 and Sri Lanka Accounting Standards.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following account balances:

- The liability for defined benefit obligation recognized is actuarially valued and recognized at the present value of the defined benefit obligation.
- Land and buildings and machinery and stores equipment are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Financial instruments classified as fair value through profit and loss are measured at fair value.

2.4 Going concern

The Directors have assessed the Group's ability to continue as a going concern and they are satisfied that it has the resources to continue in the business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or cease operations of the Group. Therefore, the financial statements continue to be prepared on the going concern basis.

The going concern of the Group is discussed in detail under Note 41 to the financial statements.

2.5 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the functional currency of the Company and the Group. All amounts have been rounded to the nearest rupee, unless stated otherwise.

There was no change in the Group's presentation and functional currency during the year.

2.6 Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies of the Group and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

Critical accounting estimate/judgment	Disclosure note
Property, plant and equipment	12
Inventories	16
Trade receivables	18
Retirement benefits obligations	27
Deferred taxation	30
Commitments and contingencies	40

2.7 MATERIALITY AND AGGREGATION

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

2.8 Comparative information

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

2.9 Changes in accounting Policies

The Group has consistently applied the accounting policies to all periods presented in these financial statements, except for the changes arising out of the amendments to the Accounting Standards as set out below:

2.9.1 Changes in accounting policies

The Group applied for the first time the following amendments to Accounting Standards, which are effective for annual period beginning on or after 01st January 2020. The Group has not early adopted any other accounting standards, interpretation or amendments that have been issued but are not yet effective.

2.9.2 Amendments to SLFRS 16 Covid - 19 Related Rent Concessions beyond 30 June 2021

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The Group does not have "Right of use assets" and therefore, there is no implication on this amendment.

2.9.3 New accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

The Group intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Accounting standard	Description	Effective date
LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets	Amendment specifies the costs that an entity needs to include when assessing whether a contract is onerous or loss-making.	01st January 2022
LKAS 16 - Property, Plant and Equipment	Amendment prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item of property, plant and equipment.	01st January 2022
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.	1 January 2023
Annual improvements to SLFRS Standards 2018 – 2020	Annual improvements to SLFRS Standards	1 January 2022
Amendments to LKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to LKAS 1 and SLFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to LKAS 8	Definition of accounting estimates	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS

The assessment of the impact on the Company does not have any material impact on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies of the Company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

3.1 Basis of consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Company and its subsidiary Company.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidated financial statements are prepared up to the common financial year end of 31st March. There are no significant restrictions on the ability of the subsidiary company to transfer its funds to the parent entity in the form of cash dividends or to repay loans and advances.

- HVA Holdings (Pvt) Limited – the subsidiary company, which is incorporated in Sri Lanka, has been consolidated with the Company.

3.1.2 Acquisition of non-controlling interest

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

3.1.3 Goodwill on consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. The goodwill is initially recognized at cost. Such goodwill is identified into a cash generating unit and is annually tested for impairment. After initial recognition, the goodwill is stated at cost less accumulated impairment losses. The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, it is recognized immediately in the consolidated statement of comprehensive income.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency, at exchange rates at the dates of the transactions. Export sales contracts which were transacted in foreign currency are converted to functional currency at the rates of exchange prevailing at the date when revenue is recognized.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are generally recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.3 Financial instruments – initial recognition and subsequent measurement

3.3.1 Financial assets

3.3.1.1 Initial recognition and subsequent measurement

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

a) Amortised cost

These assets arise principally from the provision of goods and services to customers (trade and receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within SLFRS 9 – Financial Instruments, using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a generally expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve months' expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, amounts due from related parties and cash and cash equivalents.

Cash and cash equivalents include cash in hand and demand deposits held with banks.

b) Fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on the specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

c) Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and presented in "finance income" or "finance cost" in the statement of income for the reporting period in which it arises.

Financial assets at fair value through profit or loss of the Group include investment in quoted and non-quoted shares.

3.3.1.2 Derecognition

The Group de-recognises a financial asset when, and only when:

- a) the contractual rights to the cash flows from the financial asset expire, or
- b) it transfers the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When the Group transfers a financial asset, the Group evaluates the extent to which it retains the risks and rewards of the ownership of the financial asset. In this case:

- a) if the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset and recognises separately as assets or liability any rights and obligations created or retained in the transfer.
- b) if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset.
- c) if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

3.3.1.3 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost or at fair value through other comprehensive income. The Group, at each reporting date measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since the initial recognition. For trade and other receivables, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

3.3.2 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3.3.3 Financial liabilities

3.3.2.1 Initial recognition and measurement

All financial liabilities are recognized initially at fair value. This includes directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost or fair value through profit or loss, as discussed below.

3.3.2.2 Classification of financial liabilities

a) Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

b) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.

The financial liabilities of the Group include trade and other payables, and interest-bearing borrowings. Those financial liabilities are measured at amortized cost.

3.3.2.3 Derecognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified,

such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.3.3 Offsetting of financial instruments

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

3.3.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments that are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in the Note 37 to the financial statements.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Land and buildings, machinery and store equipment are stated at fair value less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their 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 part of that asset.

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.

3.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are expensed as incurred.

3.4.3 Depreciation

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 recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Lease assets are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives are as follows.

Motor vehicles	04 to 06 years
Stores equipment	05 to 20 years
Furniture and fittings	10 years
Plant and machinery	05 to 20 years
Tea-room equipment	04 years
Office equipment	04 years
Irrigation equipment	04 years
Tea cafe assets	05 years
Ice tea equipment and others	04 years

3.4.4 De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from it. The gain or loss arising on derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the item is de-recognized.

When replacement costs are recognized in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspection is derecognized.

3.4.5 Gain and losses on 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 recognized net within "other income/other expenses" in the statement of profit or loss and other comprehensive income. When re-valued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.4.6 Revaluation of Property, plant and equipment

A revaluation of an item of property, plant and equipment (PPE) is carried out when there is substantial difference between the fair value and the carrying amount. Valuation of the land and buildings, machinery and store equipment are undertaken by professionally qualified valuers at a minimum of 4-5 years.

On revaluation of an item of PPE, any increase in the carrying amount is recognized in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same item of PPE, which was charged to profit or loss. In this circumstance, the increase is recognized as income to the extent of the previous write down. Any decrease in the carrying amount is recognized as an expense in profit or loss or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that item of PPE. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an item of PPE is transferred directly to retained earnings on retirement or disposal of the item of PPE.

3.4.6.1 Revaluation of plant and machinery

Accounting Judgement Estimate and Assumption

Fair value of the plant and machinery are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing assets of similar category. Plant and machinery are appraised in accordance with LKAS 16, SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the assets, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar assets, with appropriate adjustments for size and category.

3.4.7 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

NOTES TO THE FINANCIAL STATEMENTS

3.4.71 Finance leases

Finance leases – Group as a lessee:

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.5 Intangible assets

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

The intangible assets of the Group include the following:

a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. The goodwill acquired in a business combination is tested annually for impairment and losses on impairment are recognized in arriving at profit or loss for the period. Impairment losses on goodwill are not reversed.

b) *Trademarks*

Trademarks acquired as part of a business combination, are capitalised as part of intangible assets if the trademark meets the definition of an intangible asset and the recognition criteria are satisfied. Trademarks are reviewed for impairment annually and losses on impairment are recognized in arriving at profit or loss for the period.

c) *Computer software*

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and with the probability that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate

future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

The class of intangible assets	Useful life
Computer software	4 years

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

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.6 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset must be expected to be completed within one year from the date of classification, except in the circumstances where the sale is delayed by events or circumstances outside the Group's control and the Group remains committed to a sale.

3.7 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.8 Government grants

A government grant is recognized in the statement of financial position initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the Group for expenses incurred are recognized as revenue in the income statement on a systematic basis in the periods in which the expense is incurred. Grants that compensate the Group for the cost of an asset are recognized in the income statement as revenue on a systematic basis over the useful life.

3.9 Inventories

Inventories are measured at the lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less than estimated cost of completion and the estimated cost necessary to make the sale.

The cost of inventory is determined on the basis of the Weighted Average Cost (WAC) and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

3.10 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 the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

3.10.1 Employee benefits

3.10.1.1 *Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund*

The Group contributes 12% and 3% of gross salary to the Employees Provident Fund and Employees Trust Fund respectively, in terms of Employees' Provident Fund Act No.15 of 1958 as amended and to the Employees' Trust Fund in terms of the Employees' Trust Fund Act No.46 of 1980 as amended. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognized as an expense in the statement of comprehensive income, as incurred.

3.10.1.2 *Defined benefit plan*

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method, as recommended by LKAS 19 "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the Note 27 to the financial statements. This liability is not externally funded, and the item is grouped under non-current liabilities in the statement of financial position. However, under The Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Group recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income and expenses related to defined benefit plans in staff expenses in statement of profit or loss.

3.10.1.3 *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10.2 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an

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outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognized as finance cost.

3.11 Revenue recognition

3.11.1 Revenue

3.11.1.1 Sale of goods

a) Revenue recognition

The Group recognizes revenue when the Group satisfies a performance obligation transferring promised goods or services to a customer. Goods are transferred when the customer obtains the control of those goods.

b) Performance obligations and timing of revenue recognition

The Group's revenue is mainly derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgment needed in identifying the point at which control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods.

c) Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

d) Allocating amounts to performance obligations

For contracts with customers, there is a fixed unit price for each product sold. Therefore, there is no judgment involved in allocating the contract price to each unit in such contracts. Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's stand-alone selling prices (all product lines are capable of being, and are, sold separately).

3.11.1.2 Interest income

Interest income is recognized based on the effective interest rate method and it is accrued in profit or loss.

3.11.1.3 Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established, which in the case of quoted securities is the ex-dividend date.

3.11.1.4 Other income

Other income consists of income from sources other than the main operational activities. Other income is recognized on an accrual basis.

3.11.2 Expenditure

3.11.2.1 Expenses recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of a specific item of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

3.11.2.2 Finance expenses

Finance expenses comprise interest expenses on borrowings which are recognized in the profit or loss using the effective interest method, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.12 Taxation

a) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or other comprehensive income.

b) Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.24 of 2017 and amendments thereto.

c) Deferred tax

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future, and differences measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of the goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.13 Events occurring after the reporting date

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

3.14 Comparative information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous year. Where the presentation or classification of items in the financial statements is amended in the current year, comparative amounts are also re-classified unless it is impracticable.

3.15 Segmental information

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Board of Directors believes that it is not practical to provide segmental disclosures relating to segment costs and expenses and subsequently segment profits and losses, since a realistic allocation cannot be made. The fixed assets used in the Group's business are not identifiable to any particular reportable segment and can be used interchangeably among segments. Consequently, management believes that it is not practical to provide segmental disclosures relating to total assets since a realistic analysis among the various operating segments is not possible.

3.16 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 a price is charged.

3.17 Statement of cash flows

The cash flows of the Group have been presented by using the "indirect method" in accordance with LKAS-7: Statement of Cash Flows.

3.18 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. Contingent liabilities and commitments are disclosed in Note 40 to the financial statements.

4. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk management framework

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

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

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group is exposed to credit risk on trade receivables and other receivables, investment securities and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

4.1.1 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the SLFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade and other receivables as disclosed in Note 3.3.1.1.(a).

4.2 Liquidity risk

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

The Group considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of Group-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of the current economic crisis.

4.3 Market risk

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

4.3.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are USD, SGD and Euro. To manage foreign exchange risk arising from those transactions, the Group ensures that it keeps adequate funds in foreign currency in its bank accounts and negotiates terms and conditions in the agreements with the suppliers. Foreign exchange risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The uncertainty caused by the current economic crisis could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, the management has implemented various policies and strategies over foreign activities to minimize anticipated currency risk, if any.

4.4 Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

With the prolonged impact from the disruptive waves of the Pandemic, the Group has heightened the importance of having robust governance, processes and systems and controls to mitigate the potential for operational losses.

For the year ended 31 March	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.

5 REVENUE

Export sales	1,192,085,274	1,123,091,646	1,192,085,274	1,123,091,646
Local sales	67,233,522	28,346,313	67,233,522	28,346,313
Revenue from Heladive Tea Café	1,915,685	13,002,626	1,915,685	13,002,626
	1,261,234,481	1,164,440,585	1,261,234,481	1,164,440,585

6 SEGMENTAL INFORMATION

6.1 Geographical segment analysis (by location of customers)

Russia and the CIS States	74,852,207	74,741,930	74,852,207	74,741,930
Far East/Asia	246,985,621	179,023,447	246,985,621	179,023,447
Europe	385,894,304	302,872,587	385,894,304	302,872,587
USA /Canada	44,699,935	27,986,730	44,699,935	27,986,730
Middle East and Africa	439,653,208	538,466,953	439,653,208	538,466,953
Domestic	69,149,206	41,348,939	69,149,206	41,348,939
	1,261,234,481	1,164,440,586	1,261,234,481	1,164,440,586

6.2 There are no separately distinguishable expenses, assets and liabilities for the above segments.

7 OTHER OPERATING INCOME

Scrap sales and sample sales income	2,741,499	-	2,741,499	-
Insurance claims	11,700,000	-	11,700,000	-
Profit on disposal of non-current assets held for sale	41,026,570	-	41,026,570	-
Profit on disposal of property, plant and equipment	175,000	-	175,000	-
Amortization of Government grant (Note 29)	1,109,400	1,109,400	1,109,400	1,109,400
Dividend income - quoted investments	67,496	38,100	67,496	38,100
Write back of other payable balances	36,039,861	4,244,913	36,039,861	4,164,713
Reimbursement Income	1,655,749	-	1,655,749	-
Fair value gain/(loss) on investments	(348,956)	853,488	(348,956)	853,488
Sundry income	-	28,275	-	28,275
	94,166,619	6,274,176	94,166,619	6,193,976

As disclosed in Note 08 to the financial statements, the Company has written off Rs. 42,718,782/- of inventory during the year for loss on the flood damage and for obsolete inventory items. An insurance claim of Rs. 11,700,000/- was confirmed for write off on the flood damage which is amounting to Rs. 14,711,449/-.

8 RESULTS FROM OPERATING ACTIVITIES

The results from operating activities are stated after charging all expenses including the following:

Auditor's remuneration - external audit	963,040	891,400	945,000	875,000
Auditor's remuneration - other services	537,600	110,000	537,600	110,000
Directors' emoluments including non-executive directors' fees	7,940,000	17,360,800	7,940,000	17,360,800
Depreciation of property, plant and equipment	10,705,265	16,780,032	10,705,265	16,780,032
Legal and secretarial expenses	1,523,415	1,701,240	1,503,915	1,668,440

NOTES TO THE FINANCIAL STATEMENTS

8 RESULTS FROM OPERATING ACTIVITIES (CONTD.....)

For the year ended 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Salaries and wages	44,572,805	33,268,464	44,572,805	33,268,464
EPF	5,337,126	6,115,735	5,337,126	6,115,735
ETF	1,334,281	1,528,934	1,334,281	1,528,934
Provision for retirement benefit obligations	1,535,261	2,812,234	1,535,261	2,812,234
Bonus and incentives	8,012,600	24,800	8,012,600	24,800
Inventory write off - Kandana flood damage and obsolete stocks	42,718,782	-	42,718,782	-
Provision for impairment of trade receivables	6,600,565	123,269,309	6,600,565	123,269,309

9 NET FINANCE EXPENSES

For the year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Finance income					
Interest income		1,781,686	293,965	1,781,686	293,965
		1,781,686	293,965	1,781,686	293,965
Finance expenses					
Loan interest - packing credit		(23,349,977)	(22,110,978)	(23,349,977)	(22,110,978)
Loan interest - term loan		(59,474,066)	(32,890,319)	(59,474,066)	(32,890,319)
Interest on lease rentals		-	(1,412,973)	-	(1,412,973)
Interest on bill discounts		(391,700)	(2,429,463)	(391,700)	(2,429,463)
Interest on related party advances		(4,697,554)	(595,460)	(4,697,554)	(595,460)
Overdue interest		(220,899)	(11,403,647)	(220,899)	(11,403,647)
Bank overdraft interest		(1,324,642)	(4,003,466)	(1,324,642)	(4,003,466)
Bill discount charges		(57,367)	(1,794,901)	(57,367)	(1,794,901)
Bank charges		(11,289,747)	(2,365,190)	(11,285,257)	(2,361,590)
Foreign exchange gain /(loss)		42,363,235	(12,570,227)	42,363,235	(12,570,227)
		(58,442,717)	(91,576,624)	(58,438,227)	(91,573,024)
Net finance expenses		(56,661,031)	(91,282,659)	(56,656,541)	(91,279,059)

10 INCOME TAX EXPENSE

10.1 Current income tax expense

For the year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Income tax expense on current year's profit		211,572	317,468	211,572	317,468
Deferred tax expense					
Origination of deferred tax assets	30	(20,277,967)	(5,586,526)	(20,277,967)	(5,586,526)
Total income tax expense		(20,066,395)	(5,269,058)	(20,066,395)	(5,269,058)

10.2 Reconciliation between the taxable profit/(loss) and accounting profit/(loss)

For the year ended 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit/(loss) before tax		(249,111,686)	73,321,049	(248,952,956)	73,293,649
Exempt income/other source of income		(900,138)	(293,965)	(900,138)	(293,965)
Realisation of depreciable assets		307,420,510	-	307,420,510	-
Aggregate disallowable expenses		(165,145,466)	11,126,690	(165,145,466)	11,126,690
Aggregate allowable expenses		(45,515,482)	(27,855,912)	(45,515,482)	(27,828,512)
Taxable profit/(loss) for the year		(153,252,262)	56,297,862	(153,093,532)	56,297,862
Tax losses brought forward		(63,103,574)	(117,734,320)	(63,103,574)	(117,734,320)
Adjustment for opening balance		-	50,735	-	50,735
Tax profit/(loss) incurred during the year		(154,042,579)	-	(154,042,579)	-
Utilization of tax losses		67,496	54,580,011	67,496	54,580,011
Tax losses carried forward		(217,078,657)	(63,103,574)	(217,078,657)	(63,103,574)
Total statutory income		(153,093,532)	56,297,862	(153,093,532)	56,297,862
Deductions; utilization of tax losses		153,975,083	(54,580,012)	153,975,083	(54,580,012)
Taxable income - other source of income		881,551	1,717,850	881,551	1,717,850
Tax on taxable income @ 24%		211,572	33,025	211,572	33,025
Tax on taxable income @ 18%		-	284,443	-	284,443
Total current tax for the year		211,572	317,468	211,572	317,468

10.3 Reconciliation of effective tax rate

Profit/(loss) before income tax		(249,111,686)	73,321,049	(248,952,956)	73,293,649
Income tax using the domestic tax rate		(59,748,709)	15,354,124	(59,748,709)	15,348,386
Non-deductible expenses		(39,634,912)	2,336,605	(39,634,912)	2,336,605
Realisation of depreciable assets		73,780,922	-	73,780,922	-
Deductible expenses		(10,923,716)	(5,849,726)	(10,923,716)	(5,843,988)
Tax exempt income		(216,033)	(61,733)	(216,033)	(61,733)
Tax loss utilized		36,954,020	(11,461,802)	36,954,020	(11,461,802)
Current tax on profits/(loss) for the year	10.1	211,572	317,468	211,572	317,468
Charge to deferred tax liability on temporary differences		(1,371,570)	3,046,696	(1,371,570)	3,046,696
Charge to deferred tax asset on temporary differences		21,649,537	2,539,830	21,649,537	2,539,830
Total income tax expense		(20,066,395)	(5,269,058)	(20,066,395)	(5,269,058)

11. BASIC EARNING PER SHARE

The calculation of basic earnings per share is based on the net profit/(loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Profit/(loss) attributable to ordinary shareholders		(229,045,291)	78,590,107	(228,886,561)	78,562,707
Weighted average number of ordinary shares		66,428,660	66,428,660	66,428,660	66,428,660
Basic earnings per share		(3.45)	1.18	(3.45)	1.18

The diluted earnings per share is as same as computed above.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT 12.1 Group

Description	Land Rs.	Plant & Machinery - Heavy Duty Rs.	Plant & Machinery - Other Rs.	Ice Tea Equipment & Others Rs.	Stores equipment - Heavy Duty Rs.	Stores equipment - Other Rs.	Furniture & fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Capital work in progress Rs.	Total Rs.
At cost / valuation											
Balance at 01st April 2021	2,672,000	46,611,656	10,283,470	6,990,907	2,169,002	9,078,105	13,471,383	12,538,684	25,731,482	2,491,951	132,038,640
Additions	-	-	-	26,599	-	667,640	925,660	3,870,187	-	-	5,490,086
Disposals / transfers	-	(175,000)	-	-	-	-	-	-	-	(820,824)	(995,824)
Balance at 31st March 2022	2,672,000	46,436,656	10,283,470	7,017,506	2,169,002	9,745,745	14,397,043	16,408,871	25,731,482	1,671,127	136,532,902
Depreciation and impairment losses											
Balance at 01st April 2021	-	16,242,961	8,517,617	6,967,241	500,767	9,078,105	7,108,538	12,124,125	21,308,753	-	81,848,107
Depreciation	-	3,309,347	1,092,798	31,905	104,251	73,619	1,251,168	419,448	4,422,729	-	10,705,265
Disposals / transfers	-	(175,000)	-	-	-	-	-	-	-	-	(175,000)
Balance at 31st March 2022	-	19,377,308	9,610,415	6,999,146	605,018	9,151,724	8,359,706	12,543,573	25,731,482	-	92,378,372
Total carrying amount											
As at 31st March 2022	2,672,000	27,059,348	673,055	18,360	1,563,984	594,021	6,037,337	3,865,298	-	1,671,127	44,154,530
As at 31st March 2021	2,672,000	30,368,695	1,765,853	23,666	1,668,235	-	6,362,845	414,559	4,422,729	2,491,951	50,190,533

12 PROPERTY, PLANT & EQUIPMENT
12.2 Company

Description	Land Rs.	Plant & Machinery - Heavy Duty Rs.	Plant & Machinery - Other Rs.	Ice Tea Equipment & Others Rs.	Stores equipment - Heavy Duty Rs.	Stores equipment - Other Rs.	Furniture & fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Capital work in progress Rs.	Total Rs.
At cost / valuation											
Balance at 01st April 2021	2,672,000	46,611,656	10,283,470	6,990,907	2,169,002	9,078,105	13,471,383	12,538,684	25,731,482	2,491,951	132,038,640
Additions	-	-	-	26,599	-	667,640	925,660	3,870,187	-	-	5,490,086
Disposals / transfers	-	(175,000)	-	-	-	-	-	-	-	(820,824)	(995,824)
Balance at 31st March 2022	2,672,000	46,436,656	10,283,470	7,017,506	2,169,002	9,745,745	14,397,043	16,408,871	25,731,482	1,671,127	136,532,902
Depreciation and impairment losses											
Balance at 01st April 2021	-	16,242,961	8,517,617	6,967,241	500,767	9,078,105	7,108,538	12,124,125	21,308,753	-	81,848,107
Depreciation	-	3,309,347	1,092,798	31,905	104,251	73,619	1,251,168	419,448	4,422,729	-	10,705,265
Disposals / transfers	-	(175,000)	-	-	-	-	-	-	-	-	(175,000)
Balance at 31st March 2022	-	19,377,308	9,610,415	6,999,146	605,018	9,151,724	8,359,706	12,543,573	25,731,482	-	92,378,372
Total carrying amount											
As at 31st March 2022	2,672,000	27,059,348	673,055	18,360	1,563,984	594,021	6,037,337	3,865,298	-	1,671,127	44,154,530
As at 31st March 2021	2,672,000	30,368,695	1,765,853	23,666	1,668,235	-	6,362,845	414,559	4,422,729	2,491,951	50,190,533

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTD....)

- 12.3** During the year, the Group acquired property, plant and equipment to the aggregate value of Rs.5,490,086/- (2020/21 - Rs.3,367,856/-). It was acquired by means of cash payments amounting to Rs.5,490,086/- (2020/21 - 3,367,856/-).
- 12.4** Property, plant and equipment of the Group include fully-depreciated assets, the cost of which as at 31st March 2022 amounted to Rs.63,885,783/- (2020/21- Rs.48,969,321/-) and continue to be in use by the Group.
- 12.5** Assets pledged as security against borrowings are disclosed in Note no.42.
- 12.6** The Plant & Machinery Heavy Duty and Stores Equipment Heavy Duty assets class had been revalued by the Independent chartered valuation surveyor, Mr.P.B. Kalugalagedara as at 31st March 2016.

The details of Machinery - heavy duty and stores equipment heavy duty which are stated at revalued amounts are as follows;

Company property	Method of valuation	Last valuation date	Revalued amount (Rs.)	Property valuer
a. Machinery - heavy duty at Linton Road, Kandana	Replacement cost method	31-03-2016	44,964,600	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor
b. Stores equipment - heavy duty at Linton Road, Kandana	Replacement cost method	31-03-2016	2,169,002	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor

12.7 The details of the Company's land holdings

	Extent of land	Cost of purchase Rs.	Year of purchase Rs.
(i) No 39, Linton Road, Kandana - Land	AO-R0-P5.44 (Perches)	2,672,000	10/03/2021

12.8 Expenses recognized in statement of comprehensive income

For the year ended 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Depreciation	10,705,265	16,780,034	10,705,265	16,780,034
	10,705,265	16,780,034	10,705,265	16,780,034

13. GOODWILL

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 1st April	263,849,498	-	263,849,498	-
On acquisition of the business of HVA Lanka Exports (Pvt) Ltd	-	263,849,498	-	263,849,498
Balance as at 31st March	263,849,498	263,849,498	263,849,498	263,849,498

On 10th March 2021, the Company had acquired the business and certain assets of HVA Lanka Exports (Pvt) Ltd for a total consideration of Rs.290,000,000/-. This acquisition has been accounted for as a business combination as per the requirements of SLFRS 3 – Business Combination.

The fair values of the net assets acquired and goodwill on acquisition are as follows:

	Rs.
Freehold land	2,672,000
Inventories	19,028,502
Trademark	4,450,000
Total identifiable assets	26,150,502
Total consideration paid	290,000,000
Goodwill on acquisition	263,849,498

The management has assessed to ascertain whether there could be any impairment on the goodwill on acquisition of the business of HVA Lanka Exports (Pvt) Ltd. As required by LKAS 36, Impairment of assets, the management assessed the recoverable amount of the goodwill based on value in use taking into consideration the future estimated cash flows generated through the acquired business.

Management determined forecast operating results based on past performance and expectations for the future. The pre-tax discount rate used is 20.5% and the growth rate used to extrapolate cash flow projections beyond five years is 2% per annum. Based on the assessment carried out, Value in Use is higher than the carrying value of the goodwill.

Since the carrying value is less than the value in use, the management concluded that there was no impairment of the goodwill as at 31st March 2022.

14. INVESTMENT IN SUBSIDIARY

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Non - quoted investment				
HVA Holdings (Pvt) Ltd	-	-	45,000,001	45,000,001
	-	-	45,000,001	45,000,001

The Board of Directors have made an assessment on the impairment of the carrying amount of investment in subsidiary as at the reporting date and are confident that no impairment is required. This is discussed in detail under Note 15.1 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER INTANGIBLE ASSETS

15.1 Trademark - "HELADIV"

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cost				
Balance as at 1st April	44,938,997	44,938,997	-	-
Balance as at 31st March	44,938,997	44,938,997	-	-

Trademark represents the excess of the cost of the business combination over the fair value of identifiable net assets of the subsidiary i.e. HVA Holdings (Pvt) Ltd as at the date of acquisition.

The Company acquired HVA Holdings (Pvt) Ltd on 29th September 2010 in order to use the international brand, "HELADIV" owned by HVA Holdings (Pvt) Ltd., as per the valuation report of Pricewaterhouse Coopers on 01st October 2010.

For the purpose of purchasing the subsidiary, the "HELADIV" trademark has been valued by royalty method, based on the five-year forecast sales projects provided by the management and the below-mentioned royalty rates have been assessed by the indicative value of the trade mark as at 31st December 2009 to be in the order of USD 1.08mn to USD 1.24mn (with a mid-point of USD 1.16mn).

Royalty rates for the respective market segments served by the Company.

- » Russia and the CIS states - 6% royalty rate on net sales generated from the region
- » Far East / Asia - 6% royalty rate on net sales generated from the region
- » Europe, Americas, and Africa - 4% royalty rate on net sales generated from the region
- » New Markets and products - 3% royalty rate on net sales generated from the region
- » Brand related expenses- 1.5% of revenue from revenue generated from Heladiv sales generated

As of the reporting date, the Group has carried out an annual impairment test to assess whether the trademark has been impaired. For this purpose, "Royalty method" has been applied and the following key assumptions have been established:

Royalty rate	- 4.6%
Discount factor	- 20.5%
Terminal growth	- 2% p.a.

Having considered the positive growth in revenue in 2022/2023 and future revenue forecast together with reasonableness of royalty rates applied, the Board of Directors is confident that trademark has not been impaired as at the reporting date.

15.2 Trademark - "INFINI-T"

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Cost				
Balance as at 1st April	4,450,000	-	4,450,000	-
On acquisition of the business of HVA Lanka Exports (Pvt) Ltd	-	4,450,000	-	4,450,000
Balance as at 31st March	4,450,000	4,450,000	4,450,000	4,450,000

Out of the total consideration paid for the acquisition of business of HVA Lanka Exports (Pvt) Ltd, Rs.4,450,000/- was attributed to the trademark which was determined based on a valuation carried out by an independent professional valuer.

Valuation methodology and principal assumptions used for the brand valuation

"Income approach" has been considered for the valuation of trademark and the following principal assumptions were used:

- » Revenue growth - 18% p.a.
- » Royalty rate - 4.6%
- » Discount rate - 16%
- » Terminal growth rate - 3%

As of the reporting date, the Group has carried out an annual impairment test to assess whether the trademark has been impaired. For this purpose, "Royalty method" has been applied and following key assumptions have been established:

Royalty rate	- 4.6%
Discount factor	- 20.5%
Terminal growth	- 2% p.a

Having considered the positive growth in revenue in 2022/2023 and future revenue forecast together with reasonableness of royalty rates applied, the Board of Directors is confident that trademark has not been impaired as at the reporting date.

15.3 Software

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Summary				
Cost				
Balance as at 1st April	323,000	323,000	323,000	323,000
Acquired / incurred during the year	305,400	-	305,400	-
Balance as at 31st March	628,400	323,000	628,400	323,000
Amortization				
Balance as at 1st April	288,000	288,000	288,000	288,000
Amortisation charge for the year	55,677	-	55,677	-
Balance as at 31st March	343,677	288,000	343,677	288,000
Carrying amount				
Balance as at 1st April	35,000	35,000	35,000	35,000
Acquired / incurred during the year	249,723	-	249,723	-
Balance as at 31st March (a)	284,723	35,000	284,723	35,000

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.

15.4 Software - WIP

Balance as at 1st April	2,757,340	2,757,340	2,757,340	2,757,340
Acquired / incurred during the year	820,824	-	820,824	-
Balance as at 31st March (b)	3,578,164	2,757,340	3,578,164	2,757,340

15.5 Total

Carrying amount				
Trademark - "HELADIV"	44,938,997	44,938,997	-	-
Trademark - "INFINI-T"	4,450,000	4,450,000	4,450,000	4,450,000
Software	3,862,887	2,792,340	3,862,887	2,792,340
Net carrying amount (a) + (b)	53,251,884	52,181,337	8,312,887	7,242,340

NOTES TO THE FINANCIAL STATEMENTS

16. INVENTORIES

As at 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Raw materials - Tea		62,864,618	46,062,235	62,864,618	46,062,235
Flavours		17,617,016	13,272,854	17,617,016	13,272,854
Packing materials		72,374,204	74,974,120	72,374,204	74,974,120
Semi-finished goods		10,465,004	27,621,677	10,465,004	27,621,677
Finished goods		19,240,839	9,636,719	19,240,839	9,636,719
Tea café stocks		261,876	2,563,750	261,876	2,563,750
Other stocks		2,180,504	6,171,736	2,180,504	6,171,736
		185,004,061	180,303,091	185,004,061	180,303,091
Provision for impairment of inventories		(18,500,000)	(25,512,869)	(18,500,000)	(25,512,869)
		166,504,061	154,790,222	166,504,061	154,790,222

Inventories amounting to Rs. 42,718,782/- have been written off during the year.

16.1 Provision for impairment					
Balance as at 01st April		25,512,869	28,104,460	25,512,869	28,104,460
Reversal for the year		(7,012,869)	(2,591,591)	(7,012,869)	(2,591,591)
Balance as at 31st March		18,500,000	25,512,869	18,500,000	25,512,869

17. FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March	2022			2021		
	No. of shares Rs.	Cost Rs.	Market value Rs.	No. of shares Rs.	Cost Rs.	Market value Rs.
Group						
Muller & Phipps (Ceylon) PLC	105,040	115,544	105,040	105,040	115,544	115,544
Vallibel Finance PLC	3,950	232,645	586,180	3,950	232,645	415,738
Colombo Land Developments PLC	25,000	595,000	622,500	25,000	595,000	600,000
Sanasa Development Bank	19,465	1,638,756	574,218	19,465	1,638,756	1,105,612
		2,581,945	1,887,938		2,581,945	2,236,894
Company						
Muller & Phipps (Ceylon) PLC	105,040	115,544	105,040	105,040	115,544	115,544
Vallibel Finance PLC	3,950	232,645	586,180	3,950	232,645	415,738
Colombo Land Developments PLC	25,000	595,000	622,500	25,000	595,000	600,000
Sanasa Development Bank	19,465	1,638,756	574,218	19,465	1,638,756	1,105,612
		2,581,945	1,887,938		2,581,945	2,236,894

18. TRADE RECEIVABLES

As at 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Trade debtors - Export		249,744,840	421,512,810	249,744,840	421,512,810
Trade debtors - Local		63,308,332	20,296,585	63,308,332	20,296,585
Provision for impairment losses	18.1	(25,676,501)	(214,039,370)	(25,676,501)	(214,039,370)
		287,376,671	227,770,025	287,376,671	227,770,025

Trade debtors -Export amounting to Rs.132,184,934/- has been directly written off during the year.

18.1	Provision for impairment losses				
	Balance as at 1st April		214,039,370	90,770,061	214,039,370
	Provision for the year		6,600,565	123,269,309	6,600,565
	Write offs during the year		(194,963,434)	-	(194,963,434)
	Balance as at 31st March		25,676,501	214,039,370	25,676,501

19. AMOUNTS DUE FROM RELATED PARTIES

As at 31 March	Nature of relationship	Note	Group		Company	
			2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
HVA Holdings (Pvt) Ltd	Subsidiary		-	-	229,400	76,800
HVA Farms (Pvt) Ltd	Affiliate		-	36,715	-	36,715
Lake Drive Holdings (Pvt) Ltd	Affiliate		-	100,000	-	100,000
Citrus Silver (Pvt) Ltd	Affiliate		706,525	-	706,525	-
			706,525	136,715	935,925	213,515

19.1 Provision for impairment - HVA Lanka Exports (Pvt) Ltd

Balance as at 1st April		-	322,813,036	-	322,813,036
Reversal for the year	(a)	-	(322,813,036)	-	(322,813,036)
Balance as at 31st March		-	-	-	-

HVA Lanka Exports (Pvt) Ltd has provided a negative covenant not to pledge its shareholding in HVA Foods PLC as collateral to any other party to the extent of the above outstanding amount.

20. PREPAYMENTS AND OTHER RECEIVABLES

Other taxes recoverable		1,794,293	5,644,416	1,794,293	5,644,416
Receivable from Quality Ceylon Ltd	(a)	30,000,000	-	30,000,000	-
Prepayment		2,383,474	2,056,511	2,383,474	2,056,511
Other receivables		6,456,602	32,067	6,456,602	32,067
		40,634,369	7,732,994	40,634,369	7,732,994

(a) This represents the balance payment due from Quality Ceylon Ltd on disposal of non-current assets held for sale during the year. The Company has subsequently received Rs.30,000,000/- cash proceeds from Quality Ceylon Ltd on 27th April 2022.

NOTES TO THE FINANCIAL STATEMENTS

21. DEPOSITS AND ADVANCES

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Advances	161,819,507	66,433,383	161,819,507	66,433,383
Deposits	3,416,960	3,310,960	3,416,960	3,310,960
	165,236,467	69,744,343	165,236,467	69,744,343

22. CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
22.1 Short-term deposits				
Fixed deposits	-	59,700,000	-	59,700,000
Exports bills savings accounts	-	3,264	-	3,264
Exports margin accounts	70,354,242	37,691,633	70,354,242	37,691,633
	70,354,242	97,394,897	70,354,242	97,394,897
22.2 Favourable balances				
Cash at banks (USD)	35,726,125	31,895,836	35,726,125	31,895,836
Cash at banks (EUR)	15,118,190	2,496,731	15,118,190	2,496,731
Cash at banks (LKR)	3,738,419	18,524,733	3,732,604	18,514,428
Cash in hand and cheques in hand	625,508	517,013	625,508	517,013
Total favorable balances	55,208,242	53,434,313	55,202,427	53,424,008
Total short-term deposits and favorable balances	125,562,484	150,829,210	125,556,669	150,818,905
22.3 Unfavourable balances/overdrafts				
Bank overdrafts	61,521,090	39,351,302	61,521,090	39,351,302
Cash and cash equivalents for the purpose of statement of cashflows	64,041,394	111,477,908	64,035,579	111,467,603

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group/Company

	As at 31st March, 2021		
	Cost Rs.	Accumulated depreciation Rs.	Written down value Rs.
Land	227,200,000	-	227,200,000
Buildings	73,162,098	9,754,942	63,407,156
Plant and machinery - heavy duty	1,380,264	460,042	920,222
Plant and machinery - other	44,112	44,112	-
Stores equipment - other	720,177	720,177	-
Furniture and fittings	5,750	5,175	575
Office equipment	718,567	708,996	9,571
	303,230,968	11,693,444	291,537,524

On 22nd June 2021, the Company has disposed its properties (land and buildings and other equipment) situated at 43, Mahawatta Road, Ragama (also referred to as 39A, Linton Road, Kandana) for a consideration of Rs.338,000,000/-. Therefore, aforementioned properties have been recognised as "Non-current assets held for sale" as per the requirements of SLFRS 5 - Non-current Assets held for Sale and Discontinued Operations, as of 31st March 2021.

Profit on disposal which amounts to Rs.41,026,570/- is disclosed in Note 7 to the financial statements, as part of other income for the current year.

24. STATED CAPITAL

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 1st April	333,857,588	333,857,588	333,857,588	333,857,588
Balance as at 31st March	333,857,588	333,857,588	333,857,588	333,857,588
	Nos.	Nos.	Nos.	Nos.
Ordinary shares	66,428,660	66,428,660	66,428,660	66,428,660

The holders of ordinary shares are entitled to receive dividend from time to time and entitled to one vote per individual present at the meeting of shareholders or one vote per share in case of a poll.

25. REVALUATION RESERVE

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 01st April	237,613,039	237,613,039	237,613,039	237,613,039
Realization of revaluation surplus	(220,911,968)	-	(220,911,968)	-
Balance as at 31st March	16,701,071	237,613,039	16,701,071	237,613,039

NOTES TO THE FINANCIAL STATEMENTS

26. ACCUMULATED LOSSES

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 01st April	(555,691,982)	(634,355,113)	(555,548,083)	(634,183,814)
Profit/(loss) for the year	(229,045,291)	78,590,107	(228,886,561)	78,562,707
Other comprehensive income for the year	52,698	84,912	52,698	84,912
Deferred tax effect on other comprehensive income	(7,378)	(11,888)	(7,378)	(11,888)
Realisation of revaluation surplus on disposal of assets held for sale	257,255,015	-	257,255,015	-
Balance as at 31st March	(527,436,938)	(555,691,982)	(527,134,309)	(555,548,083)

27. RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 1st April	6,502,105	18,344,855	6,502,105	18,344,855
Interest cost for the year	502,361	1,834,486	502,361	1,834,486
Current service cost for the year	1,032,900	977,748	1,032,900	977,748
Gratuity paid during the year	(870,800)	(14,570,072)	(870,800)	(14,570,072)
Actuarial gain	(52,698)	(84,912)	(52,698)	(84,912)
Balance as at 31st March	7,113,868	6,502,105	7,113,868	6,502,105

27.1 Expenses recognized in profit/loss

For the year ended 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Current service cost	1,032,900	977,748	1,032,900	977,748
Interest cost	502,361	1,834,486	502,361	1,834,486
	1,535,261	2,812,234	1,535,261	2,812,234

27.2 Actuarial (gain)/loss recognised in other comprehensive income

For the year ended 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Actuarial gain	(52,698)	(84,912)	(52,698)	(84,912)
	(52,698)	(84,912)	(52,698)	(84,912)

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messers. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

The principal assumptions used in determining the cost of employee benefits as at the reporting date were;

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Discount rate	15.00%	8.00%	15.00%	8.00%
Future salary increases	8.00%	8.00%	8.00%	8.00%

27.3 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
1% increase in discount rate	(215,621)	(185,777)	(215,621)	(185,777)
1% decrease in discount rate	230,629	198,397	230,629	198,397
1% increase in salary escalation rate	263,149	178,864	263,149	178,864
1% decrease in salary escalation rate	(249,912)	(170,583)	(249,912)	(170,583)

NOTES TO THE FINANCIAL STATEMENTS

28. INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
28.1 Non-current liabilities					
28.1.1 Secured term loans					
Balance as at 01st April		478,973,870	492,460,803	478,973,870	492,460,803
Loans obtained during the year		500,000,000	8,356,606	500,000,000	8,356,606
		978,973,870	500,817,409	978,973,870	500,817,409
Repayments during the year		(424,147,927)	(41,328,272)	(424,147,927)	(41,328,272)
		554,825,943	459,489,137	554,825,943	459,489,137
Effect of movements in foreign exchange		26,781,557	19,484,733	26,781,557	19,484,733
Balance as at 31st March		581,607,500	478,973,870	581,607,500	478,973,870
Transferred to current liabilities		(44,767,500)	(232,433,393)	(44,767,500)	(232,433,393)
Secured term loans - Non-current borrowings	(a)	536,840,000	246,540,477	536,840,000	246,540,477
Repayable within one year		44,767,500	232,433,393	44,767,500	232,433,393
Repayable between one and five years		536,840,000	246,540,477	536,840,000	246,540,477
Balance as at 31st March		581,607,500	478,973,870	581,607,500	478,973,870
28.1.2 Finance lease obligations					
Balance as at 01st April		-	11,395,506	-	11,395,506
Repayments during the year		-	(11,395,506)	-	(11,395,506)
Balance as at 31st March		-	-	-	-
Transferred to current liabilities		-	-	-	-
Finance lease obligations - non-current borrowings	(b)	-	-	-	-
Total non-current borrowings	(a)+(b)	536,840,000	246,540,477	536,840,000	246,540,477

As at 31 March	Note	Group		Company	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
28.2 Current liabilities					
Bill discounting		-	37,686,778	-	37,686,778
Packing credit loans		225,435,258	426,249,392	225,435,258	426,249,392
Secured term loans - repayable within one year		44,767,500	232,433,393	44,767,500	232,433,393
		270,202,758	696,369,563	270,202,758	696,369,563

28.3 Assets pledged as security against borrowings and the facility details are disclosed in Note 42.s

29. GOVERNMENT GRANTS

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 1st April	11,093,926	12,203,326	11,093,926	12,203,326
Recognised in profit or loss during the year	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Balance as at 31st March	9,984,526	11,093,926	9,984,526	11,093,926
Amounts expected to be recognised after one year	8,875,126	9,984,526	8,875,126	9,984,526
Amounts expected to be recognised within one year	1,109,400	1,109,400	1,109,400	1,109,400
	9,984,526	11,093,926	9,984,526	11,093,926

The Asian Development Bank offered a grant on 30th September 2009 to construct a tea concentrate plant and the project was completed on 31st March 2011. The grant is recognised as deferred income in profit or loss on a systematic basis over the useful life of the related assets.

30. DEFERRED TAX LIABILITIES/(ASSETS)

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 01st April	(14,776,364)	(9,201,726)	(14,776,364)	(9,201,726)
Origination in profit or loss	(20,277,967)	(5,586,526)	(20,277,967)	(5,586,526)
Recognized in other comprehensive income	7,378	11,888	7,378	11,888
Recognized in realisation of revaluation surplus	(36,343,047)	-	(36,343,047)	-
Balance as at 31st March	(71,390,000)	(14,776,364)	(71,390,000)	(14,776,364)

NOTES TO THE FINANCIAL STATEMENTS

30. DEFERRED TAX LIABILITIES/(ASSETS) (CONTD....)

Deferred tax provision / reversal for the year

Deferred tax assets/(liabilities) are attributable to the following:

Reversal and (origination) of temporary differences

As at 31 March	Group			
	2022		2021	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligations	7,113,868	995,942	6,502,105	910,295
Carried forward tax losses	217,078,656	30,391,012	63,103,573	8,834,500
Adjustment on thin capitalization	307,313,950	43,023,953	307,313,950	43,023,953
Property, plant and equipment	-	-	4,920,096	688,813
	531,506,474	74,410,907	381,839,724	53,457,561
Deferred tax liabilities				
Property, plant and equipment	4,876,833	682,758	-	-
Revaluation reserve	16,701,065	2,338,149	276,294,265	38,681,197
	21,577,898	3,020,907	276,294,265	38,681,197
Net deferred tax asset	509,928,576	71,390,000	105,545,459	14,776,364

As at 31 March	Company			
	2022		2021	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligations	7,113,868	995,942	6,502,105	910,295
Carried forward tax losses	217,078,656	30,391,012	63,103,573	8,834,500
Adjustment on thin capitalization	307,313,950	43,023,953	307,313,950	43,023,953
Property, plant and equipment	-	-	4,920,096	688,813
	531,506,474	74,410,907	381,839,724	53,457,561
Deferred tax liabilities				
Property, plant and equipment	4,876,833	682,758	-	-
Revaluation reserve	16,701,065	2,338,149	276,294,265	38,681,197
	21,577,898	3,020,907	276,294,265	38,681,197
Net deferred tax asset	509,928,576	71,390,000	105,545,459	14,776,364

Movement in deferred tax balance during the year

As at 31 March	Balance as at 31st March 2021	Recognised in profit or loss	" Recognized in OCI "	Recognized in realisation of revaluation surplus	Balance as at 31st March 2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Retirement benefit obligations	910,295	93,025	(7,378)	-	995,942
Adjustment on thin capitalization	43,023,953	-	-	-	43,023,953
Property, plant and equipment	688,813	(1,371,570)	-	-	(682,757)
Revaluation reserve	(38,681,197)	-	-	36,343,047	(2,338,150)
Carried forward tax losses	8,834,500	21,556,512	-	-	30,391,012
Net deferred tax asset	14,776,364	20,277,967	(7,378)	36,343,047	71,390,000

As at 31 March	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.

31. TRADE PAYABLES

Tea creditors	591,168	382,450	591,168	382,450
Packing material creditors	37,392,841	29,622,685	37,392,841	29,622,685
Flavour creditors	2,881,136	2,996,478	2,881,136	2,996,478
	40,865,145	33,001,613	40,865,145	33,001,613

32. DEPOSITS AND ADVANCES

Advances and deposits from customers	308,106,204	133,764,447	308,106,204	133,764,447
	308,106,204	133,764,447	308,106,204	133,764,447

33. ACCRUED EXPENSES AND OTHER PAYABLES

Salary and related expenses payables	8,734,246	265,820	8,734,246	265,820
Freight creditors	16,957,643	4,407,155	16,957,643	4,407,155
Other payables	44,816,699	50,939,522	44,798,659	50,923,122
	70,508,588	55,612,497	70,490,548	55,596,097

34. AMOUNT DUE TO RELATED PARTIES

As at 31 March	Nature of relationship	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
George Stuart & Company Ltd	Parent	92,286,983	47,443,616	92,286,983	47,443,616
George Stuart Optimize (Pvt) Ltd	Affiliate	3,544	-	3,544	-
		92,290,527	47,443,616	92,290,527	47,443,616

NOTES TO THE FINANCIAL STATEMENTS

35. INCOME TAX PAYABLE/(RECOVERABLE)

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at 01st April	317,468	(375,545)	317,468	(375,545)
Provision for the year	211,572	317,468	211,572	317,468
Set off from ESC	(529,040)	-	(529,040)	-
Write off during the year	-	375,545	-	375,545
Balance as at 31st March	-	317,468	-	317,468

36. FINANCIAL INSTRUMENTS

36.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Carrying amount				
Trade receivables	313,053,172	441,809,395	313,053,172	441,809,395
Cash and cash equivalents	125,562,484	150,829,210	125,556,669	150,818,905
	438,615,656	592,638,605	438,609,841	592,628,300

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Domestic	63,308,332	20,296,586	63,308,332	20,296,586
Russia and the CIS States	45,053,483	235,299,971	45,053,483	235,299,971
Far East /Asia	84,558,861	88,516,998	84,558,861	88,516,998
Europe	92,639,353	44,997,919	92,639,353	44,997,919
USA / Canada	9,193,759	13,784,631	9,193,759	13,784,631
Middle East and Africa	18,299,385	38,913,290	18,299,385	38,913,290
	313,053,173	441,809,395	313,053,173	441,809,395

Impairment losses

The aging of trade receivables at the reporting date was;

As at 31 March	Gross 2022 Rs.	Impairment 2022 Rs.	Gross 2021 Rs.	Impairment 2021 Rs.
Group				
Not past due	187,807,691	-	132,586,603	2,474,036
Past due 0-90 days	40,721,764	-	58,755,587	390,606
Past due 90-120 days	7,737,925	-	14,455,437	661,934
Past due 120-365 days	53,320,116	-	6,493,653	1,180,501
Past due more than 365 days	23,465,676	25,676,501	229,518,115	209,332,293
	313,053,172	25,676,501	441,809,395	214,039,370
Company				
Not past due	187,807,691	-	132,586,603	2,474,036
Past due 0-90 days	40,721,764	-	58,755,587	390,606
Past due 90-120 days	7,737,925	-	14,455,437	661,934
Past due 120-365 days	53,320,116	-	6,493,653	1,180,501
Past due more than 365 days	23,465,676	25,676,501	229,518,115	209,332,293
	313,053,172	25,676,501	441,809,395	214,039,370

The movement in the allowance for impairment in respect of trade receivables during the year is given in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONTD....)

36.2 Liquidity risk

The following are the contractual maturities of financial liabilities of the Group and the Company

As at 31 March	Carrying amount Rs.	Contractual amount Rs.	Less than 01 year Rs.	More than 01 year Rs.
Group				
31st March 2022				
Non-derivative financial liabilities				
Trade and other payables	419,479,937	419,479,937	419,479,937	-
Amount due to related parties	92,290,527	92,290,527	92,290,527	-
Bank overdraft	61,521,090	61,521,090	61,521,090	-
Loans and borrowings	807,042,758	807,042,758	270,202,758	536,840,000
	1,380,334,312	1,380,334,312	843,494,312	536,840,000
31st March 2021				
Non-derivative financial liabilities				
Trade and other payables	222,378,557	222,378,557	222,378,557	-
Amount due to related party	47,443,616	47,443,616	47,443,616	-
Bank overdraft	39,351,302	39,351,302	39,351,302	-
Loans and borrowings	942,910,040	942,910,040	696,369,563	246,540,477
	1,252,083,515	1,252,083,515	1,005,543,038	246,540,477
Company				
31st March 2022				
Non-derivative financial liabilities				
Trade and other payables	419,461,897	419,461,897	419,461,897	-
Amount due to related parties	92,290,527	92,290,527	92,290,527	-
Bank overdraft	61,521,090	61,521,090	61,521,090	-
Loans and borrowings	807,042,758	807,042,758	270,202,758	536,840,000
	1,380,316,272	1,380,316,272	843,476,272	536,840,000
31st March 2021				
Non-derivative financial liabilities				
Trade and other payables	222,362,157	222,362,157	222,362,157	-
Amount due to related party	47,443,616	47,443,616	47,443,616	-
Bank overdraft	39,351,302	39,351,302	39,351,302	-
Loans and borrowings	942,910,040	942,910,040	696,369,563	246,540,477
	1,252,067,115	1,252,067,115	1,005,526,638	246,540,477

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

36.3 Market risk

36.3.1 Currency risk

Exposure to currency risk

The exposure to foreign currency risk was as follows based on notional amounts

Group

As at 31 March	31 March 2022			
	LKR	USD	SGD	EURO
Trade receivables	63,308,333	449,953	122,139	280,842
Trade payables	13,762,075	42,502	-	-

As at 31 March	31 March 2021			
	LKR	USD	SGD	EURO
Trade receivables	20,296,585	1,809,166	122,139	186,496
Trade payables	26,506,629	31,613	-	875

Company

As at 31 March	31 March 2022			
	LKR	USD	SGD	EURO
Trade receivables	63,308,333	449,953	122,139	280,842
Trade payables	13,762,075	42,502	-	-

As at 31 March	31 March 2021			
	LKR	USD	SGD	EURO
Trade receivables	20,296,585	1,809,166	122,139	186,496
Trade payables	26,506,629	31,613	-	875

The following significant exchange rates were applied during the year

As at 31 March	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
USD	293	198	293	199
SGD	216	140	216	148
EURO	327	223	327	233

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS (CONTD....)

Foreign currency sensitivity

The table below summarizes the Group's total exposure and sensitivity to currency risk.

As at 31 March	2022		2021	
	Amount in foreign currency	LKR amount	Amount in foreign currency	LKR amount
	Rs.	Rs.	Rs.	Rs.
Group				
USD assets	645,580	188,832,150	2,158,868	429,614,747
Euro assets	327,127	106,849,696	197,209	45,961,417
SGD assets	122,139	26,402,045	122,139	18,024,108
Total foreign currency denominated assets	1,094,846	322,083,891	2,478,216	493,600,272
Impact on PBT				
5% strengthening of Rupee		(16,104,195)		(24,680,014)
5% weakening of Rupee		16,104,195		24,680,014
Company				
USD assets	645,580	188,832,150	2,158,868	429,614,747
Euro assets	327,127	106,849,696	197,209	45,961,417
SGD assets	122,139	26,402,045	122,139	18,024,108
Total foreign currency denominated assets	1,094,846	322,083,891	2,478,216	493,600,272
Impact on PBT				
5% strengthening of Rupee		(16,104,195)		(24,680,014)
5% weakening of Rupee		16,104,195		24,680,014

36.3.2 Interest rate risk

The principal risk to which non-trading portfolios are exposed to is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

At the end of the reporting period, the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Company was as follows;

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Variable rate instruments				
Financial liabilities	581,607,500	478,973,870	581,607,500	478,973,870
	581,607,500	478,973,870	581,607,500	478,973,870

A change of 100 basis points in interest rates at the end of the reporting period would have increased /(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Increase / decrease in interest rate

As at 31 March	2022 Effect on profit before tax	
	Group Rs.	Company Rs.
100 bp increase	(4,975,089)	(4,975,089)
100 bp decrease	4,975,089	4,975,089

36.4 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital, reserves and non-controlling interests of the Group. The Board of Directors monitors the return on capital, which the Group defines as the result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

As at 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
For the year ended 31st March				
Total liabilities	1,397,432,706	1,269,997,014	1,397,414,666	1,269,980,614
Less: Cash and cash equivalents	(125,562,484)	(150,829,210)	(125,556,669)	(150,818,905)
Net debt	1,271,870,222	1,119,167,804	1,271,857,997	1,119,161,709
Total equity	(176,878,279)	15,778,645	(176,575,650)	15,922,544
Debt to adjusted capital ratio as at 31st March	-719%	7093%	-720%	7029%

NOTES TO THE FINANCIAL STATEMENTS

37. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

37.1 The fair values of financial assets and liabilities together with carrying amounts shown in the Statement of Financial Position, are as follows.

Group

As at 31 March	Financial assets fair value through profit or loss Rs.	Financial assets at amortized cost Rs.	Other financial liabilities at amortized cost Rs.	Total Rs.
2022				
Financial assets				
Financial investments	1,887,938	-	-	1,887,938
Trade receivables	-	287,376,671	-	287,376,671
Amounts due from related parties	-	706,525	-	706,525
Deposits	-	165,236,467	-	165,236,467
Cash and cash equivalents	-	125,562,484	-	125,562,484
	1,887,938	578,882,147	-	580,770,085
Financial liabilities				
Borrowings	-	-	807,042,758	807,042,758
Trade payables	-	-	40,865,145	40,865,145
Amount due to related parties	-	-	92,290,527	92,290,527
Other payables	-	-	378,614,792	378,614,792
Bank overdraft	-	-	61,521,090	61,521,090
	-	-	1,380,334,312	1,380,334,312
2021				
Financial assets				
Financial investments	2,236,894	-	-	2,236,894
Trade receivables	-	227,770,025	-	227,770,025
Amounts due from related party	-	136,715	-	136,715
Deposits	-	3,310,960	-	3,310,960
Cash and cash equivalents	-	150,829,210	-	150,829,210
	2,236,894	382,046,910	-	384,283,804
Financial liabilities				
Borrowings	-	-	942,910,040	942,910,040
Trade payables	-	-	33,001,613	33,001,613
Amount due to related party	-	-	47,443,616	47,443,616
Other payables	-	-	189,376,944	189,376,944
Bank overdraft	-	-	39,351,302	39,351,302
	-	-	1,252,083,515	1,252,083,515

Company

As at 31 March	Financial assets fair value through profit or loss Rs.	Financial assets at amortized cost Rs.	Other financial liabilities at amortized cost Rs.	Total Rs.
2022				
Financial assets				
Financial investments	1,887,938	-	-	1,887,938
Trade receivables	-	287,376,671	-	287,376,671
Amounts due from related parties	-	935,925	-	935,925
Deposits	-	165,236,467	-	165,236,467
Cash and cash equivalents	-	125,556,669	-	125,556,669
	1,887,938	579,105,732	-	580,993,670
Financial liabilities				
Borrowings	-	-	807,042,758	807,042,758
Trade payables	-	-	40,865,145	40,865,145
Amount due to related parties	-	-	92,290,527	92,290,527
Other payables	-	-	378,596,752	378,596,752
Bank overdraft	-	-	61,521,090	61,521,090
	-	-	1,380,316,272	1,380,316,272
2021				
Financial assets				
Financial investments	2,236,894	-	-	2,236,894
Trade receivables	-	227,770,025	-	227,770,025
Amounts due from related party	-	213,515	-	213,515
Deposits	-	3,310,960	-	3,310,960
Cash and cash equivalents	-	150,818,905	-	150,818,905
	2,236,894	382,113,405	-	384,350,299
Financial liabilities				
Borrowings	-	-	942,910,040	942,910,040
Trade payables	-	-	33,001,613	33,001,613
Amount due to related party	-	-	47,443,616	47,443,616
Other payables	-	-	189,360,544	189,360,544
Bank overdraft	-	-	39,351,302	39,351,302
	-	-	1,252,067,115	1,252,067,115

*The Group does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not being material for disclosure.

NOTES TO THE FINANCIAL STATEMENTS

37. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD...)

37.2 Fair value hierarchy for assets carried at fair value

The table below analyses financial instruments and non-financial assets measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

As at 31 March	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Group					
2022					
Financial assets - Fair value through profit or loss	17	1,887,938	-	-	1,887,938
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipment	12	-	-	28,623,332	28,623,332
2021					
Financial assets - Fair value through profit or loss	17	2,236,894	-	-	2,236,894
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipment	12	-	-	32,036,930	32,036,930
Company					
2022					
Financial assets - Fair value through profit or loss	17	1,887,938	-	-	1,887,938
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipment	12	-	-	28,623,332	28,623,332
2021					
Financial assets - Fair value through profit or loss	17	2,236,894	-	-	2,236,894
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipment	12	-	-	32,036,930	32,036,930

38. RELATED PARTY DISCLOSURE

38.1 Parent and ultimate controlling party

George Steuart & Company Ltd is the parent entity of the Company.

38.2 Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the Company having authority and responsibilities for planning, directing and controlling the activities of the Company.

38.2.1 Key management personnel compensation

For the year ended 31 March	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Short- term employee benefits	7,940,000	31,610,800	7,940,000	31,610,800
Total	7,940,000	31,610,800	7,940,000	31,610,800

38.3 Transactions with group companies

38.3.1 Recurrent related party transactions

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
a. Company	George Steuart & Company Ltd				
Directors	Mr. S.A. Amaresekere				
	Mrs. V.S.A. Fernando				
Relationship	Parent company				
Nature of transaction	Loan received	100,000,000	359,159,800		
	Loan repayments	(57,159,800)	(312,000,000)		
	Interest charge	4,697,552	595,460		
	Interest paid	(2,694,385)	(311,644)		
	Service fee	3,300,000	-		
	Payments for service fee	(3,025,000)	-		
	Local goods purchase	48,360	-		
	Payment received for local sale	(48,360)	-	(92,286,983)	(47,443,616)
b. Company	HVA Lanka Exports (Pvt) Ltd				
Directors	Mr. A.R.H. Fernando (Resigned on 24th February 2021)				
	Mrs. V.S.A. Fernando				
Relationship	Affiliate				
Nature of transaction	Sale of goods	-	11,471,366		
	Purchases of goods	-	(7,743,760)		
	Net Receipts and re-imburement of expenses and other transactions	-	(82,001,774)		
	Receipts	-	(286,980,898)	-	-
c. Company	HVA Farms (Pvt) Ltd				
Directors	Mr. A.R.H. Fernando (Resigned on 24th February 2021)				
	Mrs. V.S.A. Fernando				
Relationship	Affiliate				
Nature of transaction	Receipts for expenses and other transactions	-	36,715		
	Payments	(36,715)	-	-	36,715
d. Company	Lake Drive Holdings (Pvt) Ltd				
Directors	Mr. A.R.H. Fernando (Resigned on 24th February 2021)				
	Mrs. V.S.A. Fernando				
Relationship	Affiliate				
Nature of transaction	Payments	(100,000)	-	-	100,000

NOTES TO THE FINANCIAL STATEMENTS

38. RELATED PARTY DISCLOSURE (CONTD....)

38.3 Transactions with Group's companies

38.3.1 Recurrent related party transactions

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
e. Company	HVA Holdings (Pvt) Ltd				
Directors	Mrs. V.S.A. Fernando				
	Mr. S.A. Amaresekere				
Relationship	Common Directors /Subsidiary				
Nature of transaction	Receipts for expenses and other transactions	152,600	32,800	229,400	76,800
f. Company	George Steuart Optimize (Pvt) Ltd				
Directors	Mr. W.G.U.I Ranaweera (Resigned on 07th February 2022)				
Relationship	Affiliate				
	IT services	1,671,097	(25,920)		
	Payments	(1,667,553)	25,920		
	Service fee	1,884,000	-		
	Payments for service fee	(1,891,087)	-	(3,544)	-
g. Company	George Steuart Teas (Pvt) Ltd				
	Common parent				
Relationship	Affiliate				
	Sales of goods	10,548,720	-		
	Payment Received	(8,726,147)	-	1,822,573	-
h. Company	George Steuart Ethicals (Pvt) Ltd (Formerly known as Seri Naturals (Pvt) Ltd)				
Directors	Mr. S.A. Amaresekere				
	Mrs. V.S.A. Fernando				
Relationship	Affiliate				
	Sales of goods	10,871,705	-		
	Payment received	(713,637)	-	10,158,067	-
i. Company	George Steuart Consumer (Pvt) Ltd (Formerly known as George Steuart Laboratories (Pvt) Ltd)				
Directors	Mr. W.G.U.I Ranaweera (Resigned on 07th February 2022)				
Relationship	Affiliate				
	Sales of goods	15,262,325	-		
	Purchase of goods	(37,800)	-		
	Payments	13,500	-	15,238,025	-

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
j. Company	Citrus Silver (Pvt) Ltd				
Directors	Mrs. V.S.A. Fernando				
Relationship	Affiliate				
	Reimbursements of tea café expenses	1,453,819	-		
	Net Receipts and re-imbusement of tea expenses and other transactions	(747,294)	-		
	Sale of goods	340,893	-		
	Receipts	(24,526)	-		
	Local goods purchase	(144,817)	-		
	Payment received for local sale	9,930	-	888,005	-
k. Company	George Steuart Travels (Pvt) Ltd				
Directors	Mr. W.G.U.I Ranaweera (Resigned on 07th February 2022)				
Relationship	Affiliate				
	Sales of goods	4,000,000	-	4,000,000	-
l. Company	Emagewise (Pvt) Ltd				
Directors	Mr. S.A. Amaresekere				
	Mrs. V.S.A. Fernando				
Relationship	Common directors				
	Purchases of services	507,000	2,420,540		
	Payment made	(1,115,000)	(1,812,540)	-	(608,000)

38.4 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

39. EVENTS AFTER THE REPORTING DATE

39.1 Macro economic situation of the country

Sri Lanka is currently experiencing an economic crisis due to depletion of foreign currency reserves and balance of payments issues. As a result, most industries, including the Group face an unprecedented level of challenges for future operations and consequent earnings over the foreseeable future. However, the management is confident that the Group will be able to successfully navigate through the crisis due the anticipated increase in the level of operations and the prudent decision making process which has ensured the stringent cost management of our operations. The strength and the experience of our shareholders and the management team is an added comfort to our organization, which will ensure continued support during this challenging period. Therefore, no adjustment is required to the balances reported in these financial statements.

39.2 Rights issue

Subsequent to the reporting date, the Company issued 49,821,495 ordinary shares by way of a right Issue in the proportion of three (03) Ordinary shares for four (04) Ordinary shares held in the capital of the Company and shares were listed on the Colombo Stock Exchange (CSE) on 13th May 2022. The Company raised Rs. 249,107,475/- from the rights issue and increased the stated capital of the Company from Rs. 333,857,588 representing 66,428,660 shares to Rs.582,965,063 representing 116,250,155 shares.

Right issue funds utilisation as at 29th August 2022 following objectives,

Objective No	Objective as per circular	Amount allocated as per circular- Rs	Proposed date of utilization as per circular	Amount allocated from the proceeds Rs (A)	% of total proceeds	"Amount utilized Rs (B)"	"% of utilization against allocation (B/A)"	Clarification if not fully utilised including where funds are invested
1	Part settlement of short -term packing credit loans -NDB Bank	189,000,000	Immediately upon allotment	189,000,000	76%	189,000,000	100%	NA
2	Part settlement of short-term loans -George Steuart & Company (Immediate Parent)	60,107,475	Immediately upon allotment	60,107,475	24%	60,107,475	100%	NA

40. COMMITMENTS AND CONTINGENCIES

There have been no material capital or other commitments and contingencies as at the reporting date that require adjustments to, or disclosure in the financial statements.

41. GOING CONCERN

The Board of Directors of the Company / Group has determined that the use of going concern assumption in the preparation of financial statements as at 31st March 2022 is appropriate based on following factors.

41.1 Company

The Company has reported a net loss of Rs. 228,886,561/- during the year ended 31st March 2022 (2021: Net profit of Rs.78,562,707/-) and, as of that date, the Company's current liabilities exceeded its current assets by Rs.56,453,572/- (2021 - Rs. 393,646,608/-). The negative net assets of the Company as at the reporting date was Rs.176,575,650/- (2021:positive net assets Rs.15,922,544/-).

However, having noted above position, the Board of Directors of the Company has determined that the use of going concern assumption in the preparation of financial statements of the Company for the year ended 31st March 2022 is appropriate based on following factors.

- a) The Company has initiated plans to increase its revenue and to implement cost minimization measures with the objective of improving efficiencies, and thereby increasing profitability and cash flows. This is evident from its improved interim financial results for the 03 months period ended 30th June 2022.
- b) Furthermore, Subsequent to the balance sheet date, the Company was able to raise Rs. 249,107,475/- by way of rights issue of shares to its existing shareholders during April 2022. As a result of the rights issue of shares, the balance sheet of the Company strengthened considerably and credit burden reduced drastically and burden of future interest cost too will be reduced.
- c) The continued support of the parent company, George Steuart & Company Ltd.
- d) The Company's ability to settling outstanding bank loans, statutory payables and other liabilities when they fall due.
- e) The Company also has drawn up plans to expand its foot print in the local market with the appointment of George Steuart Consumer (Pvt) Ltd as its distributor in Sri Lanka. Through this the Company has already re-launched its ice tea ready to drink range and is has introduced new products to the local market successfully.

41.2 Group

The Group has reported a net loss of Rs.229,045,291/-during the year ended 31st March 2022 (2021: Rs.78,590,107/-) and, as of that date, the Group's current liabilities exceeded its current assets by Rs.56,695,197/- (2021 - Rs 393,729,503/-). The negative net assets of the Group's as at the reporting date was Rs.176,878,279/- (2021:positive net assets Rs.15,778,645/-).

HVA Foods PLC is the significant component in the Group. Hence, the Directors of the Group are confident that the financial position of the Group will improve in the future as a result of steps taken by the Company as outlined in Note 41.1 above.

NOTES TO THE FINANCIAL STATEMENTS

4.2. ASSETS PLEDGED AS SECURITIES & FACILITY DETAILS

The following assets of the Company have been pledged as securities for liabilities as at the reporting date.

Lender	Facility type	Security	Interest rate	Amount of facility limit as at 31st March 2022 Rs. /USD	Balance as at 31st March 2022 Rs.	Balance as at 31st March 2021 Rs.
Bank of Ceylon	Packing credit loans	a). Corporate guarantee of HVA Lanka Exports (Pvt) Ltd	5.50%		-	60,794,500
	Discounted export bills	b). Bills of Exchange, shipping documents and underlying goods under Bank's constructive control c). General letter of indemnity d). General letter of hypothecation e). Corporate guarantee of HVA Lanka Exports (Pvt) Ltd and Mortgage over stock of tea at 39A, Linton Road, Kandana	5.50%		-	28,361,808
Seylan Bank PLC	Long term loan	a). 2.5% margin build-up of export proceeds	3 month LIBOR+4.5% p.a.			304,336,670
	Packing credit loans	b). Primary mortgage bond of LKR 34million over land and building	3 month LIBOR+4% p.a.			165,339,500
	Discounted export bills	c). Secondary mortgage bond for USD 1,200,000/- over the above property d). Mortgage over stocks & packing material for USD 600,000/- e). Corporate Guarantee of HVA Lanka Exports (Pvt) Ltd., for LKR 5million and USD 2.2million f). Tertiary mortgage for USD 815,000/- over land & building in Kandana				

Lender	Facility type	Security	Interest rate	Amount of facility limit as at 31st March 2022 Rs. /USD	Balance as at 31st March 2022 Rs.	Balance as at 31st March 2021 Rs.
DFCC Vardhana Bank PLC	Long term loan	a). Mortgage bond for USD 1,000,000 over stocks at Kandana and book debts of the Company.	3 month LIBOR 3.5% p.a.		-	104,191,200
	Packing credit loans	b). An agreement to Mortgage for USD 181,730/- over an allotment of land marked lot A in plan no 2233 dated 14/11/2003 owned by Lake Drive Holdings (Pvt) Ltd.	4.5% p.a.		-	55,847,467
People's Bank	Long term loan	a). Letter of hypothecation	3 month LIBOR+4.5% p.a. or floor rate of 7.0% p.a. & 6.75% p.a. at disbursement	USD 350,000	81,607,500	70,446,000
	Packing credit loans	b). Deed of hypothecation over stocks and book debts	3 month LIBOR+3.5% p.a. or floor rate 6.0% p.a.	-	-	23,302,900
	Discounted export bills	c). General notice of assignment of book debts d). Agreement for revolving credit facilities e). 1% build up margin from each export proceed for entire credit package.	3 month LIBOR+3.5% p.a. or floor rate 6.0% p.a.	-	-	9,324,971
National Development Bank PLC	Packing credit loans		10% p.a. and adjusted periodically whenever necessary	Rs. 400,000,000	225,435,258	120,965,025
	Long-term loan	a). George Steuart & Company Ltd corporate guarantee	10.8% p.a.	Rs. 500,000,000	500,000,000	-
	OD		8.5% p.a. and adjusted periodically whenever necessary	Rs. 5,000,000	-	-

43. COMPARATIVE INFORMATION

Comparative figures and phrases have been re-arranged and reclassified wherever necessary to conform with the current year's presentation.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The responsibilities of the Directors, in relation to the Financial Statements of the Company and its subsidiary differ from the responsibilities of the Auditors.

The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 26 to 29 of the Annual Report

As per the Sections 150(1), 151, 152(1) and (2), 153 (1) and (2) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiary as at the end of the financial year and of the results of its operations for the financial year, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that they are in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting.

The Directors consider that in preparing these Financial Statements set out on pages 30 to 79, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements as disclosed in Note 41.

Further, the Directors have a responsibility to ensure that the Company and its subsidiary maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and its subsidiary.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its subsidiary and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of

2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

COMPLIANCE REPORT

The Directors are of the view, that they have discharged their responsibilities as set out in this statement.

The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company and its subsidiary as at the reporting date have been paid or where relevant provided for .

By Order of the Board of
HVA Foods PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th August 2022

INVESTOR INFORMATION

SHARE DISTRIBUTION

Shareholding as at 31st March 2022

From	To	No of Holders	No of Shares	%
1	1,000	2,191	780,480	1.17
1,001	10,000	1,038	3,996,969	6.02
10,001	1 00,000	300	8,214,488	12.37
100,001	1,000,000	39	10,436,184	15.71
Over 1,000,000	-	4	43,000,539	64.73
		3,572	66,428,660	100.00

CATEGORIES OF SHAREHOLDERS

From	No of Holders	No of Shares	%
Local Individuals	3,424	19,759,742	29.746
Local Institutions	130	46,346,242	69.768
Foreign Individuals	17	97,065	0.146
Foreign Institutions	1	225,611	0.340
	3,572	66,428,660	100.00

DIRECTORS' SHAREHOLDING AS AT 31 ST MARCH 2022

From	No of Shares	%
Mr B S M De Silva	-	-
Shares held in the following manner		
Acuity Partners (Pvt) Limited / Mr B S M De Silva	800	0.001
Ms. V S A Fernando	-	-
Mr M P D Cooray	-	-
Mr S A Ameresekere	-	-
Mr W G U I Ranaweera (Ceased w.e.f. 07.02.2022)	-	-
Mr C Hettiarachchi	-	-

SHARE PRICES FOR THE YEAR

Market price per share	As at 31/03/2022	As at 31/03/2021
Highest	Rs 9.60	Rs 7.60
Lowest	Rs 4.00	Rs 1.60
Last Traded	Rs 4.10	Rs 5.00

INVESTOR INFORMATION

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2022

Name	No of Shares 31.03.2022	% of holding	No of Shares 31.03.2021	% of holding
1 George Steuart and Company Limited	33,946,105	51.102%	33,946,105	51.102%
2 HVA Lanka Exports (Private) Limited	6,642,866	10.000%	6,642,866	10.000%
3 DFCC Bank PLC/Maskeliya Tea Exports (Pvt) Ltd	1,236,568	1.861%	-	-
4 Peoples Leasing & Finance PLC/ MR.S.Gobinath	1,175,000	1.769%	-	-
5 MR.A.R.H.Fernando	731,442	1.101%	533,625	0.803%
6 Mr.G.R.DE Livera	609,082	0.917%	-	-
7 DR S.M.T.B.Samarakoon	588,861	0.886%	-	-
8 MR.R.E.Rambukwelle	536,000	0.807%	759,800	1.144%
9 MR.G.A.M.P.Chandana	500,000	0.753%	500,000	0.753%
10 MR.T.G.Thoradeniya	444,636	0.669%	444,636	0.669%
11 MR.J.A.M Jiffry	415,000	0.625%	324,653	0.489%
12 MR.S.D .Divakarage	400,193	0.602%	385,193	0.580%
13 MR.M.T.Rajabkhan	400,056	0.602%	203,500	0.306%
14 MR.H.A.Nasar	399,706	0.602%	-	-
15 MRS.R.M.N.Wijesekara	359,847	0.542%	-	-
16 MR.E.P.I.Fernando	344,923	0.519%	-	-
17 MR.S.M.Nazeer & Mrs.M.A.K .Samsunnisa	316,750	0.477%	315,480	0.475%
18 MR.K.M.S.M.Razeek	313,854	0.472%	254,354	0.383%
19 Merchant Bank of Sri Lanka & Finance PLC/P.B.C Viduranga	252,357	0.380%	-	-
20 Mes D.Eassuwaren (Deceased)	237,968	0.358%	237,968	0.358%
SUB TOTAL	49,851,214	75.045%	44,548,180	67.062%
OTHERS	16,577,446	24.955%	21,880,480	32.938%
TOTAL	66,428,660	100.000%	66,428,660	100.000%

PUBLIC HOLDING

Public Holding percentage as at 31st March 2022 = 37.796%

Number of Public shareholders representing the above percentage = 3,568

FLOAT ADJUSTED MARKET CAPITALIZATION

A float adjusted market capitalization of LKR 102,940,532.70. In terms of Rule 714.1(i) (b) of the Listing Rules of the Colombo Stock Exchange, Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

FIVE YEAR SUMMARY

For the year ended 31 March	2022	2021	2020	2019	2018
TRADING RESULTS (Rs.)					
Revenue	1,261,234,481	1,164,440,585	850,380,041	1,096,941,641	1,243,719,481
Cost of Sales	(1,215,324,928)	(1,032,347,737)	(763,337,326)	(998,050,035)	(1,079,898,211)
Other Operating Income	94,166,619	6,193,976	19,868,890	24,053,137	43,263,383
Profit before Finance charges	(192,296,415)	164,572,708	(25,942,511)	(302,481,100)	71,172,603
Finance Cost	(58,438,227)	(91,576,624)	(115,710,860)	(107,140,540)	(64,557,230)
Finance income	1,781,686	293,965	245,956	33,428,919	29,915,762
Profit before Income Tax	(248,952,956)	73,293,649	(141,407,415)	(376,192,721)	36,531,136
Income Tax on Profits	20,066,395	5,269,058	15,797,559	9,210,718	7,602,699
Profit after Income Tax	(228,886,561)	78,562,707	(125,609,856)	(366,982,003)	44,133,835
SHAREHOLDERS FUNDS (Rs.)					
Stated Capital	333,857,588	333,857,588	333,857,588	333,857,588	333,857,588
Reserves	(510,433,238)	(317,935,044)	(396,570,775)	(273,356,301)	217,340,328
NET ASSETS	(176,575,650)	15,922,544	(62,713,187)	60,501,287	551,197,916
ASSETS (Rs.)					
Property, Plant & Equipment	44,154,530	50,190,533	367,597,459	381,798,856	398,336,933
Goodwill	263,849,498	263,849,498	-	-	-
Intangible Assets	8,312,887	7,242,340	2,792,340	2,757,340	2,757,340
Investment in subsidiary	45,000,001	45,000,001	45,000,001	45,000,001	45,000,001
Deferred Tax Assets	71,390,000	14,776,364	9,201,726	-	-
Current Assets	788,132,100	613,306,898	465,807,309	640,902,682	1,065,585,921
Non-Current Assets Classified as held for sale	-	291,537,524	-	-	-
LIABILITIES (Rs.)					
Non-current Liabilities	552,828,994	263,027,108	292,394,747	167,546,171	59,717,420
Current Liabilities	844,585,672	1,006,953,506	660,717,275	842,411,421	900,764,860
NET ASSETS (Rs.)	(176,575,650)	15,922,544	(62,713,187)	60,501,287	551,197,916
RATIOS & OTHER INFORMATION					
Current ratio	0.93	0.61	0.70	0.76	1.18
Quick Assets Ratio	0.74	0.46	0.53	0.65	1.09
Interest Cover (No. of times)	(2.15)	2.15	(0.22)	(2.51)	2.05
Debt Equity Ratio (%)	(791.4)	7029	(1464)	1669.32	57
Return on Equity (%)	(129.63)	493	(191.15)	(606.57)	8.01
Return on Total Assets (%)	(18.75)	6.11	(14.11)	(34.28)	2.92
Net Asset Value per share	(2.66)	0.24	0.94	0.91	8.30
Earning Per Share (Rs.)	(3.45)	1.18	(1.89)	(5.52)	0.66
Revenue Growth (%)	8.31	36.93	(22.48)	(13.92)	40.65
Dividend per share	Nil	Nil	Nil	Nil	Nil
Dividend pay out	Nil	Nil	Nil	Nil	Nil

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth (12th) Annual General Meeting of the Company will be held by electronic means on 28th September 2022 at 9.00 a.m. centered at the Boardroom of Triad (Pvt) Ltd, No. 45/6, Alwis Place, Colombo 03 for the following purposes:

1. Ordinary Business

- 1.1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.
- 1.2 To re-elect as a Director Mr. S A Ameresekere who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.
- 1.3 To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.
- 1.4 To authorize the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.

2. Special Business

- 2.1 To consider and if thought fit, to pass the following resolution as a Special Resolution :

"IT IS HEREBY RESOLVED

THAT the Articles of Association of the Company be amended

- (i) by the insertion of the words "be issued under the Seal of the Company and" between the words "shall" and "bear" in line 9 of Article 21(i);and
- (ii) by the insertion of the words "be issued under the Seal of the Company and" between the words "shall" and "bear" in line 2 of Article 105(v); and
- (iii) by the deletion of Article 128 of the Articles of Association in its entirety and substitution therefor of the following:

"CONTRACTS AND COMPANY SEAL

128. (1) A contract or other enforceable obligation may be entered into by a Company as follows:

- (a) an obligation which, if entered into by a natural person is required by law to be in writing signed by that person and be notarially attested, may be entered into on behalf of the Company in writing signed under the name of the Company by –
 - (i) two Directors of the Company, as authorized by a resolution of the Board and placing the Company Seal
 - (ii) by any one Director and Secretary of the Company as authorized by a resolution of the Board and placing the Company Seal
 - (iii) any other person as authorized by a resolution of the Board
 - (iv) one or more Attorneys appointed by the Company, as set out in Article 97 hereof authorizing to enter into such obligation,
and be notarially executed;
- (b) an obligation which, if entered into by a natural person is required by law to be in writing and signed by that person, may be entered into on behalf of the Company in writing signed by two Directors of the Company, as authorized by a Resolution of the Board by placing the Company Seal or by any one Director and Secretary of the Company as authorized by a resolution of the Board by placing the Company Seal or by a person authorized by a resolution of the Board, or one or more Attorneys authorized to enter into such obligation.
- (c) an obligation which if entered into by a natural person is not required by law to be in writing, may be entered into on behalf of the Company in writing or orally by a Director or a person authorized by a resolution of the Board.

- (2) The provisions of Article 1 (1) shall apply to a contract or other obligation

- (a) whether or not that contract or obligation is entered into in Sri Lanka; and
- (b) whether or not the law governing the contract or obligation is the law of Sri Lanka.

- (3) For the purpose of this Article, the Company may use a generally recognized abbreviation of any word in the name, unless it is misleading to do so.
- (4) (i) The Board shall provide for the safe custody of the Seal and the Seal shall only be used by the authority of the Board or of a committee of Directors authorised by the Board in that behalf. Subject to the provisions of the next succeeding sub-paragraph, the Seal of the Company shall not be affixed to any deed, certificate for shares, stock, debenture-stock or other form of security or other instrument except in the presence of two or more of the Directors or of one Director and the Secretary who shall attest the sealing thereof. Such attestation on the part of the Secretary, in the event of a firm being the Secretaries, shall be signified by a partner or duly authorised agent of the said firm signing the firm name or for and on behalf of the said firm as such secretaries. In the event of a company being the Secretary, such attestation shall be signified by a director or the secretary or the duly authorised agent of such company signing for and on behalf of such company as Secretaries. The sealing shall not be attested by one person in the dual capacity of Director and Secretary or representative of the Secretaries.
- (ii) Where the Board shall so resolve in the case of certificates for shares of the Company (which shall not however be deemed to include letters of allotment issued under the signature of the Secretary on behalf of the Company) or in the case of certificates for debentures, debenture-stock, loan stock or other forms of security (other than securities created by deed for which provision is made in the preceding sub-paragraph of this Article) attestation of the sealing thereof may, with the approval and subject to the control of the auditors or the transfer-auditors or the bankers of the Company, be in the form of an autographic signature stamped or printed or impressed by manual or mechanical means thereon.
- (iii) Any document sealed in accordance with the foregoing provisions of this Article shall be presumed to have been executed by the Company."

By Order of the Board

HVA FOODS PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th August 2022

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

FORM OF PROXY

I/We* (NIC/Passport/Co. Reg. No.....) of
 being a shareholder / shareholders of HVA FOODS PLC hereby appoint
 (NIC/Passport No.....) ofor failing him,

Mr. B S M De Silva	or failing him*
Ms. V S A Fernando	or failing her*
Mr. M P D Cooray	or failing him*
Mr. S A Ameresekere	or failing him*
Mr. Charithra Hettiarachchi	

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Twelfth Annual General Meeting of the Company to be held by electronic means on 28th September 2022 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

1 Ordinary Business

	For	Against
1. To re-elect as a Director Mr. S A Ameresekere who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorize the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

2 Special Business

	For	Against
1. To consider and if thought fit to pass the Special Resolution set out under item 2.1 of the Notice of Meeting for the amendments to the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this day of Two Thousand and Twenty Two.

.....
 Signature of Shareholder/s

*Please delete what is inapplicable.

Notes: 1. A proxy need not be a shareholder of the Company
 2. Instructions as to completion appear overleaf.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email hva.pwcs@gmail.com) by 9.00 p.m. on 28th September 2022.

In forwarding the completed and duly signed Proxy to the Company, please follow the **Guidelines and Registration Process for the Annual General Meeting** attached to the Notice of Annual General Meeting.

3. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)
4. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided.
5. Please indicate with a 'X' in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

CORPORATE INFORMATION

NAME OF COMPANY

HVA Foods PLC

LEGAL FORM

Public Limited Liability Company
Incorporated in Sri Lanka in 1997

REGISTERED OFFICE OF THE COMPANY

No 118, Braybrooke Place – Colombo 02

COMPANY REGISTRATION NO.

PB/PV 1765 PQ

STOCK EXCHANGE LISTING

The Ordinary Shares are listed on
Colombo Stock Exchange

DIRECTORS

Mr. B S M De Silva

Chairman -Non Executive/ Independent
Director

Mr. C Hettiarachchi

CEO/ Executive Director

Ms. V S A Fernando

Non-Executive/ Non Independent
Director

Mr. M P D Cooray

Non Executive/ Independent Director

Mr. S A Ameresekere

Non-Executive / Non Independent
Director

AUDIT COMMITTEE

Mr. M P D Cooray

Non Executive/Independent Director
appointed as Chairman of the Committee

Mr. B S M De Silva

Non Executive/Independent Director

Mr. S A Ameresekere

Non-Executive/ Non Independent
Director

REMUNERATION COMMITTEE

Mr. B S M De Silva

Non Executive/Independent Director -
Chairman of the Committee

Mr. M P D Cooray

Non Executive/Independent Director

Ms. V S A Fernando

Non-Executive/ Non Independent
Director

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. M P D Cooray

Non Executive/Independent Director

Mr. B S M De Silva

Non Executive/Independent Director

Mr. S A Ameresekere

Non Executive/Non Independent Director

SECRETARIES / REGISTRARS

P W Corporate Secretarial (Pvt) Ltd.
3/17 Kynsey Road, Colombo 08.

LAWYERS

Nithi Marugesu Associates,
28 (Level 2) W.A.D.Ramanayake Mawatha,
Colombo 02.

EXTERNAL AUDITORS

BDO Partners,
Chartered Accountants,
“Charter House”
65/2, Sri Chittampalam A Gardiner
Mawatha,
Colombo 02.

INTERNAL AUDITORS

Ernst & Young Advisory Services (Pvt) Ltd
201, De Seram Place, P.O.Box 101,
Colombo 10.

BANKERS

Bank of Ceylon
DFCC Bank PLC
National Development Bank PLC
Hatton National Bank PLC
People's Bank
Seylan Bank PLC

INVESTOR RELATIONS

HVA Foods PLC
No.118, Braybrooke Place, Colombo -02.
Tel : 011 442 7600
Web : www.heladiv.com

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T E A F R O M P A R A D I S E

H V A Foods PLC
118 Braybrooke Place,
Colombo 02,
Sri Lanka