

WORLD OF



CHOICES



KAPRUKA HOLDINGS PLC

ANNUAL REPORT 2021/22

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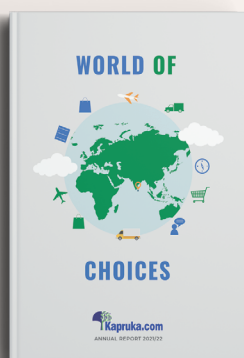
With our discerning and continuously expanding clientele as well as our ever-growing outreach at the forefront, we offer an incredible variety of products options and brand choices: a world of choices that enables Kapruka PLC to maintain its position of leadership and its reputation for convenience, value and reliability.

Kapruka has crafted its success as a progenitor of e-commerce in Sri Lanka through a commitment to excellence in all we do and a will to innovate and challenge convention.

The strength and resilience we have inculcated within over the last two decades positions us well to offer enduring value to our stakeholders, as we enter a new vista of growth driven as always, by a world of choices

ABOUT THIS REPORT

Kapruka Holdings LTD was listed on the Main Board of the Colombo Stock Exchange on the 7th of January 2022, and we are pleased to present our first Annual Report setting out the performance of the Group for the financial year ending 31st March 2022. This report is designed to provide a concise and holistic assessment of how we leveraged our resources and relationships to create value for our stakeholders during the year.



SCOPE AND BOUNDARY

We adopt an annual reporting cycle, and this report covers the activities of the parent company, its three subsidiaries and associate company for the financial period 1st April 2021 to 31st March 2022. Consolidated financial statements are presented for the first time and there are no comparatives for the financial year ending 31st March 2021. Non-financial information has also been presented for the Group.

Any material events after 31st March 2022 and up to the board approval date of 31st August 2022 have also been included in this report.

REPORTING PRINCIPLES AND FRAMEWORKS APPLIED

The following frameworks have been applied in preparing this report

Statutory Standards and Acts

- » Companies Act No 7 of 2007
- » Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- » Sri Lanka Financial Reporting Standards
- » Continued Listing Rules of the Colombo Stock Exchange

STATEMENT BY THE BOARD

The Board is ultimately responsible for ensuring the integrity of this report. We hereby confirm that the 2021/22 Annual Report fairly represents the Group's performance and addresses all relevant material matters that have a bearing on our ability to create value over the short, medium and long term. Accordingly, the report was unanimously approved by the Board and is signed on its behalf by:

Dulith V. Herath
Chairman

Thilina Chathuranga
Senior Manager - Finance

FEEDBACK

We welcome your comments and suggestions on further improving the readability and relevance of our report and kindly invite you to direct your feedback to:

Mr. Sandun Tharaka
Position-Accountant

Address- 237/22, Vijayakumaratunga Mawatha, Colombo 5

Contact no.: +94 70 117 9160

Email- tharaka@kapruka.com

Website : www.kapruka.com

ABOUT US

As the country's largest locally owned e-commerce enterprise, Kapruka has set the bar for a superior shopping experience by facilitating the online purchasing of goods to the Sri Lankan and expatriate consumer base through its subsidiary Kapruka e-commerce (Pvt) Ltd. Having forged partnerships with over 500 renowned brands, the Company offers quintessentially Sri Lankan products of the highest quality and executes order fulfilment and last mile delivery for its online orders.

The Company which was founded in 2003 by a single entrepreneur, grew exponentially and has a strong global presence today. With over 125,000 products and around 30 distinct services, Kapruka offers an extensive range of merchandise and gift ideas. Seamless technological platforms and high service standards support the growth and retention of a loyal customer base around the World and in its domestic market.

Having successfully backward integrated, Kapruka sells its own-labelled products, predominantly, cakes, flowers and value-added fruits and vegetables which are produced under Kapruka Productions (Pvt) Limited. The Group also offers Sri Lankan brands on global e-commerce platforms such as Amazon, eBay, Etsy and Walmart, becoming the exclusive e-distributor/e-commerce retailer for well-established local brands such as Dilmah, Akbar and Link Samahan.

Our innovative ideas and creativity help us remain committed to finding original ways of connecting Sri Lankans across the World, resulting in unprecedented success for the Group.

OUR GROUP STRUCTURE



HIGHLIGHTS 2021/22



Over **125,000** products
and over
30 types of services offered



Rs. 1.7 Bn
Revenue



Rs. 130 Mn
Profit After Tax



Over **200**
skilled employees

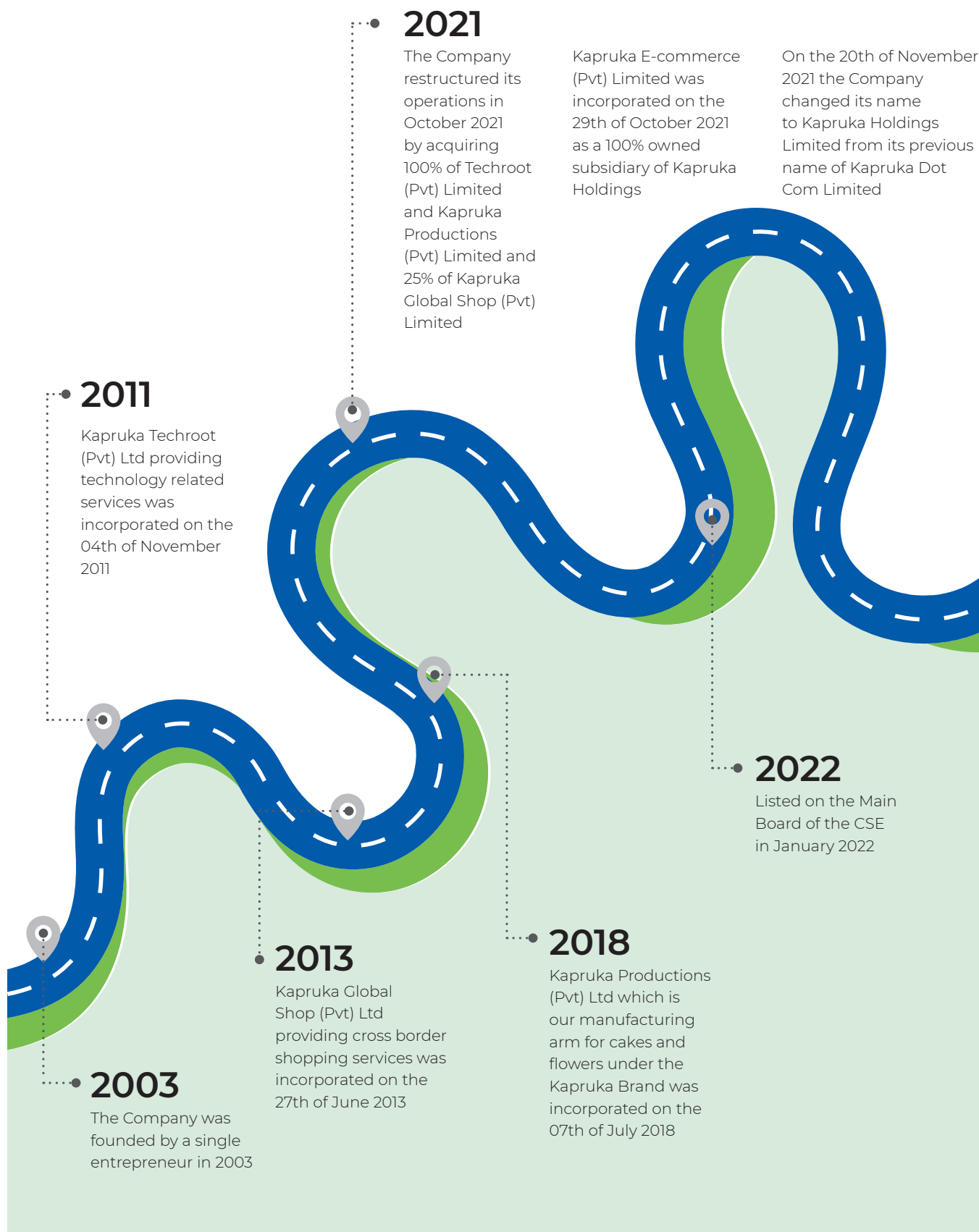


Over **300** partnerships
with renowned Brands



Over **Rs. 1.1 Mn**
Customers

OUR MILESTONES



PERFORMANCE HIGHLIGHTS

	Unit	Group		Company	
		2021/22	2020/21	2021/22	2020/21
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST MARCH					
Revenue	Rs. Mn	1,687	-	1,067	968
Profit Before Tax	Rs. Mn	139	-	186	68
Profit/ (Loss) After Tax	Rs. Mn	130	-	172	44
Earnings/ (Deficit) per Share (EPS)	Rs	0.79	-	1.05	1.16
Cost of Finance	Rs. '000	5,507	-	1,908	1,782
Interest Cover	No. of times	26	-	98	39
Return on Equity	%	11.31%	-	14.51%	8.63%

FINANCIAL POSITION AND STABILITY AS AT 31ST MARCH

Total assets	Rs. Mn	1,798	-	1,595	901
Long-term interest-bearing borrowings	Rs. Mn	191	-	120	121
Total Equity	Rs.'000	1,146	-	1,183	513
Number of shares in issue	Number	164,130,360	-	164,130,360	4,376,812
Net Assets per Share	Rs.	7	-	7	117
Gearing- Debt/(Debt + Equity)	%	22%	-	13%	28%
Debt/ Total Assets	%	17%	-	11%	23%

INVESTOR INFORMATION AS AT THE YEAR ENDED 31ST MARCH

Market price per share	Rs.	7	-	7	-
Market capitalisation	Rs.'000	1,148,912,520	-	1,148,912,520	-
Price/Earnings ratio	Times	8.86	-	6.69	-



Taxes paid to the Government

Rs. 81 Mn



Gender Diversity Ratio

1:5



Employee Retention

81%

MESSAGE FROM CHAIRMAN & CEO



Dear Shareholders,

The financial year 2021/22 was a milestone for Kapruka Holdings PLC as we became a public listed company, raising Rs.505 Mn through an initial public offering (IPO) which was oversubscribed by 5.8 times on opening day. The run up to the IPO was also a time of strategic change as we reviewed the business model of the Group and created a fit for purpose structure and strengthened our corporate governance mechanisms to support our growth aspirations. Accordingly, we transformed from a single entity to a holding company, recording our first year as a Group. These changes have positioned us to create more value for our increasingly diverse customer base and grow enterprise value for our shareholders.

UNCERTAINTY & OPPORTUNITY

The year which commenced with a wave of the COVID-19 pandemic and ended with unprecedented economic uncertainty was a period that tested the resilience of businesses. Sri Lanka's GDP recorded annual growth of 3.3% in 2021, recovering from a negative 3.7% in 2020 which was affected by the pandemic. The first quarter of 2022 recorded negative growth of 1.3% as both the Agriculture and Industry sectors recorded negative growth reflecting the country's socioeconomic woes. The country's foreign exchange reserves declined significantly to US\$ 1.9 Bn exerting pressure on dollar liquidity and the country's ability to import essential items including fuel which led to an energy crisis in 2022 with electricity, gas and fuel shortages from March 2022. The ensuing social unrest resulted in political instability which is now stabilised to a large extent, supporting negotiations with the International Monetary Fund.

Inflation continues to be a key concern with the National Consumer Price Index moving up from 21.5% in March 2022 to 58.9% in June 2022. Food inflation maintained an upward trajectory, moving up from 25.9% in March 2022 to 75.8% by June 2022. Non-food inflation also moved up from 14.5% in March 2022 to 43.6% by June 2022 reflecting the transport related inflationary pressures which moved up to 96.8% by June 2022 as fuel subsidies were reduced.

Market risk indicators reflected the uncertainty. Interest rates which maintained an upward trend were increased by 700 bps on 7th April 2022 and a further 100 bps in July 2022. Exchange rates which were maintained through Central Bank intervention for most of the year were allowed to float by end March resulting in 70% devaluation of the rupee in March and April 2022. Remittances maintained a declining trend and Tourism was affected by the political instability which exacerbated the foreign exchange crisis which continues to cast a shadow over economic activity. However, the August Monetary Policy Review saw policy rates being maintained at current levels as projections indicate a larger than expected contraction in activity and a faster than expected easing of price pressures compared to the previous monetary policy review.

Agile, forward looking strategies and business models enabled Kapruka to seize the opportunities that always accompany high levels of uncertainty. We witnessed increased activity from the Sri Lankan diaspora customer base as they supported family and friends through the crisis. Additionally, there was a significant shift to online purchasing by Sri Lankans due to the fuel crisis and we seized multiple opportunities relating to this trend

Kapruka Holdings PLC delivered a stellar performance for the in its 20th year of operations, recording a Rs. 1.06 Bn and Profit After Tax of Rs. 171 Mn, the highest recorded since inception.



Rs 1.7 Bn

Revenue



Rs 129 Mn

Profit After Tax

MESSAGE FROM CHAIRMAN & CEO

The purpose built fulfilment centre is expected to drive significant efficiencies in warehouse management and logistics as it facilitates centralising multiple smaller Colombo warehouses. Inventory increased from Rs.66 Mn to Rs. 256 Mn during the year due to the commencement of Kapruka Cross Border which necessitates storage in overseas locations, supporting Sri Lankan brands to list their products on global platforms such as eBay & Amazon.

which also supports a modern lifestyle, enhancing the quality of life of families. There is an urgency to drive exports by local manufacturers as well and our expertise in e-commerce enables us to seize this opportunity as well. We are optimistic about the opportunities we perceive and believe that the years ahead will enable us to reap the benefits of having honed our skills in e-commerce.

HOME DELIVERING VALUE

Kapruka Holdings PLC delivered a stellar performance for the in its 20th year of operations, recording a Rs. 1.06 Bn and Profit After Tax of Rs. 171 Mn, the highest recorded since inception. This reflects top line growth of 36% and earnings growth of 293%, largely due to improved gross margins and other income. Group results were also encouraging reflecting the strategic synergies derived through the restructuring implemented during the year as consolidated revenue reached Rs. 1.70 Bn and profit after tax amounted to Rs. 129 Mn. It is noteworthy that dollar revenues increased by 39% and accounted for 47% of revenue demonstrating the diversity of its customer base and the resilience of its business model.

Net assets of the Group amounted to Rs.1.146 Bn at the year end, an increase of 2.3 times the Rs.513 Mn net assets of the Company at the beginning of the year. This is largely attributable to the increase in Property, Plant & Equipment, Inventory and Short Term Investments which have strengthened the balance sheet of the Group considerably. The increase in property, plant and equipment to Rs. 695 Mn is largely attributable to the new, state-of-the-art order fulfilment centre which commenced operations in July 2022. The purpose built fulfilment centre is expected to drive significant efficiencies in warehouse management and logistics as it facilitates centralising multiple smaller Colombo warehouses. Inventory increased from Rs.66 Mn to Rs. 256 Mn during the year due to the commencement of Kapruka Cross Border which necessitates storage in overseas locations, supporting Sri Lankan brands to list their products on global platforms such as eBay & Amazon. Short term investments strengthen the cashflow of the Group and will be utilised to operationalise the fulfilment centre and expand and diversify operations without over reliance on expensive debt financing.

The Group continues to maintain a prudent approach to debt financing and has limited its interest bearing borrowings to Rs.314 Mn resulting in a debt equity ratio of 26% in total. The share issue shored up the capital of the Group by Rs.496 Mn net of transaction costs which strengthened the financial resilience of the Group. Moving forward, we will continue to maintain a conservative approach to debt given the high costs of the debt and the high levels of uncertainty in market risks perceived not just locally but globally as well.

STRENGTHENING GOVERNANCE

The year under review saw significant changes to the Group's leadership structure and governance mechanisms to ensure compliance with the CSE Listing Rules and to ensure that we had the skills and expertise necessary for our next growth phase. Accordingly, we welcomed to the Board Mrs. Priyanthie Peiris, Mrs.Manohari Abeysekera and Mr.Tishan Subasinghe as Independent Non-Executive Directors, strengthening the objectivity and enhancing the skills and expertise of the Board. We also formulated 3 Committees of the Board, namely the Audit Committee,

the Remuneration Committee and the Related Party Transactions Review Committee which are chaired by the 3 Independent Directors and which have already commenced their work, assisting the Board on matters delegated. We look to strengthen our governance framework further to move to compliance with accepted best practice as part of good corporate citizenry.

A BLUEPRINT FOR GROWTH

A Group with a relatively young staff blessed with an action oriented culture and an entrepreneurial spirit, We are eager to seize the opportunities we see amidst the uncertainty and the chaos. Expanding our overseas customer base as well as our Sri Lankan customer base is pivotal to growth and we will continue to strengthen our value proposition and enhance our customer experience which is the foundation for our growth. Expansion of healthcare and other services will be a key area of focus as these are key concerns for our customers. Plans have progressed to launch a wholesale marketplace for B2B e-commerce, leveraging the interest amongst businesses for this service as supply chain management moves centre stage. Aggressive expansion of e-commerce exports also caters to the interest shown by Sri Lankan businesses in creating export markets for their products. Kapruka partner central will support established brands to market their wares through the Kapruka platform which will enable the Group to grow while managing inventory levels. We will also create a circular economy market place with the launch of Soldout.lk for pre-owned merchandise.

Technology will remain a critical component of our growth plans and several projects are underway to upgrade the platforms, apps and systems to enhance customer experience and drive efficiencies throughout the critical processes. We will also continuously look to strengthen the transportation and warehousing aspects of the businesses through both process innovation and investment in related areas.

ACKNOWLEDGEMENTS

The performance set out in this report is the collaborative effort of dedicated teams across the Kapruka Holdings Group who worked amidst innumerable challenges in the year under review. I would like to express my sincere appreciation of their commitment and indomitable spirit which was critical to our success. I also wish to thank all those who made our IPO a resounding success and guided us through the process. In conclusion, I thank our shareholders for their confidence placed in us to enhance earnings and enterprise value and look forward to their participation at the Annual General Meeting.



Dulith V. Herath

Chairman & CEO

31st August 2022

BOARD OF DIRECTORS



MR. DULITH V. HERATH
Founder / Chairman



MRS. ANURADHA HERATH
Non-Executive Director



MRS. PRIYANTHI PIERIS
Independent Non-Executive Director



MR. TISHAN SUBASINGHE
Independent Non-Executive Director



MR. SIVAKUMAR ALEXANDER
Executive Director



MRS. THILANGANI HERATH
Non-Executive Director



MRS. MANOHARI ABEYSEKERA
Independent Non-Executive Director

MR. DULITH V. HERATH**Founder / Chairman**

Mr. Herath is a well-known, highly successful Sri Lankan serial entrepreneur. He is known as the King of E-commerce in Sri Lanka as he is the Founder and Chairman of Sri Lanka's largest e-commerce organisation, Kapruka.com. Over the years he has been instrumental in exploring further opportunities by founding Kapruka Global Shop. He also co-founded Grasshoppers, an e-commerce logistics enterprise to underpin all e-commerce ventures in the country.

It was in the year 2010 that Mr. Herath was first recognised for his amazing skills, knowledge and entrepreneurial talent, where he won the award for the Sri Lankan Entrepreneur of the Year.

In addition, he has won numerous awards including Asia Pacific Young Entrepreneur Award in 2013, Sri Lankan Entrepreneur of the Year once again in 2017 and CSSL ICT Leader of the Year in 2017

Also he was chosen as an Eisenhower fellow by the President Eisenhower foundation in USA in 2017.

He possesses strong technical skills that fuse innovation and new technology-based business models in Sri Lanka. Before forming Kapruka, Mr. Herath served as a Development Specialist at Dell Perot Systems where he designed robust software/web applications for DELL client's use with the aim of optimising operational efficiency. Additionally, he also worked as an Application Architect at Microsoft. There he directed and designed new applications from conception to completion while overseeing the technical staff involved with development projects. Mr. Herath is a graduate of the University of

Kentucky, USA with a Bachelor of Science Degree in Computer Science.

MRS. ANURADHA HERATH**Non-Executive Director**

Mrs. Herath has a Bachelor of Commerce from the Bangalore University, India and an MBA from the Eastern Kentucky University, USA. Prior to joining Kapruka, she worked at the University of Kentucky Federal Credit Union, USA. She is also an entrepreneur on her own and found Sri Lanka's largest coffee house chain - Java Lounge. She possesses strong domain knowledge of US based e-commerce platforms and cross border e-commerce opportunities.

MRS. PRIYANTHI PIERIS**Independent Non-Executive Director**

Mrs. Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka, a Solicitor of England and Wales. With over 40 years of experience in the field of Corporate/Securities Law, Mrs. Pieris' expertise spans across handling corporate restructuring, privatisations, capital market transactions, take-overs, mergers, and amalgamations. Mrs. Pieris also serves on the Boards of JAT Holdings PLC, Associated Electrical Corporation Ltd, MTN Corporate Consultants (Pvt) Ltd and is the current Chairperson / Consultant of P W Corporate Secretarial (Pvt) Ltd – a firm that provides capital market-related services to listed companies.

Mrs. Pieris has also served as the Legal Adviser to the Ministry of Finance from 2002 to 2004. She was a Legal consultant to the Colombo Stock Exchange (2004-2011). She also served as a Member of the Committee of the Securities and Exchange Commission of Sri Lanka on Takeovers and Mergers Code and as a Member of the Corporate Governance Committee of the

Institute of Chartered Accountants; she is a Member of the Law Commission. She has served on the Boards of Asia Asset Finance PLC (2012-2021), Abans Electricals PLC (2012-2021), and LOLC Finance PLC (2012-2021).

MR. TISHAN SUBASINGHE**Independent Non-Executive Director**

Mr. Tishan Subasinghe is the Managing Director and Joint Managing Partner of Moore Stephens Consulting (Private) Limited and Moore Stephens Aiyar, respectively. Additionally, he is a Council Member of the University of Moratuwa, the Chairman of the Sanasa General Insurance Company Limited and is a Director at Amana Bank PLC, having previously served as the Head of Audit and Assurance at BDO Partners. Mr. Subasinghe is a specialist in information systems auditing and is a Certified Information Systems Auditor (CISA-USA) and also holds an MBA in Finance from the University of Colombo. His influence and expertise are global as he maintains working relationships with PwC in New York, Philadelphia and Botswana, having received international training in the USA, Hong Kong, Bangkok, Hyderabad, Mumbai, Malaysia, Indonesia, Rome and others in areas such as Sarbanes Oxley section 404 integrated audits, audit software and the adoption of IFRSs. He is also a visiting lecturer and trainer at leading local and foreign universities, while also being a member of the Presidential Commission for the Simplification of Laws and Regulations, and the CBSL's Advisory Committee for the revival of failed Licensed Finance Companies.

BOARD OF DIRECTORS

MR. SIVAKUMAR ALEXANDER **Executive Director**

Mr. Alexander has over 16 years of experience in e-commerce and fulfilment. He is also an executive director of Grasshoppers Pvt Ltd where he utilises his core strength, last mile e-commerce logistics.

Prior to working at Kapruka, he served as the Trading Manager in SN Entertainment. He holds an MBA from Cardiff Metropolitan University, UK.

MRS. THILANGANI HERATH **Non-Executive Directors**

With over 35 years of entrepreneurial experience she possesses strong leadership and human resource management skills. She is a founding member of many businesses in Sri Lanka in the fields of construction, feng-shui science, Health (Island Pharmacy chain) education (Asian International School).

MRS. MANOHARI ABEYESEKERA **Independent Non-Executive Director**

Manohari Abeyesekera was appointed in January 2020 as an Independent Non-Executive Director/ Chairperson - Audit Committee of the National Savings Bank (NSB), a State Owned Savings Bank.

Previously, Manohari served the Hayleys Group in multiple leadership roles in her 18 year stint (Year 2002-2020). She was attached to Hayleys PLC, the parent company, and served as the Head – Strategic Business Development until May 2019. She was responsible for the Group's acquisitions exceeding US \$ 200 Mn, listing subsidiaries in the Colombo Stock Exchange and restructuring loss making entities.

Manohari was the focal point of contact at Hayleys Group for Embassies, Chambers and UN Global Compact. She also was involved in project financing liaising with multi-lateral development agencies such as Asian Development Bank (ADB), International Finance Corporation (IFC) and DEG Bank Germany. In May 2019, Manohari was seconded as the Director – Strategy & Business Development at Fentons Limited, the engineering arm of Hayleys Group. Manohari also served as a Director Hayleys Group Services (Pvt.) Ltd, the Group's Company Secretarial arm from year 2012- 2020. Manohari is a Council Member and a Member of the Audit Committee of the Sri Lanka Institute of Directors. She successfully completed the Board Leadership Program conducted by SLID – IFC in December 2017; An Alumna of KPMG, Manohari is

a Fellow of Chartered Institute of Management Accountant (CIMA-UK) and the Institute of Chartered Accountants of Sri Lanka. She read for the MBA from University of Colombo topping the batch winning three gold medals – Overall Excellence, Quantitative Techniques and Management Accounting. Her first degree is in Biology (1st Class Honours) from University of Colombo. A Prizewinner at CIMA Finals - Strategic Financial Management, Manohari was adjudged as CIMA Young Star (Silver) by CIMA Sri Lanka Janashakthi Pinnacle Awards held in 2004. Manohari read for the Post Graduate Diploma in International Relations conducted by the Bandaranaike International Diplomatic Training Institute, where she was awarded the Vernon Mendis Memorial Award for excellent results in 2018. Manohari had her primary education at Sujatha Vidyalaya Colombo, and secondary education at St. Paul's Milagiriya.

CORPORATE MANAGEMENT



MR. SURESH ERANDA
General Manager



MS. GAYATHRI BANNEHEKA
Chief Technology Officer



MR. THILINA CHATHURANGA
Senior Manager - Finance



MR. MANJULA KUMARA
Head of Internal Audit



MS. THANURA KALEHEWATHTHA
Deputy Manager - Finance



MR. DINESH GAMLATH
Manager - FMCG



MR. AYESH KARUNARATHNE
Assistant Manager - HR

CORPORATE MANAGEMENT

MR. SURESH ERANDA

General Manager

Suresh has over 11 years of experience in leadership, e-commerce functions, sales & marketing, brand management. He has gained this tacit knowledge at Kapruka by joining as a junior executive and climbing his way all the way to the top management. He has also played an instrumental role in engineering the unique work culture of Kapruka where there is a good mix of blue and white collar staff working hand in hand.

He holds a Higher National Diploma in Brand Management from Sri Lanka Institute of Marketing. Suresh has also completed the intermediate level of Chartered Accountants program.

MS. GAYATHRI BANNEHEKA

Chief Technology Officer

Gayathri has over 6 years of experience in Software engineering, E-Commerce technologies, Data modeling and database design, ERP systems, IT security and Project management. She spearheads all the technology teams at Kapruka. Tech Root Pvt Ltd (fully owned subsidiary of Kapruka Holdings) is now a brain child of Gayatri and provides technology services to all subsidiaries of Kapruka Holdings.

Gayathri holds a PGD in IT from British Computer society, BSc(Hons) Software engineering from Anglia Ruskin University, Master of Business Administration from Cardiff Metropolitan University. She is also an associate member of the British Computer Society.

MR. THILINA CHATHURANGA

Senior Manager - Finance

Thilina is a professional with over 7 years' of experience in financial planning, accounting & financial reporting, strategic decisions making & Internal auditing in the field of financial services, retail & manufacturing sector.

Thilina holds a BSc Finance (Special) Degree with Second-Upper Class honours from the University of Sri Jayawardenepura. He is also an Associate member of Chartered Accountants of Sri Lanka.

MR. MANJULA KUMARA

Head of Internal Audit

Manjula has over 10 years' of experience as an accountant and an internal auditor in Kapruka.com Ltd. In addition to strong audit skills, he possesses tacit knowledge gained at Kapruka on cross border export and import operations and regulations.

He holds a BSc Management (Special) Degree from University of Sri Jayawardenepura. Manjula is also a member (lifetime) of the Association of Accounting Technicians of Sri Lanka and have completed the intermediate level of Sri Lanka Chartered Accountants programme.

MS. THANURA KALEHEWATHTHA

Deputy Manager - Finance

Thanura is a finance professional with over 15 years of experience. She has a BSc Management (Special) Degree from the University of Sabaragamuwa. Thanura is also fully qualified from the Association of Accounting Technicians of Sri Lanka and have completed the intermediate level of Sri Lanka Chartered Accountants program.

MR. DINESH GAMLATH

Manager - FMCG

Dinesh has over 20 years' of experience in handling store related functions. He holds a Certificate in Management from Brandix College.

MR. AYESH KARUNARATHNE

Assistant Manager - HR

Ayesh holds a B.Sc (Hon) Human Resources Management and leadership Degree from Northumbria University, UK and also a M.Sc in Leadership and Management in International Context from Linnaeus University in Sweden. He has over 8 years experience in human resources management including working in Sweden.

STRATEGY & BUSINESS MODEL

Our strategy has been formulated by taking into consideration the operating challenges and risks, emerging opportunities, stakeholder needs and our impact on society and the environment. Along with the many changes taking place within the external and internal environment during the year, it was essential to ensure the clear communication of our strategy in order to ensure the Group stays relevant to its core.



OUR BUSINESS MODEL

INPUTS



Financial Capital

Financial resources which are key to creating value and reaching our strategic goals.

- » Short term investments: Rs 463 Mn
- » Borrowings: Rs 315 Mn



Manufactured Capital

- » Rs 695 Mn worth of PPE
- » Rs 61 Mn worth of Right of Use assets
- » Rs 256 Mn worth of inventories



Human Capital

Financial resources which are key to creating value and reaching our strategic goals.



Social & Relationship Capital

Strong relationships that have been nurtured over the years with customers, business partners and other stakeholders.



Intellectual Capital

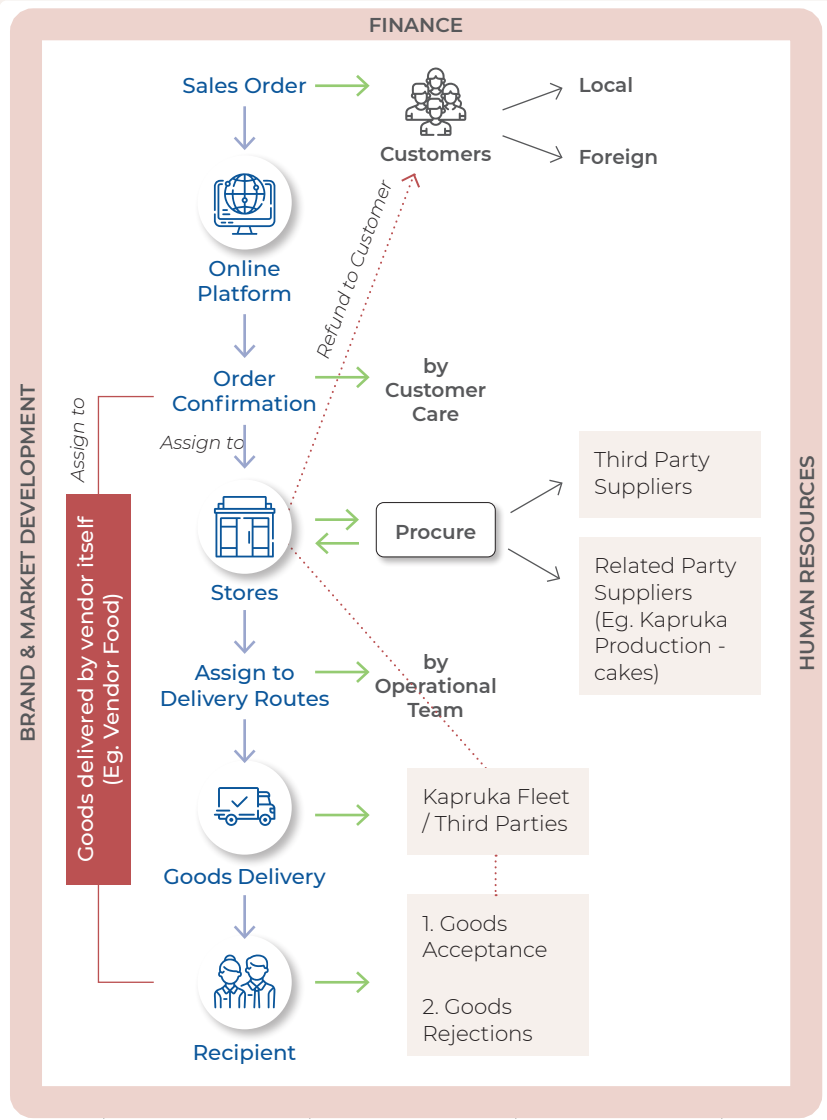
The strength of our Brand, Organisational tacit knowledge and the robust technology, systems and processes in place



Natural Capital

Natural resources consumed in carrying out our business activities

INPUTS



Focused Strategy



Corporate Governance



Risk Management



Stakeholder Expectations

- » Operating landscape
- » Shift towards digitalisation
- » Government policies including import restrictions
- » High demand for online purchases and home deliveries
- » Recessive Economy and Uncertainty

OUTCOMES



Financial Capital

- » Strong balance sheet
- » Increased equity to Rs. 1.1 Bn
- » Rs. 129 Mn Profit after tax



Manufactured Capital

- » Investments in CAPEX: Rs. 76 Mn



Human Capital

- » Employee satisfaction
- » Productivity
- » Training and development opportunities



Social & Relationship Capital

- » Trust
- » Customer satisfaction



Intellectual Capital

- » Tacit knowledge
- » Robust systems and processes

OUTPUTS/ IMPACTS



Customers

- » New products introduced
- » Enhanced customer value proposition



Employees

- » Payments of Rs 153 Mn to employees
- » Promotions in 2021/22: 27
- » Career progression and empowerment



Business Partners

- » Long term relationships with 757 suppliers
- » Transparency



Shareholders

- » Net asset value per share: Rs 7.00
- » Earnings per share: Rs. 0.79



Government

- » Tax contribution of Rs 9.3 Mn



Local Communities

- » Engaging with the community through CSR activities
- » Creating employment opportunities



Environment

- » Environmentally friendly business practices
- » Increased automation

OPERATING ENVIRONMENT

The operating environment remained volatile during the year, marked by the prolonged impact of the pandemic, rising economic and social pressures due to the political instability in the country and a volatile geopolitical global environment. These developments are regularly monitored in order to ensure the right strategies are in place to counter the risks while making use of the opportunities.

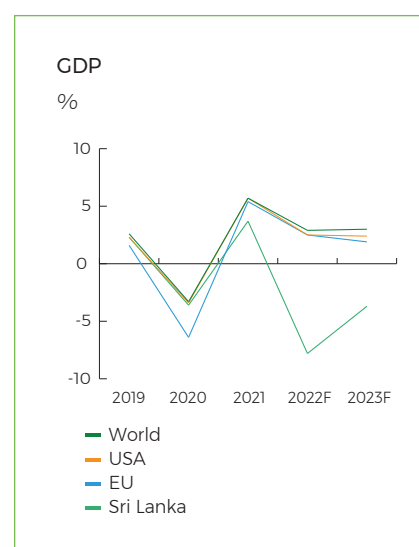
THE GLOBAL CONTEXT

Following the downturn in economic activity caused by the COVID-19 pandemic, economies across the World began its recovery in 2021 at a moderate pace, supported by strong policy support and the adjustment of economic activities to the new norm. Social distancing, working from home, e- learning and entertainment became the universal norm leading to a significant change in lifestyles and the way we interacted with the rest of the World.

As a result of these developments, e-commerce and technology related companies experienced a significant increase in demand for their services. Consumer dependency on e-commerce surged and this trend continued as new waves of the pandemic continued to disrupt economic activity.

Despite the resurging pandemic, rising inflation, food insecurity and climate change the global economy grew by an estimated 5.7% during 2021(Global Economic Prospects- June 2022). However, adverse developments in the latter part of the year meant that economies entered 2022 in a weaker position than anticipated. Economic prospects across regions are noticeably divergent with access to COVID-19 vaccines, the level of policy support, supply chain issues and inflation emerging as key factors influencing economic recovery.

Russia's war on Ukraine also fundamentally altered the global economic and geopolitical order with energy trade shifts, supply chains reconfigurations, payment network fragmentations and countries rethinking their reserve currency. It is expected to exert further pressure on commodity prices, trade volumes and financial linkages with knock-on effects on more vulnerable economies who are dependent on imports. Accordingly, the Global Economic Prospects report published by the World Bank in June 2022 projects global growth to slow down to 2.9% in 2022.



GLOBAL MARKET TRENDS

Key dynamics shaping the industry environment are summarised as follows:

	Rising prevalence towards shopping on digital platforms and mobile shopping
	Growing expectations for businesses to conduct their operations in a socially and environmentally responsible manner
	Customer relationships are increasingly becoming key to sustaining businesses in this highly competitive marketplace
	The role of Augmented Reality and Artificial Intelligence in improving the shopping experience is taking centerstage
	The Growth of the B2B Market

THE DOMESTIC ECONOMY

The Sri Lankan economy was on the path to recovery in the early part of 2021, with all subsectors recording an impressive growth compared to the corresponding period in 2020. However, the resurgence of infections and the resultant downturn in economic activity due to related preventive measures, dampened the growth momentum during the second half of 2021 with the country left grappling with a severe shortage of foreign currency reserves, escalating concerns on debt sustainability, import restrictions and rising inflation.

Along with the intensification of the foreign currency crisis in April 2022, the Ministry of Finance suspended its normal debt servicing on several categories of external debt and the country's long term foreign currency issuer default rating was downgraded to C by Fitch Ratings. In order to bring much needed stability to the economy, the Government is looking to create an export-oriented production economy while diversifying economic activities with the support of domestic and foreign investors in order to support growth over the medium term.

Key macro-economic variables which were affected during the year are:

Inflation

- » NCPI **21.5%** in **March 2022**
- » CCPI 18.7% in March 2022

Inflation surged upwards, driven by increase in food and non-food inflation reflecting supply disruptions, import restrictions, surge in global commodity prices and shortage in foreign currency earnings.

Interest rates

- » AWPR of **9.47%** in **March 2022**
- » AWDR of **5.17%** in **March 2022**

Following the tightening of the monetary policy in August 2021, market interest rates have edged upwards, with treasury bill, lending and deposit rates increasing.

Consumption Expenditure

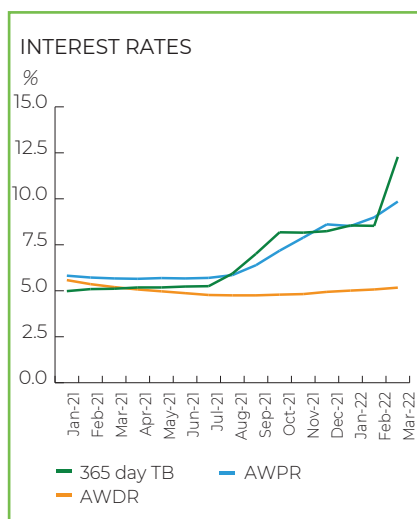
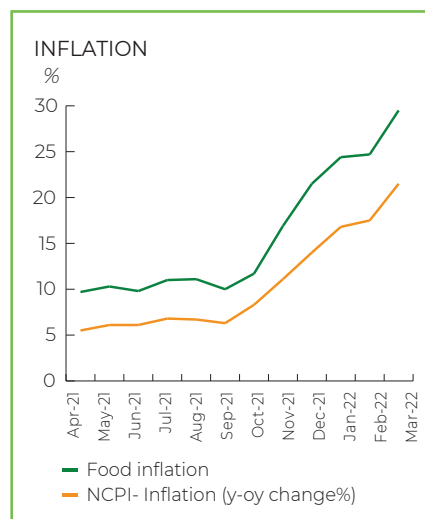
- » Private consumption expenditure increased by **9.9%** in **2021**

Household expenditure grew by 10.8% in 2021, reflecting the release of pent up demand. However, the high inflationary environment will impact the disposable income and curtail expenditure in the upcoming months.

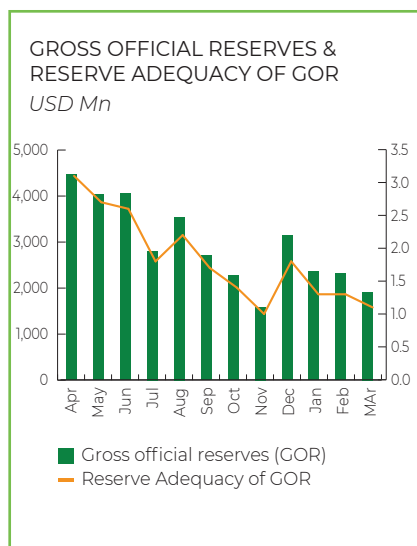
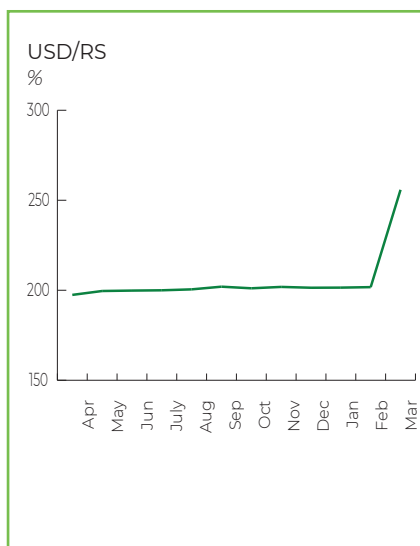
Exchange rate and Forex Reserves

- » The Rupee reached a record low of **Rs. 256 per USD** by end of **March 2022** after the CBSL abandoned the pegged exchange rate as defending the Rupee with dwindling foreign reserves became difficult
- » Foreign reserves of **USD 1917 Mn** as at **31st March 2022**

Limited conversions by exporters, the advancing of imports together with some speculative activity exerted undue pressure on the exchange rate in the domestic market leading to a significant pressure on the country's external position. Measures taken by the Government and the Central Bank to attract fresh forex inflows and the anticipated inflow to the private sector is expected to strengthen the external sector in the period ahead.



OPERATING ENVIRONMENT



INDUSTRY ENVIRONMENT

The e-commerce industry within the country benefitted from the opportunities presented from the pandemic, as there was a surge in demand for technology-based end to end retail solutions along with the increased reliance on work from home arrangements and other social distancing measures. However, the restrictions on non-essential imports and the rising cost of production due to inflationary pressures within the domestic economy, could deal a heavy blow to the sector as it has an adverse impact on margins and profitability. Furthermore, demand will also be affected as consumers become increasingly conscious of the rising costs. Key factors shaping the e-commerce space within the country are summarised below:

	Increased preference towards affordable and value for money offerings due to the reduction in disposable incomes of households
	New categories like fashion, healthcare and groceries gained popularity within the online retail sector which was previously dominated largely by consumer electronics
	Leveraging social media platforms as a distribution channel especially for small businesses
	Smartphones have become affordable to a large portion of the middle class, enabling seamless transactions through e-commerce platforms
	The Internet Penetration within the country witnessed a rapid increase with the number of connections increasing by 27% to 22.2 Mn in 2021
	Online payment gateways through local banks are steadily rising with most commercial banks partnering with e-commerce platforms, leading to a growth in credit and debit card payments
	The younger generation is more tech savvy and likely to use e-commerce platforms preferring online shopping to traditional alternatives
	According to the Department of Census and Statistics, Sri Lanka's digital literacy stood at 46% in 2019 (population aged between 5-69)

ECONOMIC HEADWINDS IMPACTING KAPRUKA

Unexpected control prices on grocery products

Migration of key staff members

Unexpected import limitations on retail goods could affect supply and timely delivery

Unexpected import limitations on retail goods could affect supply and timely delivery

Payroll hike to motivate and retain staff

Rise in delivery costs, general logistical costs and cost of production due to accelerated inflation

OUTLOOK

The Group plans on continued expansion and growth while venturing into new business verticals in line with our strategic business plans in order to keep up with the evolving technology and varying demands of customers. Our plans for the short and medium term are given below and we are confident of meeting these planned outcomes depending on market and industry conditions prevailing at the time of execution.

Expand our customer base by increasing our reach of Sri Lankan expatriates in USA, Australia, Canada, UK, Europe and Middle East

Focus on B2B e-commerce through Kapruka wholesale marketplace as current dynamics within the country have increased demand for such services by businesses.

Explore online pharmaceutical and healthcare related services specifically designed for Sri Lankan expatriates buy for their loved ones in Sri Lanka

Launching Kapruka partner central which will connect buyers and sellers and allow well established brick and mortar shops to sell on the Kapruka platform

Plans underway to have our own USD based fuel reserves in order to counter unexpected fuel limitations which will ensure uninterrupted deliveries

Pursuing aggressive expansion of e-commerce exports through our cross-border operations allowing local brands to cater to the global market through Kapruka

Enhancing the Kapruka e-commerce platform by upgrading the website with several new features including greater visibility in tracking orders, WhatsApp integrated notifications and automated billing emails.

We also plan to improve the Customer Relationship Management (CRM) system which will give access to analytical data such as repeat purchase patterns and purchase abandonment patterns.

Plans are also underway to upgrade the Kapruka app given the increasing availability and usage of smartphones. The Company understands the need for advanced features for the mobile and desktop app in order to provide greater convenience for customers.

Kapruka also has plans to launch a marketplace platform for personal cargo collection and delivery, which will allow Sri Lankan citizens abroad to send personal cargo to their friends and family within the country in a hassle-free manner. This will be a good opportunity for Kapruka and will generate further revenue in foreign currency

The Company plans to further integrate backwards by establishing strong partnerships with Grasshoppers (Pvt) Ltd which is an e-commerce related last mile delivery service. This will improve e-com logistics and delivery efficiencies of the Group



FINANCIAL CAPITAL



In this section of the report, we take a look at how we have nurtured our financial capital to create sustained value for our shareholders during the year.

REVENUE

The Kapruka Group recorded revenue of Rs 1,687 Mn during the year. Since consolidated financial statements are being presented for the first time there are no comparatives for the Group for the financial year ending 31st March 2021.

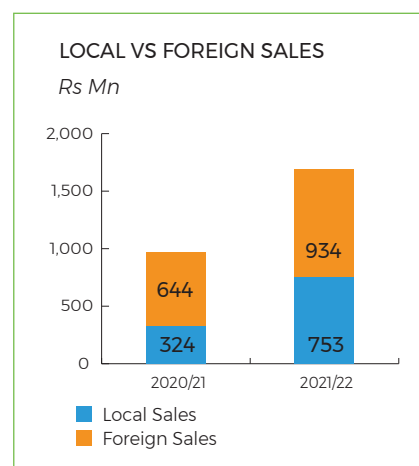
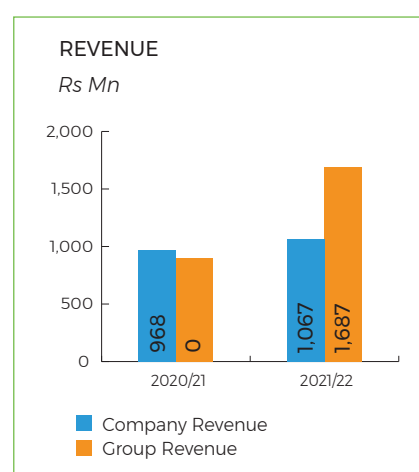
Company revenue increased by 10.24% to Rs 1,067 Mn during the year, from the Rs 968 Mn recorded last year, reflecting our ability to capitalise on the opportunities presented through the changes in the operating environment post pandemic. The Group also scaled up its cross-border operations during the year, which contributed to increased sales.

Sales orders have risen significantly compared to the previous year as e-commerce adoption increased and people have migrated to digital platforms to fulfill most of their needs. This shift in consumer behaviour helped the company to deliver revenue growth amidst waves of the pandemic and increasing uncertainty.

COST MANAGEMENT

Given the tough operating conditions that prevailed during the year, strategic emphasis was placed on optimising resources to drive cost efficiencies. We sought to achieve increased efficiencies through process improvements, automation and minimisation of waste, driving a culture of cost awareness throughout our operations.

This helped us manage our costs better, with cost of sales of the Company increasing by 1% to Rs 621.56 Mn during the year, despite the increased activity of our operations. Out of the operating expenses, selling and distribution expenses of the Company decreased marginally by 18% despite the higher volume of sales during the year. However, administrative expenses of the Company increased by 28% driven by inflation and increased expenditure on order fulfillment, such as packaging, transportation and other related costs.



	Group 2021/22	Company 2021/22	Company 2020/21
Group Revenue	1,687	1,067	968
Finance Cost	5.51	1.91	1.78
Profit/loss before tax	138.92	185.62	68.43
Profit/loss after tax	129.61	171.68	44.29

	Group	Company	
	2021/22	2021/22	2020/21
EPS	0.79	1.05	1.16
Return on Equity %	11%	15%	9%
ROCE %	10%	14%	10%
Net Assets per share	7	7	117
Market price per share	7	7	-
P/E ratio	8.86	6.69	-

Total operating expenses of the Group was at Rs 528.05 Mn during the year. Administrative expenses amounted to Rs 247.5 Mn accounting for 47%, while Selling and Distribution expenses which amounted to Rs 280.5 Mn accounted for 53%.

Kapruka has been a profitable company since its inception, recording strong profitability over the years compared to the average of its international peers, reflecting sound financial management. While consolidated gross profit was at Rs 609.12 Mn during the year, company gross profit recorded a growth of 26% to reach Rs 445.65 Mn reflecting a more diversified revenue driven by increased sales through its cross-border operations. The Company also benefitted from currency conversions on orders placed by foreign expatriate customers.

ASSETS

The company's total assets increased by 77% to Rs 1,595 Mn at the end of the financial year, from Rs. 901 Mn as at the end of the last financial year. This significant increase in company assets is due to the investments in subsidiary of Rs 459.62 Mn during the year. The asset composition of the company is weighted towards long-term assets, which accounted for around 65% of total company assets.

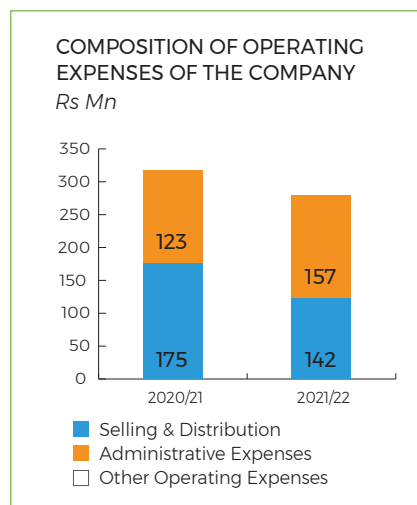
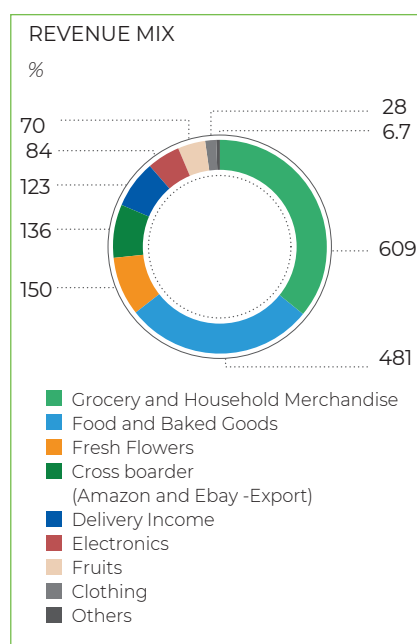
Meanwhile total assets of the Group as at the end of the financial year was at Rs 1,802 Mn with non-current assets making up 42.71% of group assets, while current assets made up the remainder. The Group showed improved financial stability despite the tough operating conditions going to record a 100% growth in its asset base when compared to the year ended 31st March 2021 of the company.

FUNDING: EQUITY & LIABILITIES

The company's non-current liabilities decreased by 10% during the year while current liabilities increased by 24%. Group liabilities increased by 69% when compared to the year ended 31st March 2021 of the company. Overall, the Group has a reasonably low level of borrowings which include long term borrowings as well as overdrafts and short-term debt.

Equity is the main source of funding for the company. Total equity of the Company increased by 130% to Rs 1,183 Mn and accounted for 74% of the balance sheet. Return on Capital

	Group	Company	
	2021/22	2021/22	2020/21
Gross Profit Margin	36%	42%	37%
PBT Margin	8%	17%	7%
Net Profit Margin	8%	16%	5%



FINANCIAL CAPITAL

Employed (ROCE) increased to 14% during the year while the debt-to-equity ratio of the Company stands at 15%.

Meanwhile, total equity of the Group was at Rs 1,146 Mn as at 31st March 2022 while Return on Capital Employed (ROCE) was at 10% during the year. Borrowings were curtailed to Rs 314.72 Mn of total group funding, which strengthened the balance sheet and financial resilience of the Group.

CASHFLOWS & LIQUIDITY

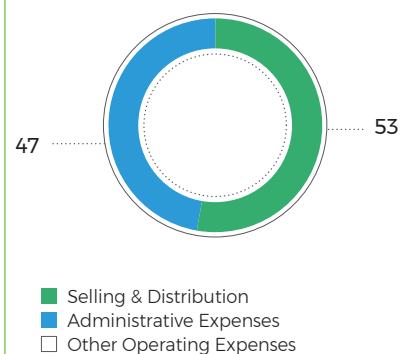
Cashflow and liquidity was proactively managed despite the uncertain conditions that prevailed during the year. Our approach to managing liquidity included negotiations with suppliers, rationalising costs and effective working capital management.

The Company reported a positive cash inflow from operating activities of Rs. 47.39 Mn during the year, which is an improvement from the cash outflow of Rs 41.46 Mn recorded last year reflecting prudent management of financial resources of the Company. Net cash outflow from investing activities rose to Rs 549.71 Mn compared to Rs 64.38 Mn in the previous year mainly due to the acquisition of short-term investments from the IPO proceeds. The IPO proceeds are being invested in a short-term money market account until they are fully utilised.

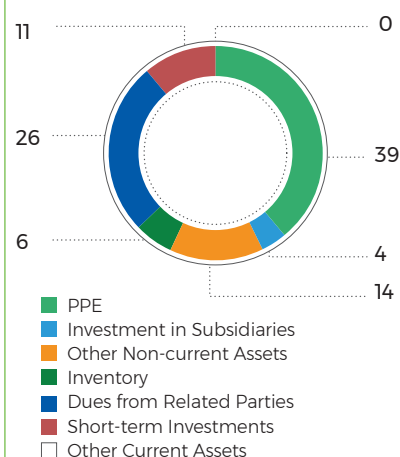
Net cashflows from financing activities amounted to Rs 479.69 Mn derived from the IPO. Overall, cash and cash equivalents for the year amounted to an inflow of Rs 3.94 Mn, strengthening the company's liquidity position.

Meanwhile, the Group reported a cash outflow from operating activities of Rs 27.22 Mn for the five months ended 31st March 2022. Cashflow from investing activities also recorded an outflow of Rs 642.4 Mn. as the Group invested in property, plant and equipment to support the expansion of its operations. Cashflows from financing activities was a positive Rs 574.69 Mn which resulted in overall cash and cash equivalents of the Group amounting to Rs -5.19 Mn for the five months ending 31st March 2022. The Group cashflows remains strong with sufficient working capital to manage day to day operations, while positioning itself for growth.

COMPOSITION OF GROUP OPERATING EXPENSES %



ASSET COMPOSITION- GROUP %



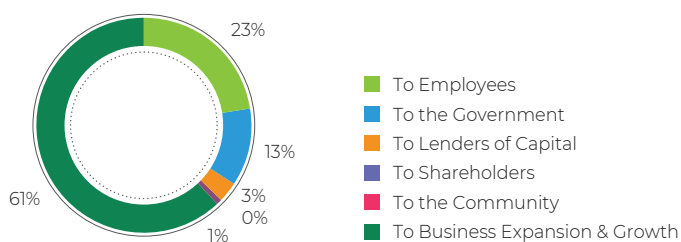
	Group 2021/22 Rs. Mn	Company 2021/22 Rs. Mn	2020/21 Rs. Mn
Net Cash (used in) Operating Activities	(27.22)	47.39	(41.46)
Net Cash Flows (used in) Investing Activities	(642.4)	(549.71)	(64.38)
Net Cash Flows from (used in) Financing activities	574.69	479.69	38.92
Cash and cash equivalents at the end of the year	(5.19)	3.94	57.76

VALUE ADDED STATEMENT

We contribute directly and indirectly towards the socio-economic progress of the country. The total value added during the year was Rs 676 Mn, out of which the highest percentage was distributed among the Group's pool of 230 employees. 62.09% of value was retained for growth and expansion purposes while the remainder was distributed to the Government, Lenders of Capital and the Community.

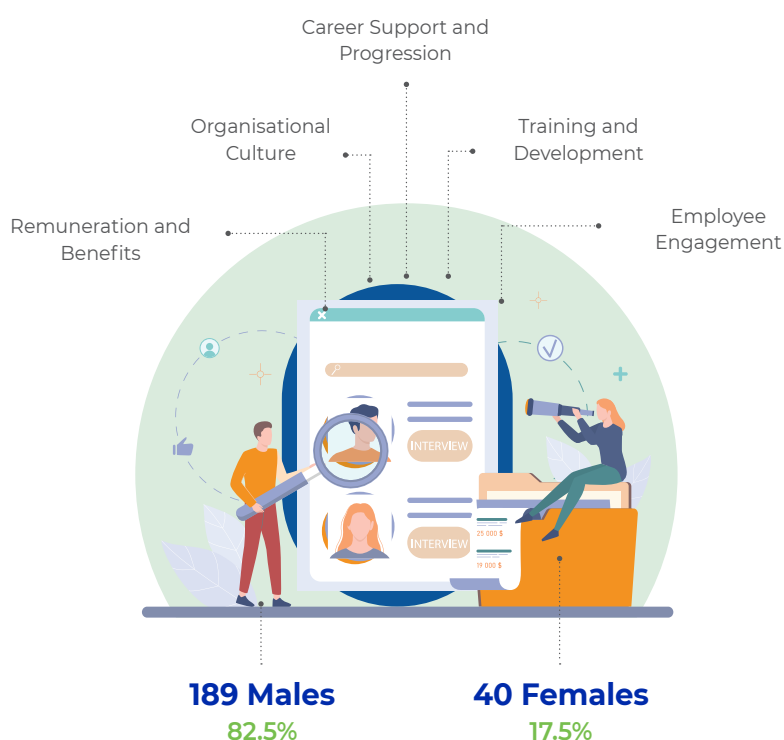
	2021/22	
	Rs Mn	%
Value Added		
Revenue	1,687	100
Other income and Finance income	62	
Share of profits of equity accounted investees	1.6	
Cost of material and services purchased	(1,075)	
Total Value Added	676	
Distributed of Value Added;		
To employees		
-Salaries, wages & other benefits	153	23
To the government		
-Taxes	81	12
To lenders of capital		
-Interest	22	3.24
To shareholders		
-Dividends	-	
Donation and community investments	0.126	0.03
Gross Value Retained for expansion and growth	419	62
Depreciation and amortisation	42	
Retained earnings & reserve	377	
	676	100

VALUE DISTRIBUTED

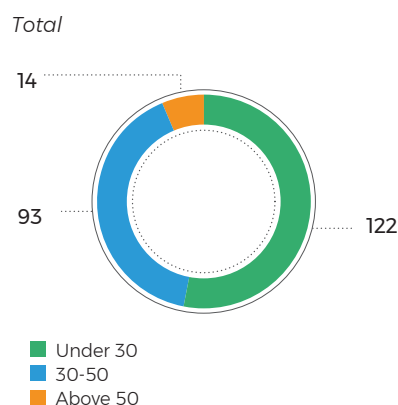


HUMAN CAPITAL

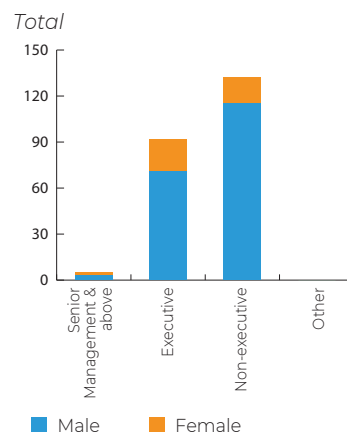
Our pool of 230 employees are equipped with the right skills and knowledge and are a key source of competitive strength for the organisation. During the year, our employees played a pivotal role in ensuring we deliver the impressive results set out in this annual report despite the numerous challenges that prevailed. In turn we offered them an attractive value proposition which aligned both personal and organisational goals, to keep them motivated and engaged.



EMPLOYEES BY AGE GROUP



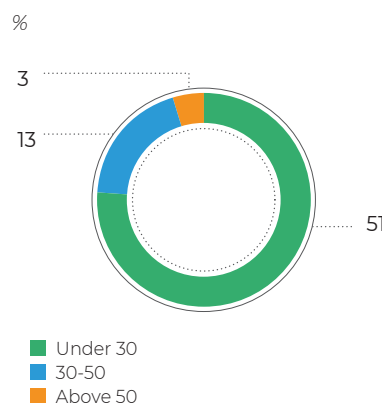
EMPLOYEES BY STAFF CATEGORY & GENDER



EMPLOYEES BY CONTRACT & REGION

Province	Permanent	Contract	Outsourced	Total
Western	164	12	0	176
Central	11	1	0	12
Sabaragamuwa	9	0	0	9
Southern	15	0	0	15
North western	7	0	0	7
Uva	5	0	0	5
North Central	2	1	0	3
Northern	1	0	0	1
Eastern	0	1	0	1
Total	214	15	0	229

TURNOVER BY AGE GROUP



MOVEMENTS IN OUR TEAM

We recruit talented individuals with the requisite skills and knowledge through a comprehensive process that seeks to provide equal opportunity irrespective of gender, religion or race. All new recruits are carefully assessed during the probationary period of six months prior to being absorbed into the permanent cadre of the organisation. During the year there were 89 new recruits and 27 promotions. Details of new recruits and employee turnover during the year are graphically presented below:

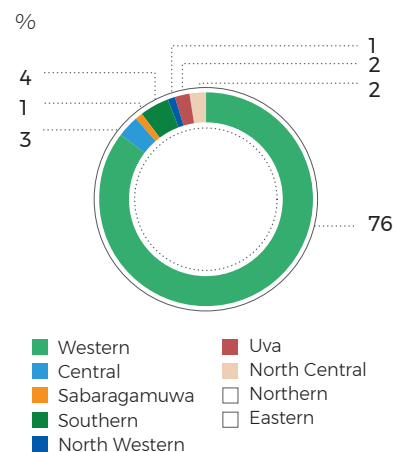
REMUNERATION AND BENEFITS

We aim to provide a competitive and attractive remuneration for all of our employees and do not discriminate based on gender when it comes to determining the remuneration. During the year, we have made payments of Rs. 153 Mn as staff costs to our employees. There were no significant agreements entered into between labour unions and zero actions pending against the company in the labour tribunal.

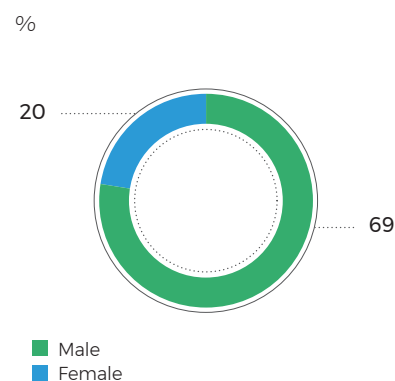
In addition to the remuneration, we offer a range of other benefits to our employees, and these are presented below:

- » Staff Order Discounts-All Permanent, probation and fixed term employees are entitled for a 20% discount on all their flower orders and 30% discount on their cake orders. This discount will only be applicable for 2 flower and cake orders monthly. Further for any number of staff orders there will be 50% discount on delivery fee
- » Employee accomodation- Free accommodation is provided at Nawala or Raththanapitiya for employees who are from the outer suburbs
- » Subsidised lunch and dinner- All employees are provided a subsidised rate for lunch and dinner packs
- » Department Outing Budget- All Permanent, Probation and Fixed term employees are entitled for a maximum of Rs. 4,000 for the annual department outing
- » Executive Staff Holiday Payment- All executive grade employees are entitled for a payment of Rs.1,500 for working for more than 9 hours on weekends or mercantile holidays. If the employee works between 5 to 9 hours they will be entitled for half of the above mentioned payment
- » Distress Loan- Maximum amount of distress loan available to an employee is Rs. 50,000, which will be recovered from 10 monthly installments without any interest
- » Personal accident cover and Medical insurance cover
- » Funeral pay- In the event of the passing away of an employee's immediate family, the company will pay Rs. 30,000 which will be borne by the welfare fund. Leave of 4 working days will also be provided
- » Marriage of an employee- Company welfare fund will release Rs. 10,000 and 5 workings days of holiday for the employee who is getting married
- » Gift on the birth of a child and on the 1st of January among other benefits

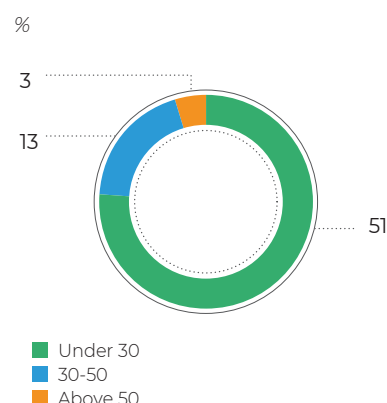
RECRUITMENT BY REGION



RECRUITMENT BY GENDER



TURNOVER BY AGE GROUP



HUMAN CAPITAL

ORGANISATIONAL CULTURE



Diverse Inclusive Work Environment

We take immense pride in being an equal opportunity employer celebrating a diverse and inclusive team within the organisation



Focus on Productivity

We believe in giving our employees the freedom to do their work on their own and encourage them to be more productive when completing their tasks



Flat Hierarchy

We encourage interactions amongst employees of all levels within the organisation

CAREER SUPPORT & PROGRESSION

We believe in helping our employees to reach their full potential by encouraging and supporting them to reach greater heights. As such we are committed to creating a conducive work environment which empowers staff to pursue their career goals and aspirations. Kapruka also encourages its employees to broaden their qualifications by reimbursing the annual membership fees of their professional qualifications thereby easing their financial burden.

TRAINING & DEVELOPMENT

Training and development will be a key area of focus at Kapruka, as it enhances employee competencies and drives optimal performance levels. We are hoping to provide increased opportunities for training and development in order to ensure the continuous upskilling of talent which will promote a learning culture and ultimately sharpen our competitive edge of delivering a unique e-commerce experience to the customer.

EMPLOYEE ENGAGEMENT

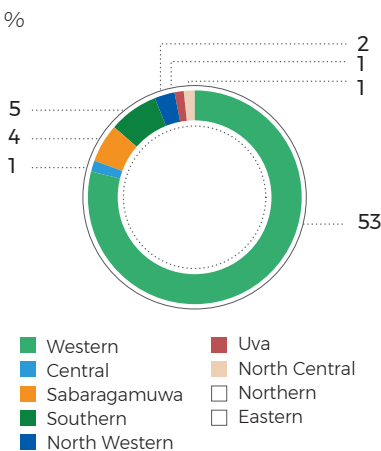
Relationships with our employees are nurtured within the organisation through multiple channels of engagement. The flat organisational structure and our open-door policy encourages employees to report their grievances at any time while also facilitating collaboration. Regular staff and team meetings ensure that communication is effective, and that employees feel heard, respected and valued.

In order to promote employee engagement and cultivate a work life balance within the organisation.

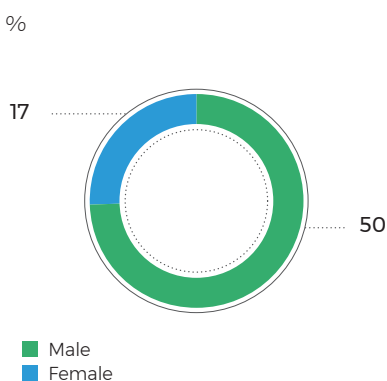
OUTLOOK

We understand the important role played by our employees in driving the organisation towards reaching its strategic objectives. Therefore, we will continue to invest in our people, making every effort to build a team that is skilled and motivated in line with the long-term business needs of the Group.

TURNOVER BY REGION

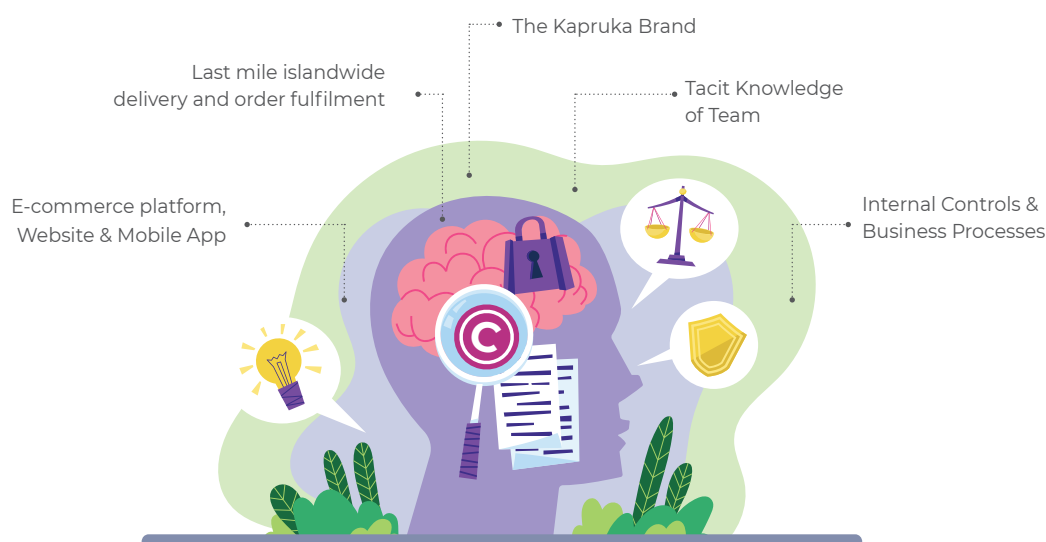


TURNOVER BY GENDER



INTELLECTUAL CAPITAL

As a technology-based company, continuous investment in our Intellectual Capital is critical for business growth. It comprises our web and mobile platforms and systems and process that enable us to fulfil orders placed by our customers as well as supporting systems such as accounting, human resource management and other administrative processes. The brand is also a vital and vibrant component of the Group's intellectual capital that we continue to nurture, supporting growth of our customer base.



E-COMMERCE PLATFORM, WEBSITE & MOBILE APPLICATIONS

This is our marketplace and we continuously invest in ensuring that its design and functionality support our customer satisfaction goals through regular upgrades. The ultimate goal is to offer a world-class online purchasing experience to the end consumer using the latest technology supported by artificial intelligence driven marketing to leverage cross sell opportunities to cross sell with product suggestions. We have earmarked Rs.100 Mn of the proceeds of the IPO for this purpose and are on track to deliver the next generation technology to our growing base of customers.

WIDELY USED APP IN GOOGLE PLAY STORE AND APPLE APP STORE

Planned upgrades will enable both the customer and the supplier to track the order with greater visibility, integration to WhatsApp and SMS notifications and automated billing emails. Importantly, it will enhance the Customer Relationship Management (CRM) system for our suppliers who will have access to analytical data such as repeat purchase patterns and purchase abandonment patterns. The Company also plans to upgrade Kapruka app experience to encourage more customers to order via the app, reducing the dependency on its website.



125,000+

Products

500+

Brands

INTELLECTUAL CAPITAL

WAREHOUSE MANAGEMENT & ORDER FULFILMENT

Warehouse management is critical to the success of an ecommerce venture. The new fulfilment centre which was operationalised in July 2022 enables us to consolidate our warehouses and implement state of the art technology for inventory management systems. This will support rationalisation of inventory levels which is critical as we move into our next stage of expansion.

THE BRAND

Kapruka has become a household brand in Sri Lanka and amongst its diaspora in various parts of the world. Maintaining strong connections with their families in Sri Lanka, many expatriates of Sri Lankan origin use Kapruka to send gifts and essential items to their families and friends in the country. Initially gaining its reputation for the convenience offered as well as the quality of the gifts which delighted the recipient, the brand has since enhanced its reputation to cover the choices offered and technology. Its evolution as a retail brand has been a steady upward trajectory as it became more relevant to the domestic market during the pandemic years. The name itself brings to mind its origins in Sri Lankan folklore as an enchanted tree that confers wishes on those who come to it. The range of merchandise offered today comes close to this ranging from diamond studded jewellery to the more mundane groceries. This is supported by Kapruka partner central- a premier marketplace platform for well-established brick and mortar shops in Sri Lanka which differentiates itself by handling the storage at seller's premises, pick and packing, Island wide delivery, returns, exchanges, and exceptional customer service, all under one seamless solution.

Awards and accolades won over the years have nurtured the brand and these have included the prestigious SLIM Brand Excellence – Online Brand of the Year Award in 2015, Gold Award for the Most Innovative Exporter from the National Chamber of Exports (NCE) in 2011 and Sri Lanka's Best E-commerce Application awarded by the Information Communication Technology Agency of Sri Lanka (ICTA) in 2011.

TACIT KNOWLEDGE OF TEAM

A close knit and tech savvy team has been critical to our growth as an aspiring corporate. The Chairman and CEO has been a pivotal figure in articulating the vision and as the main architect of the technology evolution of the Group. The team has worked very closely with him facilitating the transfer of knowledge through on the job coaching, training, and mentoring which cascades to all levels. Accordingly, the tacit knowledge of the team is a critical part of the Group's intellectual capital and one that we make every effort to retain, overcoming the challenges of the country's economic downturn and the potential brain drain as more Sri Lankans seek overseas job opportunities.

OTHER BUSINESS PROCESSES

Besides the mission critical customer relationship management, warehousing and order fulfilment processes, the Group relies on a host of other business processes for administrative and financial matters which are also a critical part of the Group's internal control systems. These systems continue to maintain pace with business growth, evolving to support the information needs of corporate management and the Board as well as line managers.



80.88%

Retention Rate



4.8 Years

Average Tenure of service

OUTLOOK

We are conscious of the need to nurture the Group's intellectual capital through constant investments which are not reflected in the balance sheet of the Group as many related costs are expensed. As technology company, it is the core of our business model and innovation in this key capital is a key determinant of our future success.

MANUFACTURED CAPITAL



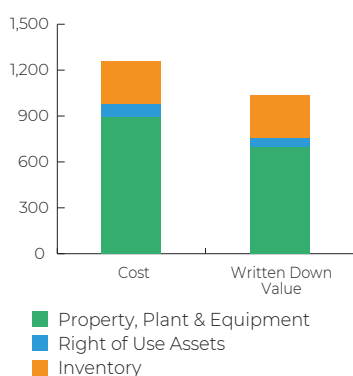
The Group's Manufactured capital comprises Property, Plant & Equipment, Right of Use Assets and Inventory which amounts to Rs,1,156 Mn accounting for 64% of Total Assets. It is critical to the Group's ability to create value for its stakeholders and is managed accordingly with continuous investments that support the Group's business needs and growth aspirations.

LAND & BUILDING & CAPITAL WORK IN PROGRESS

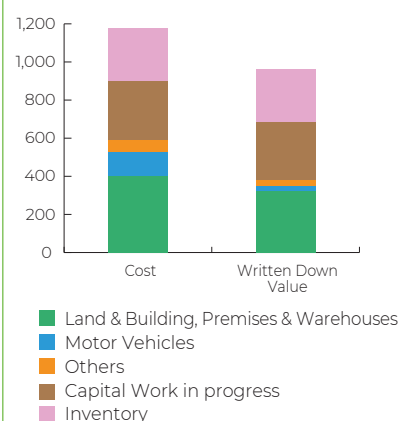
The major activity to nurture manufactured capital was the construction of the 10 storied Fulfilment Centre at Mirihana which will enable us to consolidate our warehouses which are distributed in various parts of Colombo, supporting significant operational cost efficiencies. Specifically designed for e-commerce, this 30,000SQ+ center has special racks and simple robotic systems to facilitate the storage, packing and shipping for 300+ high end brands in Sri Lanka who wants to use Kapruka as it's e-commerce partner. In addition to local market, Kapruka also plans to use this center to pack and ship products to amazon.com and ebay.com for the USA market. Globally recognised Sri Lankan brands will be sold on Amazon.com via Kapruka. The fulfilment of these cross border e-commerce packages will be handled through this center.

Kapruka Productions also purchased a land in close proximity to the Fulfilment Centre facilitating further efficiencies on development of the same.

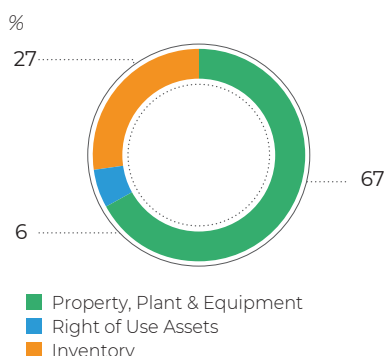
ASSETS BY FINANCIAL STATEMENT CLASSIFICATION
Rs Mn



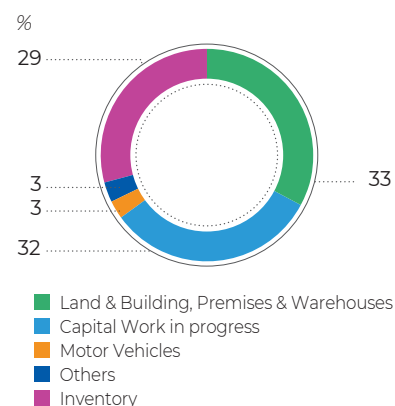
ANALYSIS BY TYPE OF ASSET
Rs Mn



WRITTEN DOWN VALUE BY FINANCIAL STATEMENT CLASSIFICATION
%



WRITTEN DOWN VALUE BY TYPE OF ASSET
%



MANUFACTURED CAPITAL

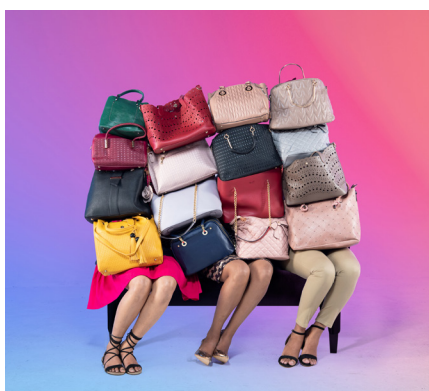
Other land and building held by the Group include the following:

MOTOR VEHICLES

As an e-commerce company, our fleet of vehicles is a valuable asset that supports last mile delivery islandwide as well as other logistics. Our branded fleet of delivery vehicles comprising vans, trucks and bikes are a familiar and welcome sight in town, often heralding another positive customer experience. The functionality as well as the brand visibility and association of anticipation, surprise and satisfaction have played a critical role in the evolution of the Group.

INVENTORY

Kapruka carries an extensive inventory to support its business model which increased significantly during the year with the commencement of the cross-border operations which supports Sri Lankan brands to go global. Inventory is located at the fulfilment centre and at warehouses located in OHIO, USA and the new building at Mirihana. Inventory is carefully



Location	Property	No. of Buildings	Extent	Carrying value
Mirihana - Production Building	Land	-	A-0, R-0, P11.40	51,865,432
	Building - WIP	01	10,000 Sq. ft	76,616,501
Mirihana - Office Building	Land	01	A-0, R-0, P32.5	174,000,000
	Building - WIP		32,000 Sq. ft	232,498,699
Nugegoda - Head Office	Land	02 Plots	A-0, R-0, P13.52	81,120,000
	Building	02	7,934 Sq. ft	34,275,330

tracked to ensure that it maintains a healthy turnover, facilitating realisation of optimal selling price. We continue strengthen inventory management to optimise the working capital cycle due to the high costs of holding stocks which include costs of storage as well as interest rates which are trending upwards.

OTHER PROPERTY, PLANT & EQUIPMENT

Other manufactured capital excluding inventories amount to Rs.63.4 Mn in cost and Rs.30.86 Mn in written down value reflecting higher rates of depreciation used. By nature, there is continuous investment in these assets as they require regular updating and replacing to reflect the evolution of the brand and stay in step with technology.

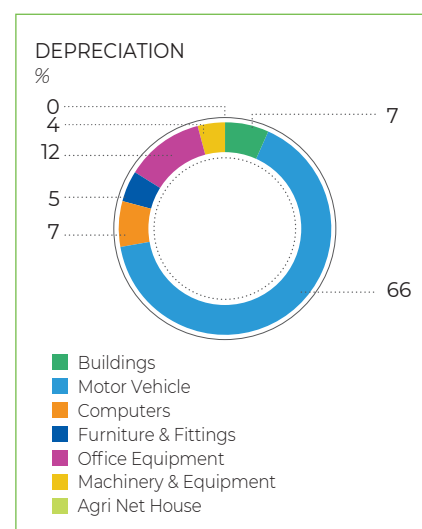
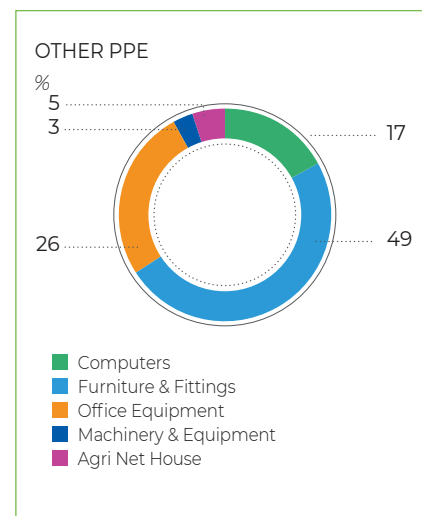
DEPRECIATION

An analysis of depreciation is necessary to understand how manufactured capital needs to

be managed. Motor vehicles, which accounts for 66% of total depreciation, reflects the need to replace these assets. However, the current import restrictions will be a key concern in evolution of our fleet in common with other logistic providers. There is also a high probability that the fleet will have a higher value due to the depreciation of the rupee and the paucity of vehicles in the market.

OUTLOOK

The Group's investments in manufactured capital have proved timely and are expected to enhance enterprise value over time as the replacement cost of these monetised assets will be much higher as building materials, vehicles and other equipment have appreciated significantly due to the rupee devaluation and inflation in both local and global economies. The current level of assets provide a solid base for our next phase of growth while also strengthening entry barriers for competitors.



GOVERNANCE & LEADERSHIP

The Board of Kapruka Holdings PLC bears ultimate responsibility for setting strategic direction, risk management and performance oversight of the Group. The Board comprises 7 directors of whom 3 are independent non-executive directors. The roles of the Chairman and Chief Executive have been combined taking into account the business needs of the Group and the skills, experience and vision of the Chairman who is also the largest beneficial shareholder. The Chairman of Kapruka Holdings PLC serves as the Chairman of all the subsidiaries and the associate company, ensuring that the strategies of the subsidiaries are aligned to the vision and strategies of the Group.



HIGHLIGHTS 2021/22

Restructuring Group in readiness for public listing in October 2021

Strengthened Board composition with the appointment of Independent Non-Executive Directors

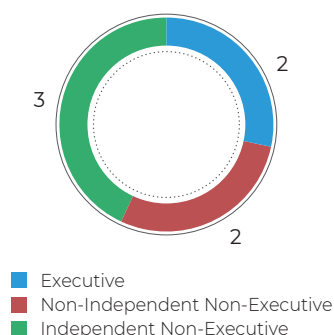
- Mr.Tishan Subasinghe
- Mrs.Priyanthi Pieris
- Mrs.Manohari Abeyesekera

Appointment of Board Sub-Committees in compliance with the Listing Rules of the Colombo Stock Exchange

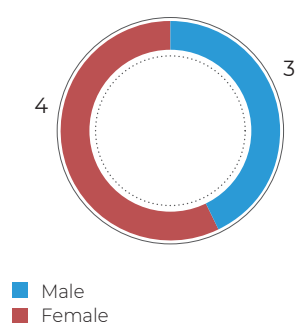
Initial Public Offering and listing on the Main Board of the Colombo Stock Exchange

Timely review, approval and release of quarterly financial statements for the quarters ended 31st December 2021 and 31st March 2022

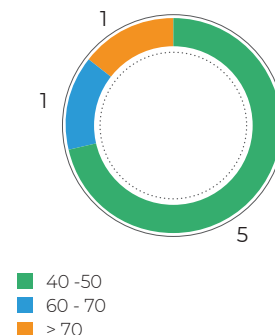
TYPE OF DIRECTOR



GENDER ANALYSIS OF BOARD



AGE ANALYSIS OF BOARD



COMPOSITION OF BOARD

Composition of the Board is critical to a Group with growth aspirations. Accordingly, careful consideration has been given to ensure that the Board has the right mix of skills and experience as well as varying perspectives. Three Independent Non-Executive Directors with sufficient experience and expertise have been appointed in compliance with the CSE Listing Rules supporting objectivity and performance oversight, particularly in financial and legal matters. All Board members have experience in business roles. The Chairman has the

critical expertise in technology and is supported by the team at Kapruka Techroot in providing the technology that powers the growth of this technology-based Group.

ROLES & RESPONSIBILITIES

The Board meets quarterly/monthly to review performance and progress against strategy and to assess risks arising from the operating environment. The Board has appointed three sub-committees to assist in the discharge of its duties as required by the listing rules of the CSE as follows:

SKILLS & EXPERTISE OF BOARD

Accounting & Finance.....	2
Entrepreneurs	3
Legal	1
Technology	1
E-Commerce.....	2
Business.....	7
Human Resource	1

Committee	Composition	Areas of Oversight
Audit Committee Meets quarterly and had 02 meetings during the year Audit Committee Report on page 47	Mr.Tishan Subasinghe – Chairman Mrs. Manohari Abeyesekera - Member	» Compliance with financial reporting requirements, » Adequacy and effectiveness of internal controls » Adequacy and effectiveness of risk management processes, Assessment of the independence and performance of the external auditors » To make recommendations to the board pertaining to external auditors including remuneration and terms of engagement
Remuneration Committee Meets as required and had 01 meetings during the year Remuneration Committee Report on page 51	Mrs. Priyanthi Pieris – Chairperson Mrs. Manohari Abeyesekera - Member	» Considering and recommending to the board, the broad policy for the remuneration package of Executive Directors, Non-executive directors and Key Corporate Management » Recommending and approving total remuneration package including fixed and variable components of the executive directors including the Chief Executive Officer » Determining the policy for the terms of employment of the executive Directors » Monitoring the performance conditions subject to which any long-term incentive awards may be granted under the schemes adopted by the Company and approving grant of long term incentive awards, such as share appreciation rights and performance shares for Executive Directors and Key Corporate Management. » Reviewing the design of all share incentive schemes. » Bearing the responsibility for selecting and appointing any remuneration consultants who advises the committee.

GOVERNANCE & LEADERSHIP

Committee	Composition	Areas of Oversight
Related Party Transactions Review Committee Meets quarterly and had 01 meetings during the year Related Party Transactions Review Committee Report on page 49	Mrs. Manohari Abeyesekera – Chairperson Mrs. A. Herath – Member Mr. Tishan Subasinghe - Member	» Establishing a policy framework and process to review related party transactions of the Group » Ensuring that due process is followed for all related party transactions » Determining whether related party transactions to be entered into by the Group require Board or shareholder approval. » Ensuring that immediate market and Annual Report disclosures are made in a timely and detailed manner as required by the CSE Listing Rules.

STATEMENT OF COMPLIANCE WITH THE COMPANIES ACT NO. 7 OF 2007

Rule	Compliance Status	Reference (within the Report)
168 (l) (a) The nature of the business together with any change thereof		Annual Report of the Board of Directors – Page 42
168 (l) (b) Signed financial statements of the Kapruka Holdings Group and the Company		Statement of Directors Responsibilities – Page 35
168 (l) (c) Auditors' Report on financial statements of the Company and Kapruka Holdings Group		Independent Auditor's Report – Page 53
168 (l) (d) Accounting policies and any changes therein		Notes to the Financial Statements – Page 62
168 (l) (e) Particulars of the entries made in the Interests Register		Annual Report of the Board of Directors – Page 42
168 (l) (f) Remuneration and other benefits paid to Directors of the Company		Notes to the Financial Statements – Page 62
168 (l) (g) Corporate donations made by the Company		Notes to the Financial Statements – Page 62
168 (l) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period		Annual Report of the Board of Directors – Page 42
168 (l) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered		Notes to the Financial Statements – Page 62
168 (l) (j) Auditors' relationship or any interest with the Company and its Subsidiaries		Independent Auditor's Report – Page 63
168 (l) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board		Statement of Financial Position – Page 56





**STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE COLOMBO STOCK EXCHANGE (CSE)
ON CORPORATE GOVERNANCE**

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10 (a-c)	Compliance	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable		Corporate Governance
7.10.1 (a-c)	Non-Executive Directors	Two or at least one-third of the total number of Directors should be NEDs, whichever is higher		Composition of Board, page 35
7.10.2(a)	Independent Directors	Two or one-third of NEDs, whichever is higher, should be independent		Composition of Board, page 35
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ Non-Independence in the prescribed format		Available with the Secretaries for review
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs Names of the Independent Directors should be disclosed in the Annual Report		Profiles of Directors on page 11
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of Independent Director, if criteria specified for Independence is not met		The criteria for independence is met
7.10.3(c)	Disclosure relating to Directors	A brief resumé of each Director should be included in the Annual Report and should include the Directors areas of expertise		Profiles of Directors on page 11
7.10.3(d)	Disclosure relating to Directors	Provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE		No new directors appointed after listing on CSE
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be Independent		Fully compliant with the CSE definition of Independence for directors
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee. The Remuneration Committee (equivalent of the RC with a wider scope) of the listed Parent Company may function as the Remuneration Committee.		Kapruka Holdings PLC has a Remuneration Committee as set out above and the report of the Committee is given on page 51
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of NEDs, a majority of whom will be Independent One NED shall be appointed as Chairman of the Committee by the Board of Directors		Comprises solely of Independent Non-Executive Directors
7.10.5.(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors		Corporate Governance
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated remuneration paid to EDs and NEDs		Report of the Board of Directors on page 42

GOVERNANCE & LEADERSHIP

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6	Audit Committee	The Company shall have an Audit Committee		Roles & Responsibilities on page 47 and Report of the Audit Committee on page 47
7.10.6(a)	Composition of Audit Committee	<p>Audit Committee shall comprise of NEDs a majority of whom should be Independent</p> <p>A NED shall be appointed as the Chairman of the Committee</p> <p>The CEO should attend Audit Committee Meetings</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</p>		<p>The Audit Committee Chair and member are all Independent Non-executive directors</p> <p>The CEO is invited to attend Audit Committee Meetings</p> <p>The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka</p>
7.10.6(b)	Audit Committee Functions	<p>Overseeing of the Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS)</p> <p>Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</p> <p>Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessment of the independence and performance of the External Auditors</p> <p>Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor</p>		See report of the Audit Committee on page 47
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<p>Names of Directors comprising the Audit Committee</p> <p>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions</p>		





STATEMENT OF COMPLIANCE UNDER SECTION 9.3.2 OF THE LISTING RULES OF THE CSE ON CORPORATE GOVERNANCE





Rule		Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions (RPT)		Notes to the Financial Statements – Page 62
(b)	Details pertaining to RPT		Notes to the Financial Statements – Page 62
(c)	Report of the Related Party Transactions Review Committee		Corporate Governance – Page 34
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise		Annual Report of the Board of Directors – Page 42

RISK MANAGEMENT

Kapruka has been in the business of e-commerce for just over a decade and has become a household name in this short space of time, initially gaining popularity with the Sri Lankan diaspora for its unique business model which enabled them to stay in touch with their friends and family. Over the years, the business model has expanded to become more relevant to a wider consumer base in its domestic market as well as to position

itself as an exporter of products manufactured in Sri Lanka, all firmly anchored to technology platforms. It also saw a lacuna for backward integration of products that had high demand and the customer value proposition could be strengthened through consistency in quality of the products. Consequently, the business has become more diverse with a more complex risk profile. The principal risks faced by Kapruka Group are summarised below.

Principal Risks	Potential Impact	Mitigation & Management
 <p>Rapid evolution of technology</p>	Kapruka operations are underpinned by robust technology platforms and needs to continually upgrade its technology to ensure it keeps pace with the latest technology used by its consumer base	Kapruka Techroot operations are dedicated to ensuring that it continues to be at the cutting edge of technology by attracting, developing and retaining the talent in this extremely competitive field
 <p>Changing consumer behaviour</p>	Changes in consumer behaviour have been favourable to the Kapruka business model. E-commerce transaction volumes and values increased exponentially over the past 2 years spurred by the pandemic and the country's fuel crisis which under pinned consumer behaviour. As the pandemic reaches endemicity, there is a risk that consumer behaviour may normalise with a moderation in e-commerce growth rates as well as inflation and declining disposable incomes.	Kapruka continues to evolve as a business, ensuring that it becomes more relevant to consumers. Expansion of the range of products and services has been a key mitigant. Additionally, growth of Sri Lankan consumers who purchase for themselves has also been a success area supporting growth of the consumer base. Encouragingly, the average ticket size has increased reflecting the success of the strategies implemented.
 <p>High stock holding costs</p>	At present, Kapruka holds its own inventory for quality control purposes. As interest rates increase, the stock holding costs also increases reducing margins.	Moving towards working with reputed producers towards a partner central model that enables Kapruka to expand its offering to consumers while reducing its stock holding costs.
 <p>Increase in fuel prices and availability of fuel</p>	The operational costs of the e-commerce business model are expected to increase as the government gradually eases fuel subsidies and moves to a market price based model for fuel.	Kapruka will continue to review developments and move towards lower cost models of operations. We are encouraged by the growing number of options and potential solutions that are being deployed to mitigate this key cost and will look to strengthen our fuel efficiencies as well as reduce our carbon footprint.

Principal Risks	Potential Impact	Mitigation & Management
 <p>Fiscal reforms have an adverse impact on business</p>	<p>The country's economic crisis and the necessary structural reforms are likely to result in increased taxation on both direct and indirect taxes as well as driving a contraction in demand</p>	<p>Kapruka accepts the fiscal reforms as part of responsible corporate citizenry and is committed to payment of taxation in line with regulations. We will monitor developments in this regard and ensure compliance with the same while also seeking the opportunities that accompany all crises.</p>
 <p>Foreign exchange crisis and Import restrictions</p>	<p>The foreign exchange crises and related import restrictions present both a risk and an opportunity. While it limits the number of imported merchandise we offer, we are able to expand our range of locally sourced goods and enhance foreign exchange earnings as the diaspora seek to assist their families</p>	<p>Retaining our 1 million + diaspora customer base with exciting offerings enables us to increase our foreign exchange earnings as well the Global Shop operations which will strengthen the Group's foreign exchange earnings, building resilience of the Group against exchange rate shocks</p>
 <p>Talent retention</p>	<p>Talent migration to overseas markets is a key concern among all employers due to the current economic crisis. As a technology company, there is a strong global demand for IT professionals who are necessary to ensure that the company remains a cutting edge technology firm</p>	<p>The reputation of the Group as a tech company with a vibrant culture continues to attract the high achievers in the field at present. We monitor the talent market closely and continually seek to bridge the gap to attract the quality required.</p>
 <p>Strategic risks</p>	<p>Kapruka has a dynamic business model that continues to adapt to seize the opportunities perceived in its operating environment</p>	<p>While the Group pursues businesses around its technology and e-commerce growth, the new ventures serve to diversify its inherent risks</p>

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

Annual Report of the Board of Directors on the Affairs of the Company as required by section 168 of the Companies Act No. 07 of 2007 as amended ("the Companies Act").

1. GENERAL

The Board of Directors of Kapruka Holdings PLC have the pleasure of presenting their Report on the affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31st March 2022. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules, and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

The Company was incorporated in Sri Lanka on 7th Feb 2002 as a Private Limited liability Company under the previous Companies Act No. 17 of 1982 in the name of Lanka Dot Info (Private) Limited. On January 07, 2005, the Company changed its name to Kapruka Dot Com (Private) Limited under the previous Companies Act No.17 of 1982 and re-registered under the provisions of Companies Act No. 07 of 2007 on July 29, 2008 obtaining PVS 5789 as the Company's Reregistration Number. The status of the Company was changed from Private Limited to a Public Limited Company under provisions of the Companies Act No. 07 of 2007 on 06th November 2021. Thereafter the Company changed its name from Kapruka Dot Com Limited to Kapruka Holdings Limited on 20th November 2021

The ordinary shares of the company have been listed on the Colombo Stock Exchange with effect from 07th January 2022. The Company changed its status from Kapruka

Holdings Limited to Kapruka Holdings PLC under the Registration No. PQ00247881 with effect from 13th April 2022. 164,130,360 fully paid Ordinary Voting Shares were listed on the Main Board of the Colombo Stock Exchange (CSE) on 07th January 2022.

The Registered Office as well as the Head Office of the company is located at No 237/22A, Vijaya Kumarathunga Mawatha, Colombo 05.

The Financial Statements reviewed and recommended by the Audit Committee were approved by the Board on 31/08/2022 along with this report.

2. PURPOSE AND VALUES

In achieving its set goals and objectives all Directors, management, and employees of the Company conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Ethics of the company.

3. REVIEW OF THE BUSINESS

3.1 Principal Business Activities of The Company and The Group

Kapruka Group consists of a portfolio of diverse business operations in the online business market today by continuously expanding into multiple western markets in line with the core strategy of creating wealth for all stakeholders.

The principal business activities of the Company and the Group are given below as required by Section 168 (1)(a) of the Companies Act.

3.1.1 The Company

Kapruka Holdings PLC which is the holding company provides administrative services to the companies within the group.

3.1.2 Subsidiaries

The company had 3 subsidiaries as at 31st March 2022. The names of the subsidiaries, percentage of the ownership and their principal business activities are as tabulated below:

Entity	Principal Business Activities	% of Holding
Kapruka E-Commerce (Pvt) Ltd	Providing E-commerce Services	100%
Kapruka Techroot (Pvt) Ltd	Registered Internet Service Provider (ISP)	100%
Kapruka Production (Pvt) Ltd	Manufacture and distribution of cakes, chocolates and baked food products	100%

The 3 subsidiaries and equity accounted investees of Kapruka Holdings PLC are listed on pages 3 The main activities of these companies' sectors are described in the Portfolio Review pages on 3 of this Report..

3.2 Review of Operations of The Company and The Group

The Group's businesses and their performance during the year, with comments on financial results, as well as future business developments are appraised in the Chairman's message (pages 6).

3.3 Changes to the Company Structure

The company changed its operating structure in October 2021 by transferring its operations to Kapruka E-Commerce (Pvt) Ltd.

3.4 Financial Statements of The Company and the Group

The Financial Statements of the Company and the Group for the year ended 31st March 2022 which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) are given on pages 56 to 102 of this report.

3.5 Auditors' Report

The Auditor's of the Company and the Group, Messrs. Ernst & Young, Chartered Accountants carried out the Audit for the financial year ended 31st March 2022 and their response on those financial statements are given on pages 53 to 55.

3.6 Accounting Policies and Changes During the year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards. The detailed accounting policies adopted in the preparation of the Financial Statements are given on pages 62 to 102 There were no changes to the Accounting Policies used by the Group and the Company during the year.

3.7 Entries in the Interests Register

The Company, in compliance with the Companies Act No.07 of 2007, maintains an Interests Register

3.7.1 Directors' interest in transactions

The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No.07 of 2007. Note 15. to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

3.7.2 Directors' Interests In Shares

The shareholdings of Directors who held office as at 31 March 2022 were as follows:-

Name of the Director	Number of Shares
Mr.H P D V Herath (Chairman & CEO)	131,304,360
Mrs. A M Herath	Nil
Mrs. R A T Herath	Nil
Mr. S Alexander	2,215
Mrs. D P Pieris	Nil
Mr. S M T H Subasinghe	Nil
Mrs. M P Abeyesekera	Nil

3.7.3 DIRECTORS' REMUNERATION

The details of Directors' fees and Directors' emoluments paid during the year are stated below.

	31st March 2022	31st March 2021
Director's Emoluments	17,502,278	13,151,746

3.8 CORPORATE DONATIONS

Donations made by the Company during the year amounted to Rs. 65,550 (2021 - Rs. 38,184).

4. FUTURE DEVELOPMENTS

Future developments are discussed in the Chairman's message (pages 6 to 9), of this Report.

5. PERFORMANCE AND RESERVES

5.1. PERFORMANCE

The Group's PBT amounted to Rs. 139 Mn. After deducting Rs. 9 Mn for taxation the profit was Rs. 130 Mn. No noncontrolling interests was available, the Group profit attributable to owners of the Parent for the year was Rs. 130 Mn.

5.2 RESERVES

Total Group Reserves as at 31st March 2022 amounts to Rs. 377 Mn. Other components of equity was Rs.769 Mn and Revenue Reserves Rs.226 Mn. The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year, on Property, Plant & Equipment (including capital work-in-progress), and Right-of-use assets by the Group and the Company amounted to Rs. 191 Mn and Rs. 18 Mn respectively. Details relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Right-of-use assets, Investment properties, Intangible assets, are given in Notes 07 to the Financial Statements.

7. MARKET VALUE OF FREEHOLD

The most recent revaluations of the lands were carried out as at 2021. Details of revaluations, carrying values and market values are provided in Note 06 to the Financial Statements.

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

8. ISSUE OF SHARES

The company issued 32,826,000 New Ordinary Voting Shares of the Company at an Issue Price of LKR 15.40 to General Public on 4th January 2022. Accordingly, the stated capital of the Company as at 31 March 2022 was Rs 778 Mn represented by 164,130,360 ordinary shares.

9. VARIATION OF APPLICATION OF FUNDS IN RESPECT OF TWO (2) OBJECTIVES AS STATED IN THE PROSPECTUS DATED 14TH DECEMBER 2021, ISSUED BY THE COMPANY

(a) Upgrading Existing Technologies and Infrastructure

The Prospectus stated that, Kapruka plans to expand the core systems with an ultimate goal of offering a world-class online purchasing experience to the end consumer via the use of better technology. The project has been initiated in 1Q2022 and is in progress. Although the original intention was to purchase SAP or Oracle ERP and WMS (Warehouse Management System). Due to the Company being able to develop the technology in-house using open-source software, we were able to save LKR 30Mn.

The Company wishes to utilise this sum of LKR 30Mn out of the sum of LKR 100Mn of the IPO funds allocated to this project, to upgrade in addition to the existing technologies and infrastructure set out in the Prospectus, the infrastructure of the building premises, namely:

1. Installation of a solar roof for newly built warehouse in Mirihana.
2. Installation of additional storage racks and storage equipment.

(b) Used-Goods Marketplace Under The Objective Set Out In Clause 3.5.2 "Launching Kapruka Platform Services

The Prospectus stated that, Kapruka plans to launch a used goods marketplace which is an e-commerce platform for pre-owned goods, connecting buyers and sellers with added features such as home delivery and order fulfillment as a fully owned new sub-brand - Soldout.lk. It was designed to operate Soldout.lk as a new business unit under Kapruka E-commerce (Pvt) Ltd by investing LKR 50Mn of the IPO Proceeds and later be separated into its own company as the business matures. The said project was expected to commence in 2Q2022 and the development was expected to be complete in 2Q2024.

However, the Company wished to state that due to the Current market conditions and operating environment in Sri Lanka, the project has become non-viable and unattractive. Newly imposed import restrictions have lowered the availability of goods in the market significantly and the trading of second-hand goods has moved into social media platforms such as "Facebook groups". The project has not yet commenced, as such the allocated funds of LKR 50Mn from the IPO funds are unutilised. Considering the above-related factors, the Company wishes to cease the Project, "Soldout.lk" and allocate the unutilised funds of LKR 50Mn into a new Project as proposed below.

To launch a marketplace platform for **PERSONAL CARGO COLLECTION AND DELIVERY FROM THE SRI LANKAN DIASPORA.**

Sri Lankan citizen who lives overseas send personal cargo to their family and friends in Sri Lanka regularly.

They purchase goods such as clothing, dry grocery, gift items, etc. from their resident country and hands them over to cargo companies to ship into Sri Lanka. The current service providers in this market do not offer door-to-door tracking methods and therefore, the overall order placement and handling involve insufficient technology which results poorly trackable service. As Kapruka is a well-known brand among the non-resident Sri Lankans as a good delivery service provider, this new marketplace will penetrate the personal cargo business for Kapruka.

The funds will be utilised for marketing and partner network development in high diaspora markets such as Australia, the Middle East, North America, and Europe. This project will generate revenue in 100% foreign currency.

For the said project, the investment of the IPO proceeds is expected to commence in Q3 of 2022 and the development is expected to be completed by Q3 of 2023 There are no specific approvals needed for this objective. Also, there is no change in the weighted average cost of capital of the Company.

Some of the risk factors associated with this objective are:

- » Customs related complications and learning curves as these items arrive into Sri Lanka as duty-free gifted goods. There may be a teething period until a smooth clearing process is archived.
- » Country partner related issues/dependencies may arise as we set up new relationship with country partners

To give effect to the aforesaid variations the Board propose to place before the Shareholders two

Ordinary Resolutions as more fully set out in the Notice of Annual General Meeting.

Share Information

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 104.

10. DIRECTORS

The Board comprises of 07 Directors, out of whom 04 are Executive Directors & 03 are Non-Executive Directors to maintain the Board balance. Names of the Directors served during the financial year are given on pages 10 and 12 of this report. The brief profiles of the Board of Directors appear on pages 11.

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance Report.

In terms of Article 88(1) of the Articles of Association of the Company, Mrs. A M Herath - Director and Mr. S Alexander - Director retire by rotation and offers themselves for re-election at the Annual General Meeting.

Pursuant to section 211 of the Companies Act No.07 of 2007 ordinary Resolution will be put before the shareholders for the reappointment of Mrs. R A T Herath - Director notwithstanding the age limit of seventy years stipulated by section 210 of the Companies Act.

11. BOARD SUB COMMITTEES

11.1 Audit Committee

All the members of the Audit Committee are independent Non-Executive Directors. Senior members in the finance division, internal auditors and external auditors attend the meetings by invitation. The Audit

Committee's Report is given on Pages 47 of this Annual Report.

11.2 Remuneration Committee

All the members of the Remuneration Committee are Independent Non-Executive Directors. The Report of the Remuneration Committee is given on Pages 51 of this Annual Report.

11.3 Related Party Transactions Review Committee

The Related Party Transaction Review Committee consist of 02 Independent Non-Executive Directors and 01 Executive Director. The Report of the Related Party Transactions Review Committee is given on Page 49 of this Annual Report.

12 RELATED PARTY TRANSACTIONS

The Board of Directors states that the related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing rules.

13 ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages.

14 STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time. The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 47.

15 OUTSTANDING LITIGATION

In the opinion of the Directors, the Company will not have a material impact due to the litigation against the company on the reported financial results or future operations of the Company.

16 COMPLIANCES WITH LAWS AND REGULATIONS

The Company has not engaged in any activity contravening any laws and regulations.

17 EVENTS AFTER THE REPORTING DATE

No event of material significance that requires adjustment to the Financial Statements, has occurred subsequent to the date of the reporting date, other than those disclosed in Note 33 to the Financial Statements on page 98.

18 GOING CONCERN

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

19. APPOINTMENT OF AUDITORS

In accordance with Section 154(1) of the Companies Act No 07 of 2007, a resolution proposing the re-appointment of Messrs Ernest & Young, Chartered Accountants, as auditors of the company for the year 2022/23 will be proposed at the Annual General Meeting.

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

20 AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS

In terms of Section 155(a) of the Companies Act No.07 of 2007, a resolution authorising the Directors to fix the remuneration of the Auditors Messrs. Ernst & Young, Chartered Accountants for the ensuing year will be proposed at the Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 29 to the financial statements. The Auditors of the Company and its Subsidiaries, have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in, the Company or any of its Subsidiaries.

21 RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given on pages 23 of this Report.

22 EMPLOYEES & INDUSTRIAL RELATIONS

The Group has a structure and a culture that recognises the aspirations, competencies and commitment of its employees. Career growth and advancement within the Group is promoted. Details of Group's human resource practices are given in Social Performance section of the Sustainability Review.

23 SHAREHOLDERS

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders. The Shareholding of the Company is stated on Page 104 of this report.

24 INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period. The Board is in the process of reviewing the system of internal controls.

25 CORPORATE GOVERNANCE

The Board of Directors is committed to develop the corporate governance principles of the Company and furthermore has adopted a Corporate Governance Charter mentioned in the Listing Rules.

26 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday 26th September 2022 at 9.00 a.m via online meeting platform.

NOTICE OF MEETING

The Notice of the Annual General Meeting to the Shareholders is given on page 105.

By order of the Board

Kreston Corporate Services (Pvt) Ltd
Secretaries of the Company

31st August 2022

THE REPORT OF THE AUDIT COMMITTEE

In accordance with the Code of Best Practice on Corporate Governance and the requirements of the Securities Exchange Commission of Sri Lanka for public limited companies an Audit Committee has been established. The functions, authorities and duties have been clearly identified in the Terms of Reference (TOR). This TOR integrates the requirements of the Securities and Exchange Commission and Code of Best Practice on Corporate Governance.

The role of the Audit Committee is to oversee the financial reporting system of the Company with a view to safeguarding the interests of all the stakeholders. This includes selecting and applying appropriate accounting policies for the purpose of financial reporting, ensuring sound internal control principles and its effective implementation, thus ensuring the integrity of Financial Statements.

COMPOSITION

The Audit Committee, appointed by the Board of Directors (the Board), comprises two (02) Independent, Non-Executive Directors as follows:-

- » Mr. S.M.T.H Subasinghe (IND/NED) (Chairman)
- » Mrs. M.P Abeyesekera (IND/NED)

(IND/NED) (IND - Independent Director and NED - Non-Executive Director)

The Chairman of the Committee, Mr. Tishan Subasinghe, who is an Independent Non Executive Director is a Fellow and a Council Member of the Institute of Chartered Accountants of Sri Lanka. Mrs. M. P. Abeyesekera is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Brief profiles of the members of the

Committee are given on pages 11 to 12 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for:

1. Ensuring the preparation, presentation, and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards and with the requirements in the Companies Act No. 7 of 2007 and other relevant financial reporting related regulatory requirements.
2. Reviewing the effectiveness of the Company's system of Internal Control Over Financial Reporting to provide reasonable assurance regarding the reliability of financial reporting and ensuring that precautionary measures are taken to minimise control weaknesses, procedure violations, frauds, and errors.
3. Reviewing the reasonableness of the underlying assumptions based on which estimates and judgments are made when preparing the Financial Statements.
4. Reviewing accounting and financial reporting, risk management processes, and regulatory compliance requirements. Assessing the independence and reviewing the adequacy of the scope, functions, and resources of the Internal Audit Department, including the appointment of the Compliance Officer and the performance of the Head and senior staff members of the Internal Audit Department.

5. Overseeing the appointment, compensation, resignation, and dismissal of the External Auditors, including review of the External Audit function, its cost and effectiveness, and monitoring of the External Auditors' independence.

MEETINGS

The Committee met only on Two (02) occasions during the year 2021/22 since the listing of the company with the CSE was on 7th January 2022. Attendance by the Committee members at these meetings is as follows:-

- | | |
|--------------------------------------|-----|
| 1. Mr. S.M.T.H. Subasinghe (IND/NED) | 2/2 |
| 2. Mrs. M.P. Abeyesekera (IND/NED) | 2/2 |

The regular attendees on the invitation to the meetings are the Chairman, Senior Manager - Finance, Deputy Manager - Finance, and the Head of Internal Auditor. Further, where necessary, Key Management Personnel such as the Chief Technology Officer and the Head of Human Resource Management were also invited to attend relevant segments of the meetings to identify the operating effectiveness of the Internal controls and also to enhance the awareness of the Committee with regard to the developments taking place.

The External Auditors also attended these meetings by invitation. Further, two meetings were held after 31 March 2022 to consider and recommend to the Board of Directors, the Company's Quarterly and Annual Financial Statements. The Committee submits its minutes and reports with the action plan document on its activities to the

THE REPORT OF THE AUDIT COMMITTEE

Board regularly and also assists the Board in its general oversight of financial reporting, internal controls, and functions relating to internal and external audits.

ACTIVITIES FOR 2021/22

The Audit Committee reviewed below areas in detail during the year as the Company is a newly listed entity and made recommendations to strengthen the processes to enhance the overall financial reporting system of the Company,

1. Internal Audit
2. Financial Reporting
3. External Audit
4. Internal Controls and Risk Management
5. Compliance and Governance

The committee is in the view that close monitoring of the processes in coming year will further enhance the overall financial reporting process of the Company.

EXTERNAL AUDIT

The Committee reviewed the nature, approach, and scope of the audit and monitored the independence and objectivity of the External Auditors. Also, it assessed the effectiveness of their audit process to ensure that the Auditors had the independence to discuss and express their opinions

on any matter. The Committee also noted that the External Auditors have not performed non audit services to the Company and no conflict of interest arose during the year ended 31st March 2022 and hence the independence of the External Auditors has not impaired.

The fees paid to the auditors are shown under Note 95 to the accounts. The Committee has recommended to the Board that Messrs Ernst and Young, Chartered Accountants, be re-appointed for the financial year ending 31st March 2023, subject to the approval of shareholders at the next Annual General Meeting.



Tishan Subasinghe

*Chairman
Audit Committee*

31st August 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION

The Related Party Transaction Review Committee (the Committee) appointed by the Board of Directors (the Board) consists of two Independent Non-Executive Directors & one Non-Independent Non-Executive Director.

- » Mrs. P M Abeysekera (IND/NED) - Chairperson
- » Mrs. A. M. Herath (NIND/ NED)
- » Mr. S. M. T. H. Subasinghe (IND/ NED)

(IND/NED) (IND - Independent Director and NED – Non Executive Director)

(NIND/NED) (NIND - Non Independent Director and NED – Non Executive Director)

Mrs. Manohari Abeysekera is a Fellow Member of Chartered Institute of Management Accounts (CIMA-UK) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). She is a Council Member of the Sri Lanka Institute of Directors, and a Council Member-Women Corporate Directors – Sri Lanka Chapter. She possesses 20 years of post-qualifying experience. Brief profiles of the members of the Committee are given on pages 11 to 12 of the Annual Report. The Company Secretary functioned as the Secretary to the Committee.

PURPOSE

The purpose of the Committee is to review all proposed related party transactions ensuring that they comply with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee is responsible for the independent reviewing of all proposed non-recurrent Related Party Transactions between the Company and its Related Parties, either prior to entering into a transaction or, if the transaction is expressed to be conditional on such

review, prior to the completion of the transaction. Further, 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.

The Committee is responsible for evaluating and reviewing the threshold for Related Party Transactions which require either shareholders' approval or immediate market disclosures annually.

TERMS OF REFERENCE

The Committee operates as per the Board approved and formally documented Terms of Reference (TOR), outlining the Committee's authority and duties. The TOR has been carefully designed to discharge the Committee's purpose, duties and responsibilities and it covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange.

The Committee is discharging its functions in compliance with its TOR primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- » there is compliance with 'the Code' and the Listing Rules of the CSE
- » shareholder interests are protected; and
- » fairness and transparency are maintained.

DUTIES AND RESPONSIBILITIES

- » Adopting policies and procedures to review related party transactions of the Company and evaluating transactions that fall within the ambit of a normal

business relationship and whether the terms of such transactions are no more favourable than would reasonably be expected of transactions negotiated on an arm's length basis.

- » Reviewing in advance all proposed related party transactions of the Company and its subsidiaries either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- » Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party and determine whether related party transactions to be entered into by the Company require Board or shareholder approval.
- » Establishing a set of guidelines as explained in the CSE Listing Rules where related party transactions are "recurrent in nature", for the senior management to follow in their continuing dealings with the relevant related party.
- » Ensuring that no Director of the Company participates in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- » Advising the Board in making immediate market disclosures on applicable Related Party Transactions as required by Section 9 of the Continuing Listing Requirements of the CSE.
- » Advising the Board in making appropriate disclosures on RPT

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the CSE.

- » Ensuring that necessary policies, procedures, guidelines, and manuals to review transactions have been implemented. Ensuring that there is an adequately effective and efficient system in place to capture information which is relevant to its review function.
- » Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.

MEETINGS HELD

The Committee met only one (01) occasion during the year 2021/22 since the listing of the company with the CSE was on 7th January 2022. Attendance by the Committee members at these meetings is as follows:-

Members

- | | |
|---|-----|
| 1. Mr. S.M.T.H. Subasinghe
(IND/NED) | 1/1 |
| 2. Mrs. M.P. Abeyesekera
(IND/NED) | 1/1 |

The Chairman- CEO, Senior Finance Manager, Deputy Finance Manager, and Head of Internal Audit attended the meetings by invitation.

The relevant Related Party Transactions between the Company and its related parties were observed by the Committee when required and communicated its observations to the Board.

BELOW MENTIONED MAIN AREAS WERE DISCUSSED AND REVIEWED BY THE COMMITTEE.

- » Committee formation and Terms of Reference
- » Analysis of the structure of Kapruka Holdings Plc and its subsidiaries - The Committee reviewed the organisational structure of the Company and its subsidiaries and recommended appropriate changes to be in line with the Listing Rules of the Colombo Stock Exchange (CSE)
- » Assessed the adequacy of related party reporting
- » Related Party Transaction policy framework was proposed by the committee to guide the management in identifying and recording Related Party Transactions.
- » The committee proposed to establish a policy on the management fee including the basis of computation and a recovery plan to collect receivables from its subsidiaries.
- » The Committee reviewed and pre-approved all recurrent and non-recurrent Related Party Transactions of the Company and its subsidiaries along with the disclosures and assurances provided by the senior management of the Company in relation to such transactions in terms of formulated guidelines so as to validate compliance with Section 9.5(a) of the listing rules.
- » Other significant transactions of non-listed subsidiaries were presented to the Committee for information.
- » Established guidelines for the management and reporting of related party transactions - The Committee considered the necessary market disclosures in a timely and detailed manner and

disclosures in the Annual Report as required by the applicable rules/regulations;

- » Transaction limits for the approval of the Board – The Committee proposed to impose transaction limits for the approval of the Board to proceed as a mode of maintaining good governance within the Company.
- » Reviewed thresholds for Related Party Transactions between the company and its subsidiaries which require either shareholders' approval or immediate market disclosure based on the Financial Statements for the year ended 31st March 2022.

REPORTING TO THE BOARD

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings and minutes of the Committee Meetings were tabled at the immediately following Board Meeting enabling all Board Members to have access to the same.

DECLARATION

The Committee has reviewed all related party transactions during the period and has established that they are in the best interest of the Company and comply with all standards of best practice and reporting. The related party transactions of the Company are given in detail on pages 84 to 85.



Manohari Abeyesekera

*Chairperson
Related Party Transaction Review
Committee*

31st August 2022

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION OF THE COMMITTEE

The Remuneration Committee of Kapruka Holdings PLC consists of the following two Non-Executive, Independent Directors:-

- » Mrs. D P Pieris – Independent Non-Executive Director
- » Mrs. P M Abeysekera - Independent Non-Executive Director

Brief profiles of the members of the Committee are given on pages 11 to 12 of the Annual Report.

PURPOSE

The purpose of the Committee is to assist the Board to fulfil its responsibility to Shareholders to ensure that the Company's remuneration policy is based on fair and responsible rewards linked to corporate and individual performance, and as per the relevant statutory requirements.

TERMS OF REFERENCE

The Committee was set up in December 2021 and met once during the year of review.

The Committee operates within the agreed Terms of Reference. The Committee examines the proposals and recommendations made by the management on the remuneration package for the Company's Executive Directors and Senior Management of the Company and its subsidiaries and makes recommendations to the Board for their approval.

The scope of the Committee also involves, looking into the fees and prerequisites of the Chairman and the

Non-Executive Directors of the Board and submitting the Committee's recommendations for the approval of the Board.

REMUNERATION POLICY

The Committee considers fixed and variable components such as competition, individual and collective performance, industrial standards, comparison to market accessible rates, and the current inflation rate while determining the Company's overall remuneration policy for the year under review.

DUTIES AND RESPONSIBILITIES

- » Providing advice and recommendations to the Board or the Chairman on any appointments.
- » Formulating remuneration policies (salaries, allowances, and other financial payments) relating to Directors and Key Management Personnel of the Company and submitting the same for the approval of the Board.
- » Formulating broad policy for incentivisation package of Executive Directors and Key Corporate Management.
- » Evaluating the performance of Key Management Personnel and providing recommendations for the revision of remuneration, benefits, and other performance-based incentives.
- » Approving Remuneration:
 - (a) Directors' emoluments
 - (b) Annual Salary and bonus based on performance evaluations

- (c) Incentives, allowances, and other perquisites.

- » Reviewing Company's remuneration practices and policies to ensure fairness in directors' remuneration.
- » Determining the policy for the terms of employment of the executive Directors.

MEETINGS HELD

The Committee met once during the year under review with the attendance of all its members.

- » Mrs. D. P. Pieris (Chairperson) 1/1
- » Mrs. M. P. Abeysekera 1/1

The Senior Finance Manager & the Deputy Finance Manager attended the meeting by invitation to assist in the Committee's deliberations.

The Company Secretaries of the Company, Kreston Corporate Services (Pvt) Ltd, functioned as the Secretary to the Remuneration Committee.

Below mentioned main areas were discussed and reviewed by the Committee:-

- » Committee formation and Terms of Reference
- » Policy on the payment for Directors' business visits (local & overseas) – The committee proposed to establish a policy on the payment for Directors' business visits local or overseas.
- » Annual Bonus - Annual bonus payment was recommended in view of the strong performance of the company/ group in the month of April.

REPORT OF THE REMUNERATION COMMITTEE

- » Salary increments for the senior management, the Managing Director, and staff were discussed to be recommended to the Board of Directors.
- » Evaluation of employee satisfaction - The Committee recommended conducting evaluations on employee satisfaction with their respective pay levels as a best practice.

The Committee also reviewed the organisational structure and recommended appropriate changes and kept abreast of the dynamic changes that were required during the year in order to respond to the challenges posed by the COVID-19 pandemic and current inflation.

DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in 85.



Priyanthi Pieris

*Chairperson
Remuneration Committee*

31st August 2022

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
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TO THE SHAREHOLDERS OF KAPRUKA HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kapruka Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2022, and statements of Profit or Loss and Other Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Revenue from Contracts with Customers</p> <p>The Group derived its revenue of Rs. 1.7 Bn from e-commerce services as disclosed in Note 25 to the financial statements.</p> <p>Revenue from contracts with customers was a key audit matter due to;</p> <ul style="list-style-type: none"> » The materiality of revenue reported, together with the significant increase in revenue recorded during the year, » the Group has processes and controls, many of which are automated, to enable the processing and recording of revenue, and » considerations to be made on terms of sales arrangements and timing of delivery to determine the transfer of control for goods sold. 	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> » understood the nature of revenue contracts entered by group entities and evaluated the design and operating effectiveness of relevant controls over the recognition of revenue, » tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition, » performed analytical procedures to understand and assess the reasonableness of the reported revenues, and » tested the appropriateness of revenue recognised during the year and particularly towards year end, by reviewing relevant sales invoices, delivery confirmations and other relevant supporting documents. <p>We also assessed the adequacy of the disclosures in respect of revenue in Note 3.17.1 and 25 to the financial statements.</p>

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT



Key audit matter	How our audit addressed the key audit matter
<p>Allowance for Inventory Obsolescence</p> <p>As at 31 March 2022, the carrying amount of inventories amounted to Rs. 290 Mn, after considering an allowance for inventory obsolescence of Rs. 34 Mn.</p> <p>The allowance for inventory obsolescence was a key audit matter due to;</p> <ul style="list-style-type: none"> » the significance of the inventory balance (represented 16% of the Group's total assets), and » the use of significant management judgements over identifying inventories requiring to write down to net realisable value (NRV) and the related estimates applied in determining the allowance for inventory obsolescence. 	<p>We performed the following procedures to address specific risks identified in determining the carrying value of inventories;</p> <ul style="list-style-type: none"> » Obtained an understanding of the types and form of inventories maintained by the entity, together with key processes and controls relating to the management and measurement of inventories, » tested the age analysis of inventories considered by management for purposes of determining the allowance for inventory obsolescence, and » assessed the reasonableness of judgements applied in the identification and recording of inventories at NRV, and the related estimates applied in determining the allowance for inventory obsolescence. <p>We also assessed the adequacy of disclosures made in relation to inventories, and related allowances in Notes 3.10 and 13 to the financial statements.</p>

Other Information included in the 2021/22 Annual Report

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 management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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



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

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

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

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 4107.

31 August 2022

Colombo

STATEMENT OF FINANCIAL POSITION

	Note	Group* 2022 Rs.	Company 2022 Rs.	2021 Rs.
ASSETS				
Non-current assets				
Property, plant and equipment	6	695,356,234	542,503,026	521,137,058
Right-of-use assets	7	61,004,601	27,437,634	25,157,391
Intangible assets	8	2,565,068	1,965,857	1,881,471
Investments in subsidiaries	9	-	459,629,020	-
Investment in Equity Accounted Investees	10	1,557,062	20	-
Other Non-current Financial Assets	11	779,582	779,582	4,450,000
Consumable biological assets	12	396,347	-	-
Deferred Tax Assets	22	8,009,043	-	-
		769,667,937	1,032,315,139	552,625,920
Current assets				
Inventories	13	256,116,568	-	66,046,462
Trade and other receivables	14	60,949,234	7,754,464	70,857,551
Amounts due from related parties	15.1	115,352,316	16,465,656	115,180,012
Deposits, advances and prepayments	16	85,442,735	76,332,060	8,027,549
Income Tax Receivable		2,360,746	2,360,746	-
Short term financial assets	17	463,052,585	450,000,000	12,856,835
Cash and cash equivalents	18.1	44,945,116	9,956,443	75,080,415
		1,028,219,300	562,869,369	348,048,824
Total assets		1,797,887,237	1,595,184,508	900,674,744
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	19.	769,174,795	769,174,795	272,500,028
Revaluation Reserve		150,999,424	150,999,423	150,999,423
Retained earnings		226,221,251	263,156,825	89,477,555
Total equity		1,146,395,470	1,183,331,043	512,977,006
Non-current liabilities				
Interest bearing loans and borrowings	20	226,583,053	125,998,091	130,901,024
Retirement benefit obligation	21	15,879,327	4,032,979	17,151,943
Deferred tax liability	22	50,132,019	50,132,019	52,201,524
		292,594,399	180,163,089	200,254,491
Current liabilities				
Interest bearing loans and borrowings	20	143,186,552	67,778,217	90,920,072
Trade and other payables	23	84,770,413	6,525,838	34,153,346
Amounts due to related parties	15.2	16,885,779	107,230,589	911,231
Advances Received From Customers		36,597,596	-	18,916,396
Income tax payable		-	-	17,110,569
Provisions and Accrued Expenses	24	77,457,028	50,155,730	25,431,632
		358,897,368	231,690,376	187,443,246
Total equity and liabilities		1,797,887,237	1,595,184,508	900,674,744

* Kapruka Holdings PLC acquired interests in subsidiaries and an associate in the month of October 2021. Accordingly, no consolidated financial statement were prepared as at 31 March 2021

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Thilina Chathuranga
Finance Manager

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by:



Dulith V Herath
Director



Sivakumar Alexander
Director

The accounting policies and notes on pages 62 to 102 form an integral part of these financial statements.

31st August 2022
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group* 2022 Rs.	Company 2022 Rs.	2021 Rs.
Revenue from contracts with customers	25	1,687,378,828	1,067,216,266	968,041,555
Cost of sales		(1,078,260,998)	(621,564,191)	(614,496,168)
Gross profit		609,117,831	445,652,076	353,545,387
Other income	26	20,021,590	14,912,908	60,000
Selling and distribution expenses		(280,552,756)	(142,585,635)	(174,581,290)
Administrative expenses		(247,502,727)	(157,219,310)	(122,998,190)
Results from operating activities		101,083,937	160,760,038	56,025,907
Share of Profit of Investment in Associates		1,557,042	-	-
Finance cost	27	(5,506,579)	(1,908,136)	(1,782,173)
Finance income	28	41,789,175	26,767,684	14,184,760
Net Finance income		36,282,596	24,859,548	12,402,586
Profit before tax	29	138,923,575	185,619,587	68,428,493
Income tax expense	30	(9,313,014)	(13,943,426)	(24,135,210)
Profit for the year		129,610,561	171,676,161	44,293,284
Profit for the period attributable to:				
Equity holders of the parent company		129,610,561	171,676,161	44,293,284
		129,610,561	171,676,161	44,293,284
Other comprehensive Income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Actuarial gains/(losses) on defined benefit plans	21.1	(1,199,935)	(766,385)	(1,754,881)
Income tax effect on defined benefit plan	22.	5,330,422	2,769,494	299,156
		4,130,487	2,003,109	(1,455,725)
Revaluation Gain/(Loss) on Land		-	-	14,880,000
Income tax effect on revaluation on Land		-	-	3,780,938
		-	-	18,660,938
Other comprehensive income for the year, net of tax		4,130,487	2,003,109	17,205,213
Total comprehensive income for the year, net of tax		133,741,048	173,679,270	61,498,497
Total comprehensive Income attributable to:				
Equity holders of the parent company		133,741,048	173,679,270	61,498,497
		133,741,048	173,679,270	61,498,497
Basic/Diluted earnings per share	31	0.93	1.23	1.16

* Kapruka Holdings PLC acquired interests in subsidiaries and an associate in the month of October 2021. Accordingly, no consolidated financial statement were prepared as at 31 March 2021.

The accounting policies and notes on pages 62 to 102 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Group

	Note	Attributable to equity holders of the parent			
		Stated capital Rs.	Revaluation Reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 2021		272,500,028	150,999,424	89,477,555	512,977,007
Issue of shares	19	505,520,400	-	-	505,520,400
Transaction costs for issued share capital	19	(8,845,633)	-	-	(8,845,633)
Acquisition of subsidiary under common control	9.1	-	-	3,002,648	3,002,648
Profit for the year		-	-	129,610,561	129,610,561
Other comprehensive income		-	-	4,130,487	4,130,487
Balance as at 31 March 2022		769,174,795	150,999,424	226,221,251	1,146,395,470

* Kapruka Holdings PLC acquired interests in subsidiaries and an associate in the month of October 2021. Accordingly, no consolidated financial statement were prepared as at 31 March 2021.

The accounting policies and notes on pages 62 to 102 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Company

	Note	Attributable to equity holders of the parent			
		Stated capital Rs.	Revaluation Reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 2020		5,000,000	46,639,996	132,338,485	183,978,481
Issue of Shares	19.	267,500,028	-	-	267,500,028
Profit for the year		-	44,293,284	-	44,293,284
Other comprehensive income					
Actuarial gains/(losses) on defined benefit plans	21.1	-	(1,754,881)	-	(1,754,881)
Revaluation Gain/(Loss) on Land		-	-	14,880,000	14,880,000
Income tax effect on defined benefit plan	22.2	-	299,156	-	299,156
Income tax effect on revaluation on Land		-	-	3,780,938	3,780,938
Total other comprehensive income/(loss), net of tax		-	(1,455,725)	18,660,938	17,205,213
Total comprehensive income/(loss) for the year, net of tax		-	42,837,559	18,660,938	61,498,497
Balance as at 31 March 2021		272,500,028	89,477,555	150,999,424	512,977,006
Issue of shares	19.	505,520,400	-	-	505,520,400
Transaction costs for issued share capital	19.	(8,845,633)	-	-	(8,845,633)
Profit for the year		-	171,676,161	-	171,676,161
Other comprehensive income					
Actuarial gains/(losses) on defined benefit plans	21.1	-	(766,385)	-	(766,385)
Income tax effect on defined benefit plan	22.	-	2,769,494	-	2,769,494
Total other comprehensive income/(loss), net of tax		-	2,003,109	-	2,003,109
Total comprehensive income/(loss) for the year, net of tax		-	173,679,270	-	173,679,270
Balance as at 31 March 2022		769,174,795	263,156,826	150,999,424	1,183,331,045

* Kapruka Holdings PLC acquired interests in subsidiaries and an associate in the month of October 2021. Accordingly, no consolidated financial statement were prepared as at 31 March 2021.

The accounting policies and notes on pages 62 to 102 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

	Note	Group* 2022 Rs.	Company 2022 Rs.	2021 Rs.
Cash flows from/ (used in) operating activities				
Profit / (Loss) before tax		138,923,575	185,619,587	68,428,493
Adjustments for,				
Interest Expenses	27	5,506,579	1,908,136	1,643,054
Interest Income	28	(9,805,696)	(9,514,321)	(3,264,197)
Gain on disposal of property, plant and equipment	26	(10,388,156)	(4,411,042)	(60,000)
Gain On ROU Derecognition		(10,250,601)	(6,217,343)	-
Depreciation of Property, Plant & Equipment	6.1.2	19,777,972	15,442,320	19,662,377
Depreciation of Right-of-use Assets	7.1.1	15,648,649	10,442,525	7,156,542
Foreign Currency Exchange Gain	28	(31,983,479)	(17,253,362)	(10,920,563)
Amortisation for Intangible Assets	8	443,355	358,969	508,882
Allowance for Expected Credit Loss		7,654,645	5,197,385	-
Bad Debt Write-off		121,471	121,471	4,538,017
Share of Profit of Investment in Associate		(1,557,062)	-	-
Provision for Slow Moving Inventory		28,702,671	-	5,832,037
Provision for Retirement Benefit Obligations	21	903,011	(3,227,512)	2,000,410
Operating profit before working capital changes		153,696,934	178,466,810	95,525,053
(Increase) / Decrease in Inventory		(218,772,776)	(108,768,063)	5,159,873
(Increase) / Decrease Trade & Other Receivables		2,132,201	44,330,019	(21,579,267)
(Increase) / Decrease in Deposits & Prepayment		(77,537,230)	(88,197,714)	(864,264)
Increase / (Decrease) in Trade Creditors		50,617,067	(34,687,849)	(5,673,971)
(Increase) / Decrease in Biological Asset		(396,347)	-	-
Increase / (Decrease) in Customer Advance		17,681,200	(18,916,396)	(60,416,120)
Increase/(Decrease) In Accrued Expenses		52,025,397	-	-
Increase / (Decrease) in Amount Due to Related Parties		15,974,549	100,547,387	(59,337,469)
(Increase) / Decrease in Amount Due From Related Parties		(172,304)	9,242,409	11,545,666
Cash generated from operations		(4,751,312)	82,016,605	(35,640,499)
Interest Paid	27	(1,425,771)	(337,980)	(1,219,648)
Income Tax Paid	30	(19,471,315)	(32,714,758)	(4,362,998)
Retirement Benefit Obligation	21	(1,569,540)	(1,569,540)	(236,600)
Net cash flow from/(used in) operating activities		(27,217,938)	47,394,327	(41,459,745)

	Note	Group* 2022 Rs.	Company 2022 Rs.	2021 Rs.
Cash flows from/(used in) investing activities				
Acquisition of Property, Plant and Equipment	6.2.1	(190,722,937)	(45,194,829)	(70,911,724)
Acquisition of Intangible Assets	8	(443,355)	(443,355)	-
Advance Payment for Leased Assets		(4,236,000)	(4,236,000)	(6,891,990)
Sale Proceed on Disposal of Property, Plant and Equipment		7,119,683	4,665,000	60,000
Sale Proceed on Disposal of Right of Used asset		-	7,300,000	-
Interest Income		9,805,696	1,772,676	3,034,933
Investment In subsidiaries		-	(55,000,000)	-
Repayment of Finance Lease	20.2	(17,398,734)	(10,889,934)	(8,014,187)
Gross Investment in Fixed Deposits		(450,195,750)	(451,358,095)	5,927,521
Investment in Other Financial Assets		3,670,418	3,670,418	12,417,621
Net cash flows from/(used in) investing activities		(642,400,979)	(549,714,120)	(64,377,826)
Cash flows from/(used in) financing activities				
Issuance of Shares	19	496,674,767	496,674,767	-
Proceeds From Interest Bearing Loans & Borrowings	20.1	148,798,438	47,798,438	212,237,090
Repayment of Interest Bearing Loans & Borrowings	20.1	(70,783,338)	(64,783,338)	(173,314,916)
Net cash from / (used in) from financing activities		574,689,867	479,689,868	38,922,174
Effects of exchange rate changes on cash and cash equivalents		31,983,479	17,253,362	10,920,563
Transfer of Cash and Cash Equivalents to Subsidiary on Restructure		-	(48,437,885)	-
Net increase in cash and cash equivalents		(62,945,570)	(53,814,439)	(55,994,834)
Cash and cash equivalents at the beginning of the year	18	57,755,437	57,755,437	113,750,271
Cash and cash equivalents at the end of the year	18	(5,190,133)	3,940,998	57,755,437

* Kapruka Holdings PLC acquired interests in subsidiaries and an associate in the month of October 2021. Accordingly, no consolidated financial statement were prepared as at 31 March 2021.

The accounting policies and notes on pages 62 to 102` form an integral part of these financial statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

The consolidated financial statements of the Kapruka Holdings PLC (Formally known as Kapruka Holdings Limited) and its subsidiaries (collectively, the Group) for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on 31 August 2022. Kapruka Holdings PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded. The registered office of the Company is located Vijaya Kumarathunga Mawatha, Colombo 05. and the principal place of business is located at the above address.

1.2 Principal business activities and nature of operations of the group

Kapruka Holdings PLC, the Group's holdings Company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Kapruka Holdings Group. The subsidiaries are provided in Note 3.3.1.

1.3 Parent and ultimate parent enterprise

Kapruka Holdings PLC does not have an identifiable parent of its own. Kapruka Holdings PLC is the ultimate parent of the Group. The Group's ultimate controlling party is Mr. Dulith Herath.

1.4 Number of employees

The number of employees of the Group at the end of the year was 229, Company – 38.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements which comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2.3 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

2.4 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), which is the primary economic environment in which the holding company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

2.5 Going concern

The directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the performance of the Group and the measures adopted by the government to support the recovery of the economy. 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. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

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

- » Expected to be realised or intended to be sold or consumed in the normal operating cycle
- » Held primarily for the purpose of trading
- » Expected to be realised within twelve months after the reporting period

or

- » Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- » It is expected to be settled in the normal operating cycle
- » It is held primarily for the purpose of trading
- » It is due to be settled within twelve months after the reporting period

Or

- » There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as for the year ended 31 March 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group

obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-

controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Accounting under separate financial statements

Investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

3.3.1 Subsidiaries

Subsidiaries are those enterprises controlled by the parent and have been listed in the Group directory.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of all subsidiaries in the Group are prepared for a common financial year, which is 12 months ending 31 March, using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

Subsidiaries & their controlling percentages of the Group, which have been consolidated are as follows:

Subsidiary	Principal activities	County of incorporation	Effective holding	
			2022	2021
Kapruka E-commerce (Private) Limited	Online retailing	Sri Lanka	100%	-
Kapruka Production (Private) Limited	Manufacturing Cake & Flower	Sri Lanka	100%	-
Kapruka Techroot (Private) Limited	Providing web services	Sri Lanka	100%	-

3.3.2 Associates

Associates are those enterprises which company having significant influence. The Group applies the equity method in accounting for the investment in associate.

The equity method is a method of accounting whereby the investment is initially recognised at cost and

Investment in Associates are as follows:

Associate	Principal activities	County of incorporation	Effective holding	
			2022	2021
Kapruka Global Shop (Private) Limited	Import and selling order through online	Sri Lanka	25%	-

adjusted thereafter to the post equation change in the investor's share of the investee's net asset. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

3.3.3 Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Subsequently, profit or loss and each component of other comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

3.3.4 Loss of control

When the Group losses control over subsidiary derecognises the assets and liabilities of the Subsidiary, any non-controlling interests and other components of equity. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. Any interest retains in the previous Subsidiary, is measured at fair value as at the date that control is lost.

3.3.5 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. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised

gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currency

3.4.1 Foreign currency translations and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group Companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit and loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

3.4 Fair value measurement

The Group measures non-financial assets such as Biological assets, at fair value at each reporting date. Fair value related disclosures for non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the Note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- » In the principal market for the asset or liability or
- » In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- » Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- » Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- » Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Management determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.5 Property, plant and equipment

3.6.1 Basis of recognition

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

3.6.2 Measurement and subsequent costs

Property, plant, and equipment are initially stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group & Company recognise such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

3.6.3 Depreciation

Depreciation is recognised in the Statement of profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Useful lives as follows;

Asset	Years
Buildings	50 Years
Motor vehicles	4 Years
Computers	4 Years
Furniture and fittings	5 Years
Office equipment	4 Years
Machinery & equipment	4 Years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at end of each reporting period. An estimation change in the useful life of fixed asset during the period has occurred and the underlying assumptions considered are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively.

NOTES TO THE FINANCIAL STATEMENTS

3.6.4 Assets in the course of construction

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

3.6.5 Derecognition

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement in the year the asset is derecognised.

3.7 Leases

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

3.7.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.7.2 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.7.3 Lease liabilities

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

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings

3.7.3.1 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.8 Intangible assets

3.8.1 Basis of recognition

An Intangible asset is recognised if it is probable that the future economic benefits associated with the assets will flow to the Group and cost of the assets can be reliably measured.

3.8.2 Measurement and subsequent costs

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss statement in the year in which the expenditure is incurred.

3.8.3 Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets with finite lives are as follows.

Asset class	Useful life
Computer software	10 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 is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss statement in the expense category consistent with the function of the intangible asset.

3.8.4 Derecognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.9 Biological assets

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

Consumable biological assets, comprise of managed Flower plants, are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41- Agriculture. The cost is treated as approximation to the fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial.

The fair value of Flower plants is measured comparing current market prices of flower and leaves.

3.10 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

- Trading items - At the cost of direct materials, direct labour and an appropriate portion of factory overhead on normal operating capacity.
- Finished goods - At the cost of direct materials, direct labour and an appropriate portion of factory overhead on normal operating capacity.
- Raw materials - At purchase cost on First in First (FIFO) basis

3.10.1 Provision for obsolete and slow-moving inventories

A provision for slow moving inventories is recognised based on the best estimates available to management on their future recovery. As Management uses present conditions and historical information as the basis to determine the future recoverability, actual future losses on inventories could vary from the allowance made in these financial statements.

3.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

NOTES TO THE FINANCIAL STATEMENTS

3.11.1 Financial assets

a) *Financial assets - Initial recognition and subsequent measurement*

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

b) *Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four categories;

- » Financial assets at amortised cost (debt instruments)
- » Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- » Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)

- » Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- » The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- » The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group's financial assets at amortised cost includes trade receivables and amounts due from related parties.

Financial assets at fair value through OCI (debt instruments)

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

- » The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- » The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

c) Derecognition

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

- » The rights to receive cash flows from the asset have expired or;
- » The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

d) Impairment of financial assets

Further disclosure relating to impairment of financial assets are also provided in the following notes:

- » Financial assets Note 11
- » Trade receivables, including contract assets Note 14

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.11.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives

NOTES TO THE FINANCIAL STATEMENTS

designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings and amounts due to related parties.

b) Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another

from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.11.3 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 recognised amounts and
- » There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.11.4 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 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 Note 33.

3.12 Cash and cash equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

3.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the group of non-financial 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 or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of non-financial assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The amount of impairment losses are recognised in the profit and loss during the reporting period.

3.14 Liabilities and provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Liabilities classified as current liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the reporting date.

3.15 Retirement benefit obligations

3.15.1 Defined contribution plans– Employees' provident fund & employees' trust fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.15.2 Defined benefit plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 21. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not funded in the planned assets.

3.16 Taxation

3.16.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income taxes relating to items recognised directly in Other Comprehensive Income are also recognised in Other Comprehensive Income and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.16.2 Deferred tax

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

- » Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- » In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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carry forward of unused tax credits and unused tax losses can be utilised, except:

- » Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- » In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in statement of other comprehensive income are also recognised in statement of other comprehensive income and not in the statement of profit or loss.

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

3.16.3 Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- » Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax

recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.17 Statement of profit or loss

For the purpose of presentation of the statement of profit or loss, the function of expenses method is adopted.

3.17.1 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue:

a) *Goods transferred at a point in time*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

b) *Services transferred over time*

The Group determines, at contract inception, whether it satisfies the performance obligation over time or at appoint in time. For each performance obligation satisfied over time, the Group recognises revenue over time, by using an output method to measure progress towards complete satisfaction of that performance obligation.

In determining the transaction price for the sale of goods and the services the Group considers the effects of variable consideration the existence of significant financing, non-cash considerations and consideration payable to customer (if any). However,

- » The Group does not offer discounts, warranties or incentives to its customers.
- » The Group does not receive long-term advances from its customers for the services which entails a financing element.
- » The period between the transfer of the promised service to the customer and when the customer pays for that good will be one year or less

c) Presentation and disclosure

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 25 for the disclosure on disaggregated revenue.

d) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

e) Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.17.2 Other income

a) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

b) Rental income

Rental income is recognised on an accrual basis.

c) Gains and losses

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments are accounted for in the Statements of Profit or Loss, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

d) Other income

Other income is recognised on an accrual basis.

3.17.3 Expenditure recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income.

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to statements of profit or loss in the year in which the expenditure is incurred.

3.17.4 Finance income and finance costs

Finance income comprises interest income on funds invested and gain arisen from the foreign exchange translation of financial assets and liabilities. Interest income is recognised based on the EIR in the statement of profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in the statement of profit or loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.17.5 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.18 Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

Employee benefit liability - Gratuity

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include

the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of long term Government Bonds (Treasury Bonds) corresponding to the average work life of the employees.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in note 21.

Materiality and aggregation

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

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

Others

Other information about judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes to these financial statements.

Accounting estimate/judgment	Notes
Going Concern	2.5
Property, plant and equipment	3.6.3
Valuation of inventories	3.10
Provision for obsolete and slow moving inventories	3.10.1

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Adoption of these amendments and interpretations will not have significant impact on the consolidated financial statements of the Group.

SLFRS 17 Insurance contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- » A specific adaptation for contracts with direct participation features (the variable fee approach)
- » A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The Group does not expect to have a significant impact on the Group's financial statements on the adoption of this standard.

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

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, 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. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Group

6.1.1 Gross carrying amounts

	Balance as at 01.04.2021	Acquisition of subsidiary under common control	Additions	Disposal	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
At cost/revaluation					
Land	255,120,000	-	51,865,432	-	306,985,432
Buildings	41,940,112	-	-	-	41,940,112
Motor Vehicle	94,716,147	27,000	-	(4,100,000)	90,643,147
Computers	9,236,185	2,795,197	2,664,117	-	14,695,499
Furniture & Fittings	6,383,409	726,625	13,543,835	-	20,653,869
Office Equipment	13,451,437	2,706,155	6,670,991	(265,000)	22,563,583
Machinery & Equipment	2,143,539	2,806,947	269,498	-	5,219,984
Agri Net House	-	-	1,768,050	-	1,768,050
Total value of depreciable assets	422,990,829	9,061,923	76,781,922	(4,365,000)	504,469,675

In the course of construction

	Balance as at 01.04.2021	Acquisition of subsidiary under common control	Incurred during the year	Transfers	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Capital work in progress - Building	195,174,185	-	113,941,015	-	309,115,200
	195,174,185	-	113,941,015	-	309,115,200
Total gross carrying amount	618,165,014	9,061,923	190,722,937	(4,365,000)	813,584,874

6.1.2 Depreciation

	Balance as at 01.04.2021	Acquisition of subsidiary under common control	Charge for the year	Disposal Transfer	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	-	-	-	-	-
Buildings	7,664,782	-	839,015	-	8,503,797
Motor Vehicle	68,364,391	-	11,414,895	(4,100,000)	75,679,287
Computers	5,212,001	904,975	2,509,204	-	8,626,180
Furniture & Fittings	4,126,129	648,765	1,032,965	-	5,807,859
Office Equipment	9,851,899	1,846,367	3,106,444	(11,042)	14,793,669
Machinery & Equipment	1,690,405	2,251,996	728,111	-	4,670,511
Agri Net House	-	-	147,338	-	147,338
Total depreciation	96,909,607	5,652,103	19,777,972	(4,111,042)	118,228,640

6.1.3 Net book values

	2022 Rs.
Land	306,985,432
Buildings	33,436,315
Motor Vehicle	14,963,860
Computers	6,069,319
Furniture & Fittings	14,846,010
Office Equipment	7,769,914
Machinery & Equipment	549,473
Agri Net House	1,620,712
	386,241,034
In the course of construction	
Capital work in progress - Building	309,115,200
Total carrying amount of property, plant and equipment	695,356,234

- 6.1.4** During the financial year, the group acquired property, plant and equipment to the aggregate value of Rs. 76,781,922/- Cash payments amounting to Rs. 76,781,922/- were made during the year for purchase of property, plant and equipment.
- 6.1.5** In 2022, the Group sold property, plant, and equipment with a net carrying amount of Rs. 1,576,844/- for a cash consideration of Rs. 11,965,000/-. The net gains on these disposals were recognised as part of other income in the statement of profit or loss.
- 6.1.6** During the financial year, the group incurred Rs. 113,941,015/- for the capital work in progress in building and improvements.
- 6.1.7** During the financial year the group has capitalised borrowing costs on interest-bearing loans and borrowings and lease liabilities on qualifying assets amounting Rs. 13,409,080/-.

6.2 Company

6.2.1 Gross carrying amounts

	Balance as at 01.04.2021 Rs.	Acquisition of subsidiary under common control Rs.	Additions Rs.	Disposal Rs.	Balance as at 31.03.2022 Rs.
At cost/revaluation					
Land	255,120,000	-	-	-	255,120,000
Buildings	41,940,112	-	-	-	41,940,112
Motor Vehicle	94,716,147	-	(61,821,147)	(4,100,000)	28,795,000
Computers	9,236,185	1,973,801	-	-	11,209,986
Furniture & Fittings	6,383,409	303,093	-	-	6,686,502
Office Equipment	13,451,437	5,475,071	-	(265,000)	18,661,508
Machinery & Equipment	2,143,539	-	(2,143,539)	-	-
Total value of depreciable assets	422,990,829	7,751,965	(63,964,686)	(4,365,000)	362,413,109

NOTES TO THE FINANCIAL STATEMENTS

In the course of construction

	Balance as at 01.04.2021	Acquisition of subsidiary under common control	Incurred during the year	Transfers	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Capital work in progress - Building	195,055,835	37,442,864	-	-	232,498,699
	195,055,835	37,442,864	-	-	232,498,699
Total gross carrying amount	618,046,664	45,194,829	(63,964,686)	(4,365,000)	594,911,807

6.1.2 Depreciation

	Balance as at 01.04.2021	Acquisition of subsidiary under common control	Charge for the year	Disposal Transfer	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	-	-	-	-	-
Buildings	7,664,782	839,015	-	-	8,503,797
Motor Vehicle	68,364,391	9,392,668	(54,141,700)	(4,100,000)	19,515,360
Computers	5,212,001	2,043,509	-	-	7,255,510
Furniture & Fittings	4,126,129	793,830	-	-	4,919,959
Office Equipment	9,851,899	2,373,297	-	(11,042)	12,214,155
Machinery & Equipment	1,690,405	-	(1,690,405)	-	-
Total depreciation	96,909,607	15,442,320	(55,832,104)	(4,111,042)	52,408,779

6.2.3 Net book values

	Company	
	2022 Rs.	2021 Rs.
At cost		
Land	255,120,000	255,120,000
Buildings	33,436,315	34,275,330
Motor Vehicle	9,279,640	26,351,756
Computers	3,954,476	4,024,184
Furniture & Fittings	1,766,543	2,257,280
Office Equipment	6,447,353	3,599,538
Machinery & Equipment	-	453,135
	310,004,327	326,081,222
In the course of construction		
Capital work in progress - Building	232,498,699	195,055,835
	232,498,699	195,055,835
Total carrying amount of property, plant and equipment	542,503,026	521,137,058

6.2.4 During the financial year, the company acquired property, plant, and equipment to the aggregate value of Rs. 7,751,965/- (2021 - Rs. 19,989,147/-). Cash payments amounting to Rs. 7,751,965/- (2021 - Rs. 19,989,147/-) were made during the year for purchase of property, plant and equipment.

- 6.2.5** In 2022, the company sold property, plant, and equipment with a net carrying amount of Rs. 1,576,844/- for a cash consideration of Rs. 11,965,000/-. The net gains on these disposals were recognised as part of other income in the statement of profit or loss.
- 6.2.6** During the financial year, the company incurred Rs. 37,442,864/- for the capital work in progress in building and improvements.
- 6.2.7** During the financial year the company has capitalised borrowing costs on interest-bearing loans and borrowings and lease liabilities on qualifying assets amounting Rs. 13,409,080/-.

6.3 Value and ownership of freehold land and freehold buildings of the Group/Company.

Location	Property	No. of Buildings	Extent	Carrying value Rs.
Mirihana - Production Building	Land	-	A-0, R-0, P11.40	51,865,432
	Building - WIP	01	10,000 Sq. ft	76,616,501
Mirihana - Office Building	Land	01	A-0, R-0, P32.5	174,000,000
	Building - WIP		32,000 Sq. ft	232,498,699
Nugegoda - Head Office	Land	02 Plots	A-0, R-0, P13.52	81,120,000
	Building	02	7,934 Sq. ft	34,275,330

7. RIGHT-OF-USE ASSETS

7.1 Group

7.1.1 Gross carrying amounts

	Office Premises Rs.	Warehouses Rs.	Motor Vehicles Rs.	Total Rs.
Cost				
As at 1 April 2021	3,389,727	6,534,773	27,332,090	37,256,589
Acquisition of subsidiary under common control	-	37,431,201	-	37,431,201
New lease entered during the year	-	9,438,180	9,200,000	18,638,180
De-Recognition	-	(4,478,001)	(5,772,600)	(10,250,601)
Advance Payment for Leases	-	-	4,236,000	4,236,000
As at 31 March 2022	3,389,727	48,926,152	34,995,490	87,311,369
Accumulated depreciation				
As at 1 April 2021	1,506,545	4,530,367	6,062,286	12,099,198
Acquisition of subsidiary under common control	-	6,308,215	-	6,308,215
Depreciation charge for the year	753,273	6,463,712	8,431,664	15,648,649
De-Recognition	-	(3,299,580)	(4,449,715)	(7,749,294)
As at 31 March 2022	2,259,818	14,002,714	10,044,236	26,306,768
Carrying value				2022 Rs.
Office Premises				1,129,909
Warehouses				34,923,438
Motor Vehicles				24,951,254
Total carrying value				61,004,601

NOTES TO THE FINANCIAL STATEMENTS

7.2 Company

7.2.1 Gross carrying amounts

Cost	Office Premises Rs.	Warehouses Rs.	Motor Vehicles Rs.	Total Rs.
As at 1 April 2021	3,389,727	6,534,773	27,332,090	37,256,589
New lease entered during the year	-	1,788,075	9,200,000	10,988,075
De-Recognition	-	(4,478,001)	(5,772,600)	(10,250,601)
Advance Payment for Leases	-	-	4,236,000	4,236,000
As at 31 March 2022	3,389,727	3,844,846	34,995,490	42,230,063
Accumulated depreciation				
As at 1 April 2021	1,506,545	4,530,367	6,062,286	12,099,198
Depreciation charge for the year	753,273	1,257,589	8,431,664	10,442,525
De-Recognition	-	(3,299,580)	(4,449,715)	(7,749,294)
As at 31 March 2022	2,259,818	2,488,376	10,044,236	14,792,429
Carrying value			2022 Rs.	2021 Rs.
Office Premises			1,129,909	1,883,181
Warehouses			1,356,471	2,004,406
Motor Vehicles			24,951,254	21,269,804
Total carrying value			27,437,634	25,157,391

8. INTANGIBLE ASSETS

	Group* 2022 Rs.	Company 2022 Rs.	2021 Rs.
Computer Software			
Cost			
At the beginning of the year	7,225,055	6,323,777	6,323,777
Acquisitions during the year	443,355	443,355	-
At the end of the year	7,668,410	6,767,132	6,323,777
Amortisation			
At the beginning of the year	4,654,246	4,442,306	3,933,424
Amortisation for the year	449,096	358,969	508,882
At the end of the year	5,103,342	4,801,275	4,442,306
Carrying value as at 31 March	2,565,068	1,965,857	1,881,471

9. INVESTMENT IN SUBSIDIARIES

	Number of shares		Holding		Company	
	2022	2021	2022	2021	2022 Rs.	2021 Rs.
Kapruka E Commerce (Pvt) Ltd	4,542,680	-	100%	0%	454,259,000	-
Kapruka Production (Pvt) Ltd	10,000	-	100%	0%	5,370,000	-
Kapruka Techroot (Pvt) Ltd	2	-	100%	0%	20	-
					459,629,020	-

9.1 ACQUISITION OF SUBSIDIARIES

	Kapruka Production (Pvt) Ltd Rs.	Kapruka Techroot (Pvt) Ltd Rs.	Total Rs.
Property, Plant and Equipment	3,409,821	837,351	4,247,172
Right of Use Assets	31,122,986	-	31,122,986
Inventories	14,400,730	1,173,000	15,573,730
Trade and Other Receivables	28,252,036	-	28,252,036
Deposits & Prepayments	109,451	31,333	140,785
Income Tax Receivable	567,765	-	567,765
Cash & Cash Equivalents	2,123,116	1,128,038	3,251,154
Lease Liability	(28,839,196)	-	(28,839,196)
Trade & Other Payables	(7,288,319)	-	(7,288,319)
Amounts Due To Related Party	(29,612,749)	(5,367,882)	(34,980,631)
Right-of-use Lease Creditor	(1,543,841)	-	(1,543,841)
Provisions and Accrued Expenses	(400,229)	(1,730,742)	(2,130,971)
Net Identifiable Assets and Liabilities	12,301,571	(3,928,902)	8,372,669
Cash Consideration	5,370,000	20	5,370,020
Acquisition of subsidiary under common control	6,931,571	(3,928,922)	3,002,648

9.2 Net Identifiable Assets and Liabilities

	Kapruka Production (Pvt) Ltd Rs.	Kapruka ProdTechroot (Pvt) Ltd Rs.
Satisfied by		
Cash Consideration	5,370,000	20
Analysis of Cash and Cash Equivalents on Acquisition of Subsidiary		
Cash Consideration	5,370,000	20
Payable Within One Year	-	-
Short Term Borrowings	-	-
Cash in Hand and at Bank Acquired	-	-
	5,370,000	20

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT IN ASSOCIATES

	2022 Rs.	
Group		
Balance as at 31/10/2021	20	
Share of profits	1,557,042	
Balance as at 31/03/2022	1,557,062	
	2022 Rs.	2021 Rs.
Company		
Kapruka Global Shop (Pvt) Ltd	20	-
	20	-

11. OTHER NON-CURRENT FINANCIAL ASSETS

Group/Company	Institution	No. of Units/ Shares	Company	
		Rs.	2022 Rs.	2021 Rs.
Quoted Investments				
Investment in Unit Trust	NDB Wealth Management Ltd	-	779,582	-
		-	779,582	-
Non-Quoted Investments				
Convertible Preference Shares	Grasshoppers (Pvt) Ltd	8,900	8,900,000	8,900,000
Less : Impairment		-	(8,900,000)	(4,450,000)
		8,900	-	4,450,000
			779,582	4,450,000

12. CONSUMABLE BIOLOGICAL ASSETS

Group	2022 Rs.	2021 Rs.
Mature Plant - Leaves	131,006	-
Mature Plant - Flowers	264,023	-
Immature Plant - Flowers	1,323	-
	396,347	-

The Group's/ Company's biological assets consist of flower plantation situated in the village of Sandalankawa.

13. INVENTORIES

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Trading items	275,432,435	-	58,039,404
Finish goods	5,060,177	-	453,223
Raw materials	8,737,386	-	13,385,873
Work in progress	1,421,278	-	-
	290,651,276	-	71,878,500
Less: Provision for stock variance and slow moving inventories (Note 13.1)	(34,534,709)	-	(5,832,037)
	256,116,568	-	66,046,462

13.1 Provision for stock variance and slow moving inventories

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
At the beginning of the year	-	-	5,832,037
Provision during the year	24,534,709	-	-
At the end of the year	24,534,709	-	5,832,037

14. TRADE AND OTHER RECEIVABLES

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Trade receivables	24,765,011	-	20,918,304
Less: Allowance for expected credit losses	(10,099,920)	-	(4,196,527)
	14,665,091	-	16,721,778
Staff debtors	540,141	-	189,756
Welfare receivable	-	-	149,500
Advance payments to suppliers	-	-	53,106,691
Interest receivable	7,918,481	7,741,645	229,264
VAT receivable	37,569,455	12,819	-
Other receivables	256,065	-	460,562
	60,949,234	7,754,464	70,857,551

14.1 Allowance for expected credit losses

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Movement in allowance for expected credit losses			
Balance at the beginning of the year	4,196,527	4,196,527	-
Provision for the year	5,903,393	(4,196,527)	4,196,527
Balance at the year end	10,099,920	-	4,196,527

NOTES TO THE FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS

Refer Note 19 for effective equity holding percentages and other key information's of Group entities.

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of the business at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

15.1 Amounts due from related parties

	Relationship	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Kapruka Techroot (Pvt) Ltd	Subsidiary	-	6,258,133	5,795,983
Kapruka Productions (Private) Limited	Subsidiary	-	2,300,300	2,410,175
Kapruka Global Shop (Private) Limited	Associate	14,931,321	-	26,936,979
Java Lounge (Private) Limited	Affiliate	76,135,600	1,533,297	71,875,587
Grasshoppers (Private) Limited	Affiliate	6,104,631	6,048,330	7,921,472
Lexington Residencies (Private) Limited	Affiliate	325,596	325,596	69,900
Superbox (Private) Limited	Affiliate	-	-	169,916
Kapruka LLC	Affiliate	14,825,307	-	-
Director Current AC	Affiliate	3,021,818	-	-
Kapruka Goodwill Foundation	Affiliate	8,043	-	-
		115,352,316	16,465,656	115,180,012

15.2 Amounts due to related parties

	Relationship	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Kapruka E Commerce (Pvt) Ltd	Subsidiary	-	90,344,809	-
Kapruka Global Shop (Pvt) Ltd	Associate	16,254,870	16,254,870	-
Kapruka Goodwill Foundation	Affiliate	630,910	630,910	911,231
		16,885,779	107,230,589	911,231

15.3 Related party disclosures

Details of significant related party transactions are as follows;

15.3.1 Transactions with subsidiaries

	Group 2022 Rs.	Company Transaction amount 2022 Rs.	2021 Rs.
Net assets transfer	-	(73,545,702)	-
Deferred tax on net assets transfer	-	30,933,474	-
Management fee	-	55,802,045	-
Management fee settlement	-	(15,564,456)	-
Trade purchases	-	(37,383,047)	(115,342,779)
Settlements and net fund transfers	-	(19,801,446)	110,414,642
Expenses incurred on behalf of subsidiaries	-	31,915,822	8,751,070
Advance Received Towards Issuance of Shares	-	(55,000,000)	-
Other service expenses	-	(7,370,593)	-

15.3.2 Transactions with affiliates *

	Group 2022 Rs.	Company Transaction amount	
		2022 Rs.	2021 Rs.
Net assets transfer	(223,973,898)	(73,826,633)	-
Deferred tax on net assets transfer	30,933,474	-	-
Management fee	98,192,735	4,650,595	-
Settlements and net fund transfers	111,946,901	(87,376,037)	283,798,776
Trade purchase	(78,017,910)	-	-
Expenses incurred on behalf of other related parties	(107,920,325)	46,897,611	58,160,759
Advance Received Towards Issuance of Shares	55,000,000	-	-
Other purchases	(52,938,016)	(1,175,423)	(26,175,893)

* Affiliate Companies include: Kapruka Global Shop (Pvt) Ltd, Grasshoppers (Pvt) Ltd, Java Lounge (Pvt) Ltd, Lexington Residencies (Pvt) Ltd, Kapruka Goodwill Foundation (Pvt) Ltd, Superbox, Kapruka LLC.

15.4 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors.

	Group 2022 Rs.	Company	
		2022 Rs.	2021 Rs.
Key Management Personnel Compensation			
Short Term Employee Benefits	14,906,278	14,906,278	12,856,835
Post Employment and Termination Benefits	2,596,000	2,596,000	294,911
	17,502,278	17,502,278	13,151,746

16. DEPOSITS, ADVANCES AND PREPAYMENTS

	Group 2022 Rs.	Company	
		2022 Rs.	2021 Rs.
Advance Payments to Suppliers	73,091,310	73,091,310	-
Rent Deposits	8,091,116	2,653,638	4,267,745
Other advances and prepayments	4,260,309	587,111	3,759,804
	85,442,735	76,332,060	8,027,549

17. SHORT TERM FINANCIAL ASSETS

	Group 2022 Rs.	Company	
		2022 Rs.	2021 Rs.
Other financial assets at amortised cost			
Investment in fixed deposits (Note 17.1)	13,052,585	-	12,856,835
Investment in money market funds (Note 17.2)	450,000,000	450,000,000	-
	463,052,585	450,000,000	12,856,835

NOTES TO THE FINANCIAL STATEMENTS

	Institution	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
17.1 Quoted Investments				
Investment in Commercial Papers	LOLC Holdings PLC	400,000,000	400,000,000	-
		400,000,000	400,000,000	-
17.2 Non-Quoted Investments				
Investment in Repo	Hatton National Bank PLC	50,000,000	50,000,000	-
		50,000,000	50,000,000	-
17.3 Fixed Deposit				
Investment in Fixed Deposits	Nations Trust Bank PLC	13,052,585	-	12,856,835
		13,052,585	-	12,856,835
		463,052,585	450,000,000	12,856,835

17.5 Impairment of investments in fixed deposits and money market funds

Management has assessed the impairment of fixed deposits and money market funds by considering the credit ratings of these institutions and considering other economic factors and concluded that the resulting impairment provision is immaterial to the financial statements.

18. CASH AND CASH EQUIVALENTS

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
18.1 Favourable cash and cash equivalent balances			
Cash and bank balances	44,945,116	9,956,443	75,080,415
	44,945,116	9,956,443	75,080,415
18.2 Unfavourable cash and cash equivalent balances			
Bank overdrafts (Note 18)	(50,135,249)	(6,015,445)	(17,324,978)
Total cash and cash equivalents for the purpose of cash flow statement	(5,190,133)	3,940,998	57,755,437

19. STATED CAPITAL

Company / Group	2022		2021	
	Number of shares	Rs.	Number of shares	Rs.
Issued and fully-paid - ordinary shares				
Balance at the beginning of the year	131,304,360	272,500,028	500,000	5,000,000
Issue of shares	32,826,000	505,520,400	3,876,812	267,500,028
Transaction costs for issued share capital	-	(8,845,633)	-	-
Balance at the end of the year	164,130,360	769,174,795	4,376,812	272,500,028

The company has issued Thirty-Two Million Eight Hundred and Twenty-Six Thousand (32,826,000) New Ordinary Voting Shares of the Company at an Issue Price of LKR 15.40 to General Public on 4th January 2022 and Listing of Up to Hundred Sixty Four Million and Hundred Thirty Thousand Three Hundred Sixty (164,130,360) Ordinary Voting Shares.

20. INTEREST BEARING LOANS AND BORROWINGS

Other financial liabilities	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Current interest bearing loans and borrowings			
Bank loans (Note 20.1)	73,876,751	49,876,751	65,219,756
Lease liabilities (Note 20.2)	19,174,552	11,886,021	8,375,337
Bank overdrafts (Note 18)	50,135,249	6,015,445	17,324,978
	143,186,552	67,778,217	90,920,072
Non-current interest bearing loans and borrowings			
Bank loans (Note 20.1)	190,708,445	119,708,445	121,350,339
Lease liabilities (Note 20.2)	35,874,608	6,289,646	9,550,684
	226,583,053	125,998,091	130,901,024
Total Interest bearing loans and borrowings	369,769,605	193,776,308	221,821,095

20.1 Bank loans

	As at 01.04.2021 Rs.	Loan obtained Rs.	Repayment Rs.	As at 31.03.2022 Rs.	Current Rs.	Non-current Rs.
Group						
Union Bank of Colombo PLC	180,153,137	47,798,438	(60,003,131)	167,948,445	48,240,000	119,708,445
Nations Trust Bank PLC	6,416,959	-	(4,780,207)	1,636,751	1,636,751	-
Commercial Bank	-	101,000,000	(6,000,000)	95,000,000	24,000,000	71,000,000
	186,570,096	148,798,438	(70,783,338)	264,585,196	73,876,751	190,708,445
Company						
Union Bank of Colombo PLC	180,153,137	47,798,438	(60,003,131)	167,948,445	48,240,000	119,708,445
Nations Trust Bank PLC	6,416,959	-	(4,780,207)	1,636,751	1,636,751	-
	186,570,096	47,798,438	(64,783,338)	169,585,196	49,876,751	119,708,445

NOTES TO THE FINANCIAL STATEMENTS

20.2 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

Group	Office Premises Rs.	Warehouses Rs.	Motor Vehicles Rs.	Total Rs.
Balance As at 01.04.2021	2,140,064	35,551,937	13,455,557	51,147,558
Additions	-	9,438,180	9,200,000	18,638,180
De-Recognition	-	(1,418,651)	-	(1,418,651)
Interest Expense Recognised in Profit or Loss	124,414	2,621,673	1,334,720	4,080,808
Repayment of Liability	(910,000)	(8,027,820)	(8,460,914)	(17,398,734)
Balance As at 31.03.2022	1,354,478	38,165,319	15,529,363	55,049,160
As at 31.03.2022				
Amount repayable within 1 year	887,299	8,187,195	10,100,058	19,174,552
Amount repayable after 1 year	467,178	29,978,124	5,429,305	35,874,608
	1,354,478	38,165,319	15,529,363	55,049,160

Company	Office Premises Rs.	Warehouses Rs.	Motor Vehicles Rs.	Total Rs.
Balance As at 01.04.2021	2,140,064	2,330,400	13,455,557	17,926,021
Additions	-	1,788,075	9,200,000	10,988,075
De-Recognition	-	(1,418,651)	-	(1,418,651)
Interest Expense Recognised in Profit or Loss	124,414	111,022	1,334,720	1,570,156
Repayment of Liability	(910,000)	(1,519,020)	(8,460,914)	(10,889,934)
Balance As at 31.03.2022	1,354,478	1,291,826	15,529,363	18,175,667
As at 31.03.2022				
Amount repayable within 1 year	785,586	2,040,098	5,549,654	8,375,337
Amount repayable after 1 year	1,354,478	290,303	7,905,904	9,550,684
	2,140,064	2,330,400	13,455,557	17,926,021
As at 31.03.2022				
Amount repayable within 1 year	887,299	898,664	10,100,058	11,886,021
Amount repayable after 1 year	467,178	393,162	5,429,305	6,289,646
	1,354,478	1,291,826	15,529,363	18,175,667

20.2.1 Total amount recognised in profit or loss

The following are the amounts recognised in profit or loss:

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Depreciation expense of right-of-use assets	15,648,649	10,442,525	7,156,542
Interest expense on lease liabilities	4,080,808	1,570,156	1,337,296
Total amount recognised in profit or loss	19,729,457	12,012,681	8,493,838

The Group had total cash outflows for leases of Rs.17,398,734/- in 2022. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 35.3 (Maturity Note.)

20.3 Nature and repayment terms of the facilities

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Carrying value of facility 2022 Rs.	2021 Rs.
Kapruka Holdings PLC					
Union Bank of Colombo PLC	Term loan	Respective AWPLR+1.25%	5 years	167,948,445	180,153,137
Nations Trust Bank PLC	Term loan	4% fixed	2 years	1,636,751	6,416,959
Kapruka Production (Pvt) Ltd					
Commercial Bank of Ceylon PLC	Term loan	8.5% fixed	5 years	95,000,000	-
Kapruka e-Commerce (Pvt) Ltd					
Nations Trust Bank PLC	Overdraft	Respective AWPLR (Review monthly)	On demand	6,015,445	17,324,978

20.4 Assets pledged

The following assets have been pledged as security for above liabilities:

Lender	Nature of facility	Nature of the collateral	Carrying value of facility 2022 Rs.	2021 Rs.
Kapruka Holdings PLC				
Union Bank of Colombo PLC	Term loan	Constructed building with land	406,498,699	369,055,835
Nations Trust Bank PLC	Term loan	Saving facility with the bank	3,527,452	8,397,618
Kapruka Production (Pvt) Ltd				
Commercial Bank of Ceylon PLC	Term loan	Constructed building with land	128,481,933	-
Kapruka e-commerce (Pvt) Ltd				
Nations Trust Bank PLC	Overdraft	FD facility with the bank	13,052,585	12,856,835

NOTES TO THE FINANCIAL STATEMENTS

21. RETIREMENT BENEFIT OBLIGATION

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Balance as at 1 April	18,869,648	17,151,943	13,633,252
Gratuity Transferred to Related Party	(1,717,705)	(9,088,298)	-
Provision Reversal Made during the year	(4,095,868)	(4,095,868)	-
Current service cost	2,310,906	599,866	1,387,139
Interest cost	881,951	268,491	613,271
Actuarial (gain)/loss	1,199,935	766,385	1,754,881
Payments made during the year	(1,569,540)	(1,569,540)	(236,600)
As at 31 March	15,879,327	4,032,979	17,151,943

21.1 Following amount are recognised in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Expense recognised in profit or loss			
Current service cost	2,310,906	599,866	1,387,139
Interest cost	881,951	268,491	613,271
	3,192,857	868,357	2,000,410
Actuarial gains and losses recognised directly in OCI			
Recognised during the period	1,199,935	766,385	1,754,881

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The liability is not externally funded.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation and the current service cost.

21.2 The principal assumptions used in determining defined benefit obligation are shown below:

	Group 2022	Company 2022	2021
Discount rate	14%	14%	6.75%
Salary increment	12%	12%	6%
Staff turnover	20%	20%	20%
Retirement age	60 Years	60 Years	60 Years

21.3 Sensitivity of assumptions employed in actuarial valuation

Values appearing in the financial statements are very sensitive to the changes in financial and non financial assumptions used.

A Sensitivity analysis was carried out as follows,

		2022		2021	
		Effect on comprehensive income increase / (reduction)	Effect on employee benefit obligation increase / (reduction) in the liability	Effect on comprehensive income increase / (reduction)	Effect on employee benefit obligation increase / (reduction) in the liability
		Rs.	Rs.	Rs.	Rs.
Increase/(decrease) in discount rate	+ 1 %	3,889,628	(3,889,628)	574,191	(574,191)
	- 1 %	(4,208,980)	4,208,980	(606,497)	606,497
Increase/ (decrease) in salary increment	+ 1 %	(4,228,647)	4,228,647	(605,040)	605,040
	- 1 %	3,868,840	(3,868,840)	583,498	(583,498)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

21.4 The following are the expected present value of defined benefit obligation in future years

	Group	Company	
	2022	2022	2021
	Rs.	Rs.	Rs.
Within the next 12 months	2,847,964	690,493	-
Between 1 and 5 years	9,109,210	2,276,822	-
Between 5 and 10 years	2,826,273	792,084	-
Beyond 10 years	1,105,746	283,444	-
	15,889,193	4,042,844	-

21.5 The Group weighted average duration of the defined benefit plan obligation at the end of the reporting period is 5.13 years.

NOTES TO THE FINANCIAL STATEMENTS

22. DEFERRED TAX LIABILITIES

22.1 Group

	Statement of Financial Position		Statement of Comprehensive Income		Income Statement	
	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability						
Accelerated Depreciation on Property, Plant and Equipment	59,837	-	-	-	59,837	-
Revaluation on Properties and Equipments	47,684,028					
	59,837	-	-	-	59,837	-
Deferred Tax Assets						
Provision for Gratuity	2,560,928	-	2,560,928	-	-	-
Allowance for Expected Credit Loss	1,416,814	-	-	-	1,416,814	-
Provision for Slow Moving Inventory	3,488,330	-	-	-	3,488,330	-
Leases	441,388	-	-	-	441,388	-
Tax Losses	41,745	-	-	-	41,745	-
	7,949,206	-	2,560,928	-	5,388,278	-
			2,560,928	-	5,448,115	-
Net Deferred Tax Assets	8,009,043	-				

22.2 Company

	Statement of Financial Position		Statement of Comprehensive Income		Income Statement	
	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability						
Accelerated Depreciation on Property, Plant and Equipment	4,326,471	9,305,288	-	-	(4,978,817)	3,043,109
Revaluation on Properties and Equipments	47,684,028	47,684,028	-	(3,780,938)	-	-
Leases	-	1,735,529	-	-	(1,735,529)	1,735,529
	52,010,500	58,724,845	-	(3,780,938)	(6,714,346)	4,778,638
Deferred Tax Assets						
Defined Benefit Plans	(1,346,972)	(4,116,466)	2,769,494	(299,156)	-	-
Allowance for Expected Credit Loss	-	(1,007,166)	-	-	1,007,166	(1,007,166)
Provision for Slow Moving Inventory	-	(1,399,689)	-	-	1,399,689	(1,399,689)
Leases	(531,508)	-	-	-	(531,508)	26,561
	(1,878,480)	(6,523,322)	2,769,494	(299,156)	1,875,347	(2,380,295)
			2,769,494	(4,080,094)	(4,838,998)	2,398,343
Net Deferred Tax Liabilities	50,132,019	52,201,524				

23. TRADE AND OTHER PAYABLES

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Trade payables	84,770,413	6,525,838	34,153,346
	84,770,413	6,525,838	34,153,346

The above amounts are unsecured and have no credit periods attached to the same..

24. PROVISIONS AND ACCRUED EXPENSES

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Provisions	9,458,427	3,912,544	998,112
Accrued Expenses	67,998,602	46,243,186	24,433,520
	77,457,028	50,155,730	25,431,632

25. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Sale of Goods	1,563,409,420	993,493,778	891,030,785
Rendering of Services	123,969,408	73,722,488	77,010,771
	1,687,378,828	1,067,216,266	968,041,555

25.1 Disaggregation of revenue

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Sale of Goods			
Cakes	480,639,538	286,771,498	301,286,157
Flowers	149,971,102	81,600,136	98,022,885
Fruit Gift Items	70,429,124	42,368,831	45,129,905
Grocery and Other Gift Items	721,233,171	458,594,749	446,248,780
Cross boarder (Amazon and Ebay sales)	135,816,585	66,815,460	-
Merchandising	1,013,799	374,093	343,057
Management Fee	3,806,102	41,469,012	-
Platform Fee	500,000	15,500,000	-
	1,563,409,420	993,493,778	891,030,785
Rendering of Services			
Delivery Income	122,549,550	73,722,488	70,945,512
Service fee	1,419,859	-	6,065,259
	123,969,408	73,722,488	77,010,771
	1,687,378,828	1,067,216,266	968,041,555

NOTES TO THE FINANCIAL STATEMENTS

25.2 Revenue from Customer Segments

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Retail Customers	1,619,289,883	987,888,339	934,556,641
Corporate Customers	62,362,984	22,358,915	33,484,914
Other	5,725,961	56,969,012	-
	1,687,378,828	1,067,216,266	968,041,555

26. OTHER INCOME

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Profit on Disposal of Assets	10,388,156	10,388,156	60,000
Vehicle Rent Income	520,000	520,000	-
Other Income	9,113,434	4,004,752	-
	20,021,590	14,912,908	60,000

27. FINANCE COST

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Overdraft Interest	157,775	157,775	72,136
Bank Loan Interest	754,970	180,205	233,622
Leasing Interest	4,080,807	1,570,156	1,337,296
Other Finance Expenses	513,027	-	139,120
	5,506,579	1,908,136	1,782,173

28. FINANCE INCOME

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Interest income	9,805,696	9,514,321	3,264,197
Foreign exchange gain	31,983,479	17,253,362	10,920,563
	41,789,175	26,767,684	14,184,760

29. PROFIT BEFORE TAX

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Include in cost of sales	Rs.	Rs.	Rs.
Employees benefits including the following			
- Defined contribution plan costs - EPF & ETF	4,252,566	2,857,302	1,652,576
- Other staff cost	12,693	-	156,143
Depreciation of property, plant and equipment	-	-	365,757
Included in administrative expenses			
Employees benefits including the following			
- Defined contribution plan costs - EPF & ETF	2,122,511	1,712,286	2,369,890
- Other staff cost	17,947,074	7,713,488	10,113,032
Depreciation of property, plant and equipment	22,548,605	15,219,298	8,421,891
Amortisation of intangible assets	358,969	358,969	508,882
Auditors remuneration	564,583	375,000	600,000
Donations	125,600	65,550	38,184
Included in selling & distribution expenses			
Employees benefits including the following			
- Defined contribution plan costs - EPF & ETF	5,043,033	2,826,073	4,865,037
- Other staff cost	1,654,642	708,216	2,154,131
Allowance for expected credit loss	7,654,645	5,197,385	4,538,017
Depreciation of property, plant and equipment	11,052,725	11,052,725	13,893,185
Depreciation of right-of-use assets	637,509	-	4,138,086

30. INCOME TAX EXPENSE

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Current income tax			
Current income tax charge (Note 27.1)	14,061,140	13,243,436	22,352,177
Income tax over provision in respect of previous years	-	-	(615,310)
	14,061,140	13,243,436	21,736,867
Deferred tax expense			
Deferred taxation charge/(reversal) (Note 27.2)	(10,078,547)	(2,069,504)	2,398,343
	3,982,593	11,173,932	24,135,210

NOTES TO THE FINANCIAL STATEMENTS

30.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Profit before taxation	192,435,274	185,619,587	68,428,494
Add: Aggregate disallowed items	59,291,308	46,647,970	51,393,319
Less: Aggregate allowable items	(41,026,717)	(32,926,179)	(29,951,940)
Less: Tax exempt income	(140,018)	(140,018)	-
Add: Other sources of income	9,514,321	9,514,321	3,264,197
Business loss	(4,805,230)	-	-
Exempt losses	(98,353,716)	(98,353,716)	-
Taxable profit	116,915,222	110,361,966	93,134,070
Income tax charged at:			
Income tax @ 12%	13,243,436	13,243,436	-
Income tax @ 18%	817,704	-	-
Income tax @ 24%	-	-	22,352,177
Current tax expense	14,061,140	13,243,436	22,352,177

30.2 General provisions

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 as amended.

Resident companies in the Group were liable to income tax during the year of assessment 2021/22 at the rate of 12% & 18%.

30.3 Income tax rates

Concessionary Tax Rates

In terms of the Inland Revenue Act No. 24 of 2017, the profits/losses of companies listed below are subject to the income tax concessionary rates mentioned undertaking:

Company	Basis	Income tax rate
Kapruka Production (Pvt) Ltd	Manufacturing of goods / Trading	18%
Kapruka Holdings PLC	Investment Company	24% (12%)

30.4 In determining the arm's length price, the Group has complied with the transfer pricing regulations prescribed in the Inland Revenue Act and amendment thereto and the Gazette notifications issued on transfer pricing.

30.5 Deferred tax expense /(reversal)

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Deferred tax arising from			
- Accelerated depreciation for tax purposes	59,837	4,326,471	9,305,288
- Revaluation on Properties and Equipments	-	47,684,028	47,684,028
- Retirement benefit obligation	2,560,928	(1,346,972)	(4,116,466)
- Allowance for Expected Credit Loss	1,416,814	-	(1,007,166)
- Provision for obsolete and slow moving inventories	3,488,330	-	(1,399,689)
- Leases	441,388	(531,508)	1,735,529
- Benefit arising from tax losses and others	41,745	-	-
Total deferred tax charge/(reversal)	8,009,043	50,132,019	52,201,524

30.6 Tax losses carried forward

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Tax losses brought forward	-	-	-
Tax loss for the year	3,536,238	-	-
Tax losses set off against taxable profit	(291,375)	-	-
Carried forward tax losses	3,244,863	-	-

31. BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the year.

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

	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Amounts used as the numerator :			
Net profit attributable to equity holders of the company	129,610,561	171,676,161	44,293,284
Amounts used as the denominator :			
Weighted average number of ordinary shares in issue applicable to basic earnings per share	139,038,705	139,038,705	4,376,812
Earnings per share (Rs.)	0.93	1.23	10.12

NOTES TO THE FINANCIAL STATEMENTS

32. COMMITMENTS AND CONTINGENCIES

32.1 Commitments

Capital commitments

The Company and Group do not have significant capital commitments as at the reporting date.

32.2 Contingencies

The Company/Group has given corporate guarantees to the following parties on behalf of the Group of Companies and other affiliates to obtain finance facilities. Directors do not expect Liabilities to arise from these guarantees.

Institution	Total		Subsidiaries		Affiliates	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Sampath Bank	14,100,000	14,100,000	-	-	14,100,000	14,100,000
	14,100,000	14,100,000	-	-	14,100,000	14,100,000

33. EVENTS OCCURRING AFTER THE REPORTING DATE

There have no other material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

34. FINANCIAL INSTRUMENTS

Financial assets of which carrying values are reasonable approximates at their fair value

The management assessed that the fair values of cash and short-term deposits, trade and other receivables, amounts due from related approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities of which carrying values are reasonable approximates at their fair value

The management assessed that the fair values of trade and other payables and interest bearing loans and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term loans and financial leases approximate their carrying amount as majority of the loan portfolio consist of loans obtained at variable interest rates.

35. FAIR VALUE MEASUREMENT

The Group held the following financial instruments carried at fair value in the statement of financial position:

35.1 Group / Company

Fair value measurement hierarchy for assets as at 31 March 2021 and 2022:

Assets measured at fair value:	Note	Date of valuation	Fair value measurement using			
			Total Rs.	Quoted prices in active markets (Level 1) Rs.	Significant observable inputs (Level 2) Rs.	Significant unobservable inputs (Level 3) Rs.
As at 31 March 2022						
Non-financial assets						
Consumable biological assets	12.	31 March 2022	396,347	-	-	396,347
Non financial assets as at 31 March 2022			396,347	-	-	396,347

During the reporting period ended 31 March 2022 there were no transfers between Level 1 and Level 2 fair value measurements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. It is the Group's policy that all activities for risk management purposes are required to be approved by Board of Directors of Kapruka Holdings PLC.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below

36.1 Market risk

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

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

36.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates. The Group proactively managed the risk of increasing interest rates.

36.1.2 Interest rate sensitivity

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

	Increase/ decrease in basis points	Company Effect on profit before tax Rs.	Group Effect on profit before tax 2021 Rs.
2022	+ 50	9,541	27,533
	- 50	(9,541)	(27,533)
2021	+ 50	8,911	-
	- 50	(8,911)	-

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

36.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the import of raw materials, finished goods and packing materials.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency risk as at 31st March 2021 and 2022, and sensitivity analysis to profit & loss and equity if exchange rate increased / (decrease) by 5%.

	Change in rates		Company		Group	
			Effect on profit before tax	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
			Rs.	Rs.	Rs.	Rs.
As at 31 March 2022						
USD	+ 15%	- 15%	-	-	25,198,797	(25,198,797)
As at 31 March 2021						
USD	+ 15%	- 15%	10,264,274	(10,264,274)	-	-

36.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Carrying amount of financial assets represents the maximum credit exposure of those assets. The Group's maximum exposure to credit risk at the reporting date were as follows;

	Note	Group			
		2022		2021	
		Rs.	%	Rs.	%
Trade and other receivables	14.	60,949,234	9%	-	0%
Amounts due from related parties	15.1	115,352,316	17%	-	0%
Short term financial assets					
- Investment in Commercial Papers	17.1	400,000,000	58%	-	0%
- Investment in Repo	17.2	50,000,000	7%	-	0%
- Investment in fixed deposits	17.3	13,052,585	2%	-	0%
Cash at bank and cash equivalents	18.1	44,945,116	7%	-	0%
		684,299,251	100%	-	0%

36.2.1 Trade receivables

Customer credit risk is managed by each company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the established credit risk evaluation policy and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored.

Minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

36.2.2 Cash and cash equivalents, money market, short term, and fixed deposits

Credit risk from balances with banks is managed in accordance with the Group treasury policy. Investments of surplus funds are made only with approved counterparties as per this policy.

The Group held cash in hand and at bank equivalents of Rs. 45 Mn at 31 March 2022 which represents its maximum credit exposure on these assets.

36.2.3 Investment in Commercial Papers and Repos

As at 31 March 2022, as shown in the table above, the Group has invested in commercial papers value equal to Rs. 400 Mn and Repos value equal to Rs. 50 Mn. Government securities are usually referred to as risk-free due to the sovereign nature of the instrument.

36.3 Liquidity risk

The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

36.3.1 Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

	Payable on demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Total Rs.
As at 31 March 2022					
Financial liabilities					
Bank loans	-	18,469,188	55,407,563	190,708,445	264,585,196
Lease liabilities	-	4,793,638	14,380,914	35,874,608	55,049,160
Bank overdrafts	50,135,249	-	-	-	50,135,249
Amounts due to related parties	-	16,885,779	-	-	16,885,779
Trade and other payables	-	84,770,413	-	-	84,770,413
	50,135,249	124,919,018	69,788,477	226,583,053	471,425,797

NOTES TO THE FINANCIAL STATEMENTS

36.3.2 Maturity analysis - Company

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

	Payable on demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	Total Rs.
As at 31 March 2022					
Financial liabilities					
Bank loans	-	12,469,188	37,407,563	119,708,445	169,585,196
Lease liabilities	-	2,971,505	8,914,516	6,289,646	18,175,667
Bank overdrafts	6,015,445	-	-	-	6,015,445
Amounts due to related parties	-	107,230,589	-	-	107,230,589
Trade and other payables	-	6,525,838	-	-	6,525,838
	6,015,445	129,197,120	46,322,079	125,998,091	307,532,734
As at 31 March 2021					
Financial liabilities					
Bank loans	-	16,304,939	48,914,817	121,350,339	186,570,096
Lease liabilities	-	2,093,834	6,281,503	9,550,684	17,926,021
Bank overdrafts	17,324,978	-	-	-	17,324,978
Amounts due to related parties	-	911,231	-	-	911,231
Trade and other payables	-	34,153,346	-	-	34,153,346
	17,324,978	53,463,350	55,196,320	9,550,684	256,885,672

Management has assessed the existing and anticipated effect of COVID -19 on liquidity of the Company and its subsidiaries to settle liabilities when it is due and management are satisfied that the Company and its subsidiaries don't have significant concerns relating to the Group's liquidity.

37. CAPITAL MANAGEMENT

Capital includes ordinary shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

As at 31 March	Group 2022 Rs.	Company 2022 Rs.	2021 Rs.
Debt / Equity	28%	16%	40%

SHARE INFORMATION

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2022

From	To	No. of Shareholders	No. of Shares	%
1	1,000	1,294	647,718	0.4
1,001	10,000	1517	5,870,650	3.58
10,001	100,000	253	7,780,276	4.74
100,001	1,000,000	30	8,596,726	5.24
Over 1,000,000		3	141,234,990	86.05
		3,097	164,130,360	100.00

ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2022

Category	No. of Shareholders	No. of Shares	%
Local Individuals	2,971	148,130,607	90.25
Local Institutions	118	15,891,871	9.68
Foreign Individuals	8	107,882	0.07
Foreign Institutions	0	0	0.00
Total	3,097	164,130,360	100.00

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2022

Names of Directors	No. of Shares	Percentage (%)
Mr. R A T Herath	Nil	
Mrs. A M Herath	Nil	
Mr. H P D V Herath	131,304,360	80.0000%
Mr. S S Alexander	215	0.0013%
Mr. S M T H Subasinghe	Nil	
Mrs. D P Pieris	Nil	
Mrs. M P Abeyesekera	Nil	

SHARE PRICES FOR THE YEAR

Market price per share	31.03.2022	Date
Highest during the period	Rs. 24.40	07.01.2022
Lowest during the period	Rs. 6.50	31.03.2022
As at end of the period	Rs. 7.00	31.03.2022

	31.03.2022
No. of transactions	14,364
No. of Shares traded	35,254,912
Value of Shares traded (Rs.)	700,388,168.40

SHARE INFORMATION

PUBLIC HOLDING

	31.03.2022
Public Holdings percentage as at 31st March 2022	20%
Number of shareholders representing the above percentage	3,093

FLOAT ADJUSTED MARKET CAPITALISATION

The Float adjusted market capitalisation as at 31st March 2022 – Rs. 229,742,793.00

The Float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.14.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

25 MAJOR SHAREHOLDERS LIST - CDS DATED 31ST MARCH 2022

Name	No. of Shares	%
1 Mr. H.P.D.V. Herath	131,304,360	80.000
2 Tranquility Estate (Pvt) Ltd	8,404,656	5.121
3 Janashakthi Ltd Account No. 1	1,525,974	0.930
4 Bank of Ceylon A/C Ceybank Unit Trust	958,400	0.584
5 Bank of Ceylon A/C Ceybank Century Growth Fund	958,400	0.584
6 Avarna Ventures (Pvt) Ltd	811,688	0.495
7 Mr. D.N.P. Rathnayake	806,830	0.492
8 Mr. V. Jeevaratnam	390,909	0.238
9 Mrs. S.H. Sardakhan	350,000	0.213
10 Dfcc Bank PLC/T.I. Samarawickrama	316,954	0.193
11 Mr. T. Kulanthaivelu & Mrs. K. Maheswary	295,723	0.180
12 Mr. V.K. Hirdaramani	250,000	0.152
13 People's Leasing & Finance PLC/Mr. D.M.P. Disanayake	239,356	0.146
14 Mr. S.J. Amarasekera	230,644	0.141
15 Mrs. M. Udayakumar	225,547	0.137
16 Mr. M.F. Fazi	200,100	0.122
17 Mr. W.R.V.A.K.D. Hathurusinghe	200,000	0.122
18 People's Leasing & Finance PLC/ Mrs. D.M.P. Rasangika	200,000	0.122
19 Mr. W.D.D.T. Siriyaathna	200,000	0.122
20 Citizens Development Business Finance PLC/T.K. Fernando	177,200	0.108
21 Mr. D.D.K. Rajapaksa	170,759	0.104
22 Mr. A.M. Irfan	165,224	0.101
23 Mr. T.I. Samarawickrama	160,000	0.097
24 Miss. G.G.S. Nanayakkara	154,000	0.094
25 Mr. C.I. Gunasekara	145,055	0.088
	148,841,779	90.685
Others	15,288,581	9.315
Total	164,130,360	100.000

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twentieth (20th) Annual General Meeting of the shareholders of KAPRUKA HOLDINGS PLC will be held in terms of Article 58(l)(iii) of the Articles of Association, by means of audio and visual communication on 26th September 2022 at 9.00 a.m. centered at the Board Room of, the registered office of the company 237/22A, Vijaya Kumarathunga Mawatha, Colombo 05, for the following purposes:

1. ROUTINE BUSINESS

- 1.1 To receive the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2022 together with the Report of the Auditors thereon.
- 1.2 To elect as Director, in terms of Article 92 of the Articles of Association, Mrs. Anuradha Malimage Herath, who retires from the Board by rotation in terms of Article 88(l) of the Articles of Association of the Company.
- 1.3 To elect as Director, in terms of Article 92 of the Articles of Association, Mr. Solamutthu Sivakumar Alexander, who retires from the Board by rotation in terms of Article 88(l) of the Articles of Association of the Company.
- 1.4 To propose the following resolution to be approved with or without modification as an ordinary resolution for the re-appointment of Mrs. Ranasinghe Arachchige Thilangani Herath as Director, in terms of Section 211 of the Companies Act No. 07 of 2007, who has reached the age of 71 years as at the date of the Annual General Meeting.

"That Mrs. Ranasinghe Arachchige Thilangani Herath who has reached the age of 71 years as at the date of the Annual General Meeting be and is hereby re-appointed as a Director for a period of One year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director."
- 1.5 To re-appoint Messrs. Ernst & Young, Chartered Accountants, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 1.6 To approve donations made by the Company during the year under review and to authorize the Directors to determine donations for the year ending 31st March 2023 and up to the next Annual General Meeting of the Company.

2. SPECIAL BUSINESS

- 2.1 To approve the following resolution with or without modification as an ORDINARY RESOLUTION:

"IT IS HEREBY RESOLVED, the Shareholders having noted the recommendation of the Directors as set out in the 'Annual Report of the Board of Directors on the state of affairs of the Company', on the variation of the application of funds in respect of the funds not utilized for the objective as set out in Clause 3.5.1 of the Prospectus dated 14th December 2021, in the application of funds for upgrading existing technologies and infrastructure, and to employ the funds not so utilized to upgrade the infrastructure of the building premises situated at No 147, Kottawa Road, Mirihana, Nugegoda, Sri Lanka."
- 2.2 To approve the following resolution with or without modification as an ORDINARY RESOLUTION:

"IT IS HEREBY RESOLVED, having noted the recommendation of the Directors as set out in the 'Annual Report of the Board of Directors on the state of affairs of the Company', to not proceed with the objective referred in Clause 3.5.2 of the Prospectus dated 14th December 2021 pertaining to 'the Used-goods Marketplace', and to use the funds allocated therefore to launch a marketplace platform for personal cargo collection and delivery from the Sri Lankan diaspora together with a door-to-door tracking system."

By order of the Board

KAPRUKA HOLDINGS PLC



Director
Kreston Corporate Services (Pvt) Ltd

Secretaries

31st August 2022

Notes:

1. A shareholder entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.
2. A proxy so appointed need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

NOTES

FORM OF PROXY

I/We*
 (please indicate full name) holder of NIC/Passport/Company Registration No./s Of
 (Address of shareholder/s being a shareholder/s* of Kapruka Holdings PLC
 hereby appoint: Mr/Ms (please indicate full name)
 holder of NIC No. of or failing him/her.

Mr. Herath Pathiranalage Dulith Vinodan Herath	or failing him
Mrs. Anuradha Malimage Herath	or failing her
Mrs. Ranasinghe Arachchige Thilangani Herath	or failing her
Mr. Solamutthu Sivakumar Alexander	or failing him
Mr. Subasinghe Mudiyanseelage Tishan Harendranath Subasinghe	or failing him
Mrs. Dayangani Priyanthi Pieris	or failing her
Mrs. Manohari Prasadini Abeysekera	

as my/*our Proxy to represent me/us* and to vote as indicated below on my/our* behalf at the Annual General Meeting of the Company to be held on 26th September 2022 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting. I/We the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preferences indicated below

	For	Against
1. To approve item no. 1.2 set out in the Notice of the 20th Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve item no. 1.3 set out in the Notice of the 20th Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve item no. 1.4 set out in the Notice of the 20th Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve item no. 1.5 set out in the Notice of the 20th Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve item no. 1.6 set out in the Notice of the 20th Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve the Ordinary Resolution set out in item 2.1	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the Ordinary Resolution set out in item 2.2	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our handset hereto this day of Two Thousand and Twenty-two.

.....
Signature

Note:

Instructions as to completion are given below. Please delete the words which are not applicable and mark "X" in the appropriate cages to indicate your instructions as to voting.

A proxy need not be a member of the Company...

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. A shareholder entitled to participate and vote at the meeting but is unable to do so, can appoint not more than one proxy to participate and vote at the AGM instead of him/her, by completing the Form of Proxy. Shareholders who are unable to participate in the above meeting are encouraged to appoint the Chairman of the Meeting or any other Director of the Company to participate and vote on their behalf
2. 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 the Proxy which should be duly signed and dated.
3. Please indicate with an "X" in the cages provided, how your proxy is to vote on each resolution. If no indication is given, the proxy is at his/her discretion and may vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy should be forwarded to the Company Secretaries, via email to khplc.cs@kreston.lk or via post to Kreston Corporate Services (Pvt) Ltd No. 74A, 1st & 2nd Floor, Advantage Building, Dharmapala Mawatha, Colombo 07 not less than 48 hours before the time appointed for holding the Meeting, i.e. before 9.00 A.M on 24th September 2022.
5. If the shareholder is a company or a body corporate, a Form of Corporate Representation executed under the Common Seal in accordance with the Articles of Association or the Constitution should be submitted.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original Power of Attorney (POA) together with a photocopy of the same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy or emailed to khplc.cs@kreston.lk.
7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to participate in the meeting him/herself, he/she should take immediate steps to revoke the appointment of a proxy.

CORPORATE INFORMATION

COMPANY NAME

Kapruka Holdings PLC

LEGAL FORM

The Company was incorporated in Sri Lanka on 7th Feb 2002 as a Private Limited liability Company under the Company's Act No. 17 of 1982 in the name Lanka Dot Info (Pvt) Limited. On January 07, 2005, the Company changed its name to Kapruka Dot Com (Private) Limited under the Companies Act No.07 of 1982 and re-registered under the provisions of Companies Act No. 7 of 2007 on July 29, 2008. The status of the Company was changed from Private Limited to a Public Limited Company under provisions of the Companies Act No. 07 of 2007 on 06th November 2021. The Company changed its name from Kapruka Dot Com Limited to Kapruka Holdings Limited on 20th November 2021. The status of the Company was changed from Limited to PLC on 13th April 2022.

REGISTERED NO.

Old PV 5789
New PQ00247881

REGISTERED OFFICE

Kapruka Holdings PLC

No: 237/22 A, Vijaya Kumarathunga Mawatha,
Colombo 05,
Sri Lanka

Tel: +94 11 7551111

Email: colombo.office@kapruka.com

Web: www.kapruka.com

BOARD OF DIRECTORS

Mr. D V Herath - Chairman & CEO

Mrs. A Herath

Mrs. T Herath

Mr. S Alexander

Mrs. D P Pieris

Mr. T Subasinghe

Mrs. M P Abeyesekera

BANKERS

Nations Trust Bank PLC

Union Bank of Colombo PLC

Sampath Bank PLC

Hatton National Bank PLC

Commercial Bank PLC

Amana Bank PLC

Seylan Bank PLC

AUDITORS

Ernst & Young Chartered Accountants, Sri Lanka

201, De Saram Place,
Colombo 10,
Sri Lanka

SECRETARIES

Kreston Corporate Services (Pvt) Ltd

No. 74A, 02nd Floor,
Advantage Building,
Dharmapala Mawatha,
Colombo 07,
Sri Lanka



www.kapruka.com



Kapruka Holdings PLC

237/22 Vijayakumaratunga Mawatha, Colombo 5, Sri Lanka

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email: colombo.office@kapruka.com