



# UNLOCKING POTENTIAL





# UNLOCKING POTENTIAL

KAPRUKA HAS OVER THE YEARS EXPLORED BOUNDLESS OPPORTUNITIES IN THE ECOMMERCE FRONTIER. WE STRONGLY BELIEVE THAT THE BORDERLESS WORLD WITH ENHANCED GLOBAL CONNECTIONS IS A DYNAMIC UNIVERSE, WHICH ENABLES PRODUCTS AND BUSINESSES TO FLOURISH. THIS HAS TRANSFORMED THE WORLD TO BE ONE STOREFRONT, WHERE EVERY CLICK IS AN OPPORTUNITY. AS WE EXPLORE NEW REALMS OF OPPORTUNITIES WE LOOK FORWARD TO CREATING SEAMLESS JOURNEYS AND A WORLD OF CHOICES.

AS WE EXPAND OUR VISTAS WE LOOK FORWARD TO A MULTITUDE OF OPPORTUNITIES TO BE DISCOVERED WITH ONE CLICK - THAT ONE CONNECTION WHICH WILL UNLOCK A WORLD OF NEW OPPORTUNITIES.

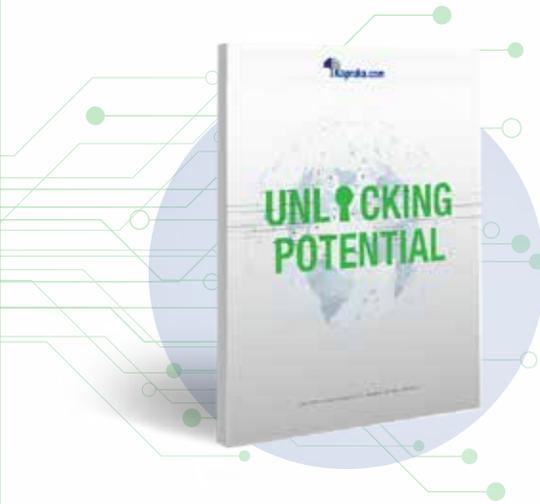
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# ABOUT THIS REPORT



Our ambition is to be a dynamic service organisation, focused on creating sustainable value for our stakeholders. This annual report themed “UNLOCKING POTENTIAL” presents a balanced and comprehensive view of the progress made towards achieving our ambitions during the period from 01 April 2022 to 31 March 2023. In addition to an assessment of our operating landscape, governance practices and stakeholder value creation, the report highlights our response to the unique challenges stemming from Sri Lanka’s economic conditions in 2022.

## REPORTING SCOPE AND BOUNDARY

The contents of this report relate to the operations of Kapruka Holdings Limited (“Kapruka” or “the company”) including its three subsidiaries and associate company. We adopt an annual reporting cycle for both financial and non-financial reporting. There have not been any changes in reporting scope and boundary from the previous year and no restatements of information reported in 2021/22.

## REPORTING FRAMEWORKS

Our reporting process and disclosures were guided by the following requirements.

- 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

## ASSURANCE

Assurance for this report is obtained through a combination of internal and external sources. The content contained in this annual report has been reviewed by the Audit Committee before being submitted to the Board of Directors for approval. Furthermore, the financial statements have undergone an independent review conducted by Messrs Ernst & Young and their report can be found on page 55 of this annual report.

## FORWARD LOOKING STATEMENTS

Statements regarding the company’s future operations and performance are not definitive guarantees of future financial or operational outcomes. These statements involve a level of uncertainty as they rely on assumptions about future developments, some of which are beyond our control. Consequently, the actual results and outcomes may differ from what is projected or anticipated. It is important to acknowledge that future performance is subject to various factors and circumstances that may impact the company’s operations and financial performance.

## STATEMENT BY THE BOARD

The Board is ultimately responsible for ensuring the integrity of this report. We hereby confirm that the 2022/23 annual report fairly represents the company’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 on 31 August and is signed on its behalf by:

Dulith V. Herath  
Chairman

Pubudu Jayasinghe  
Head of Finance

## NAVIGATING THE REPORT



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



HUMAN CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



INTELLECTUAL CAPITAL



NATURAL CAPITAL

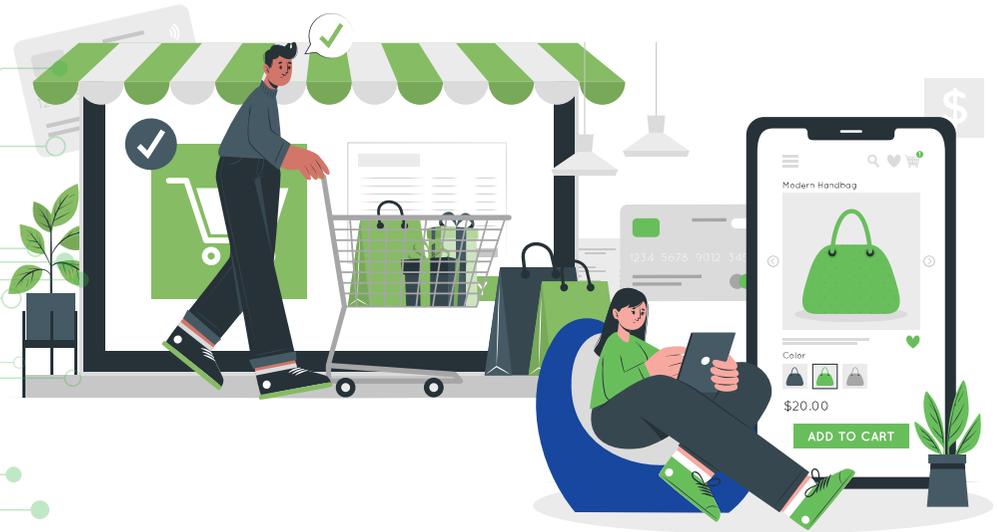


## FEEDBACK

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:

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## ABOUT US



# WE ARE SRI LANKA'S FIRST AND LARGEST LOCALLY-OWNED E-COMMERCE ENTERPRISE

Founded in 2003 by a single entrepreneur, Kapruka has over the past two decades grown exponentially to capture a wide global presence. The company has its central office located in Colombo and has offices in the USA, the UK, and Australia. With over 125,000 products and around 30 distinct services, Kapruka offers an extensive range of merchandise and gift ideas. As the country's largest locally owned e-commerce enterprise, Kapruka has created a benchmark 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. 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.

### WHAT WE DO

We facilitate the online purchase of goods for the Sri Lankan and expatriate consumer base. Concentrating on customers and how best to meet their needs, is a central part of what we do – our ambition to improve everyday lives of millions of people through technology.



#### E-COMMERCE

Kapruka sells thousands of goods in almost all retail categories, including fresh produce. Its unique non-marketplace e-commerce business model carries over 500 top-end Sri Lankan brands.



#### MANUFACTURING

Kapruka sells its own-labelled products, predominantly, cakes, flowers and value-added fruits and vegetables which are produced under Kapruka Productions (Pvt) Limited.



#### SERVICE BEYOND BORDERS

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.

**HOW WE DO IT**



**WE SOURCE**

We source products from suppliers across Sri Lanka through our network of 500+ suppliers. We also support local entrepreneurs by connecting their products with the world.



**WE DELIVER**

We bring groceries, fresh produce, food items, gifts and an extensive range of products to our customers doorsteps. We push for excellence in everything we do and move fast, adapting quickly to seize opportunities.



**WE ACT RESPONSIBLY**

We strive to maximise our positive impact on society and the planet. Wherever we operate, we hold ourselves to the highest standards, which we set out in our code of business ethics and conduct. We're all responsible and accountable for the impact we create.



**WE VALUE ONE ANOTHER**

We believe diversity in our teams and in our thinking delivers better outcomes for all. We strive to build a culture where everyone feels welcome and encouraged to contribute. We create supportive, empowered, and flexible environments so we can perform at our best.

**OUR GROUP STRUCTURE**



**WHERE WE OPERATE**



## OUR MILESTONES

### 2003

The Company was founded by a single entrepreneur in 2003



### 2011

Kapruka Techroot (Pvt) Ltd providing technology related services was incorporated on the 04th of November 2011



### 2013

Kapruka Global Shop (Pvt) Ltd providing cross border shopping services was incorporated on the 27th of June 2013

### 2018

Kapruka Productions (Pvt) Ltd which is our manufacturing arm for cakes and flowers under the Kapruka Brand was incorporated on the 07th of July 2018

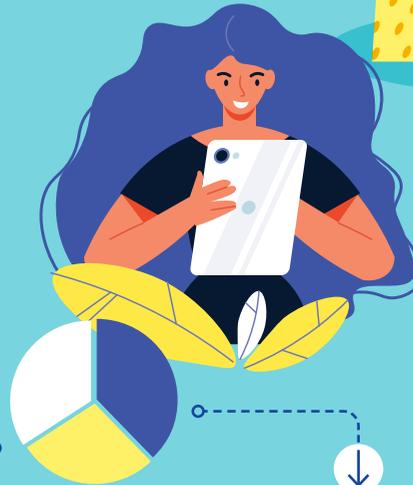


### 2018

The Company restructured its operations in October 2021 by acquiring 100% of Techroot (Pvt) Limited and Kapruka Productions (Pvt) Limited and 25% of Kapruka Global Shop (Pvt) Limited

Kapruka E-commerce (Pvt) Limited was incorporated on the 29th of October 2021 as a 100% owned subsidiary of Kapruka Holdings

The Company changed its name to Kapruka Holdings Limited from Kapruka Dot Com Limited on the 20th of November 2021



### 2023

Listed on the Main Board Commenced the Kapruka cross border projected which exports Sri Lankan brands to Amazon, Walmart expanded to Canada and UK in addition to US market.

Relocated to a state of art new head office building and E-com fulfilment center in Mirihana, Nugegoda.

### 2022

Listed on the Main Board of the CSE in January 2022 becoming Sri Lanka's 1st Listed E-commerce Enterprise



## PERFORMANCE HIGHLIGHTS

	Unit	GROUP 2023	COMPANY 2023	GROUP 2022	COMPANY 2022
<b>FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST MARCH</b>					
Revenue	Rs.Mn	1,953	208	1,687	1,067
Profit/(loss) Before Tax	Rs.Mn	(31)	72	139	186
Profit/(loss) After Tax	Rs.Mn	(77)	15	130	172
Earnings/ (Deficit) Per Share	Rs.	(0.51)	0.08	0.96	1.25
Finance Cost	Rs.Mn	57	61	6	2
Return on Equity	%	(8%)	1%	11%	15%
<b>FINANCIAL POSITION AND STABILITY AS AT 31ST MARCH</b>					
Total Asset	Rs.Mn	1,674	1,641	1,797	1,595
Long term interest-bearing borrowings	Rs.Mn	377	175	370	194
Total Equity	Rs.Mn	1,062	1,197	1,146	1,183
No of shares	Number	164,130,360	164,130,360	164,130,360	164,130,360
Net Assets per share	Rs.Mn	6	7	7	7
Gearing ratio	%	49.%	23%	22%	13%
Debt/Total asset	%	23%	11%	17%	11%
<b>INVESTOR INFORMATION AS AT 31ST MARCH</b>					
Market Price Per Share	Rs.	8.30	8.30	7.00	7.00
Market Capitalization	Rs.Mn	1,362	1,362	1,149	1,149
Price/ Earning Ratio	Times	(16)	104	7	6

## MESSAGE FROM CHAIRMAN & CEO



**“One of the primary goals in our way forward will be enhancing the export orientation and generation of foreign currency income to the country.”**

Dear stakeholders,

It is my utmost pleasure to reach out to you, in delivering the message of Kapruka Holdings PLC’s true grit and might which stood the test of an unprecedented economic crisis that marked the financial year gone by. As we entered the second year of operations as a public quoted company in the Colombo Stock Exchange we were confronted by volatility and ambiguities of unforeseen intensity. The agility of our strategy, versatility of leadership and determination of the team ensured that we pursued our ambitions and delivered on the expectations of our stakeholders dispersed across the globe. More strikingly, it was a year in which we furthered our efforts in unlocking the mammoth potential that is characteristic to Kapruka Holdings PLC, as the only home grown retail e-commerce site in Sri Lanka, with sights set on diverse expansion avenues.

### CHARTING OUR COURSE THROUGH UNFOLDING REALITIES

The year under review was the most onerous since post-independence, bringing forth a multitude of challenges spanning economic, social and political aspects. The positive trajectory of economic recovery the country achieved in 2021 with a GDP growth of 3.5% post the effects of the pandemic was instantaneously undone, with the country plunging to a deep economic crisis. Unsustainable debt models together with longstanding imbalances in the current account led to the exhaustion of the country’s foreign reserves and the Government suspending the servicing of its international debt. This resulted in the country being downgraded to restricted default status by international rating agencies, adversely affecting investor sentiments about the country. With Balance of Payment (BOP) under escalating pressure, the exchange rate which was hitherto controlled was allowed to float in early March 2022, leading to deep depreciation of

the Sri Lankan Rupee. The ensuing effects on the economy and people were catastrophic. Inflation spiraled to historic highs peaking in September 2022 at 69.80% as measured by the CCPI headline inflation. BOP deficit meant acute scarcity of imported goods, crippling economic activity dependent on imports, including business models like Kapruka. Fuel shortages translated to numerous repercussions such as power outages and disruptions in the transportation and deliveries, with direct impact on our business model, virtually bringing our delivery operations to a standstill.

The coordinated efforts of the Government and the Central Bank of Sri Lanka in arresting the situation included a tightening monetary policy stance, deployed through a policy rate increase by an aggregate 900 bps spanning the financial year under review. This set interest rates across the markets to rise with the benchmark average weighted prime lending rate (AWPLR) reaching its

highest at 28.25% in November 2022. The Government in its bid to address the fiscal deficit adopted a new tax regime, which saw key tax rates such as value added tax and income tax being increased, and also the introduction of withholding tax to income which were hitherto exempt. All these mechanisms as essential as they were in preventing any further deepening impact on the economy, also exerted considerable pressure in the immediate term. Economic activity was severely affected as reflected in a negative GDP growth of 7.8% for 2022. Consumer purchasing power was eroded with high interest rates and taxes which was reflected in reduced spending.

Our business model, which is a retail e-commerce site, dependent on imported goods to a considerable extent, reaching out to our customers via door-step deliveries faced multi-faceted shocks and bottlenecks at each of our operational processes. Key best-selling items which were featured in signature Kapruka bundles such as confectionary items were in short supply. We worked around such situations by resorting to locally manufactured high quality products. When delivery was challenged due to the fuel crisis, we swiftly optimized our delivery routes to ensure maximum efficiency, and maintained delivery charges without an increase for as long as was possible. We also experienced a surge in orders particularly for grocery items placed by Sri Lankans living overseas to be their families. Whilst embracing this as a positive trend in demand, we ensured the best of empathetic service to our customers, as what we were delivering was beyond simply rations, but the love and care of family away from home.

Kapruka e-commerce site gained considerably increased traffic during the crisis, with searches by customers for non-conventional products which were hitherto not offered in the platform. Our data analytical capabilities were prompt in alerting such new trends and

in response, we revamped our product portfolios to cater to such emerging customer preferences. This is a distinct advantage enjoyed by e-commerce site compared to brick-and-mortar retailers and we continued to capitalize on this customer intelligence in meeting their unique demands at a time options were limited to them.

### FINANCIAL PERFORMANCE

Whilst strategic foresight and acumen enabled us to weather the challenges to a considerable extent, the toll of the economic crisis was reflected in our financial performance. Revenue saw a year on year enhancement of 15% to Rs. 1.9 Bn. Administrative and selling & distribution expenses saw a 56% and 8% increase respectively amidst hyperinflation and multiple increases in fuel prices through the year. Net finance cost also increased considerably, quite understandably in the high interest rate environment. We ended the year with a loss before tax of Rs. 30.7 Mn which was further eroded by a tax expense of Rs. 49 Mn, leading to a post-tax loss of Rs. 77 Mn. Total assets closed in at Rs. 1.7 Bn a marginal reduction of 7%. In funding total equity also dipped by 7% to Rs. 1.1 Bn, attributable to the decline in retained earnings. We recorded a net asset value per share of Rs. 6.47, which compared with Rs. 6.98 of the prior year.

### BUILDING ON OUR STRENGTHS AND NURTURING INNOVATION

Notwithstanding the challenges we were relentless in converting our strengths into innovative solutions to our customers. In doing so we also delivered on some of our objectives set forth at the initial public offering (IPO). We made considerable progress in expanding Kapruka cross-border operations via which we are affording a competitive selling platform to Sri Lankan made products in global –commerce platforms such as Amazon and eBay. We also made steady progress on the Kapruka Partner Central project which is well on track to evolve into Sri Lanka's foremost online marketplace, offering established

Sri Lankan retail businesses a chance to showcase their inventory, while Kapruka handles all order fulfilment.

Our innovative spirit continues in a unique and essential proposition dubbed as “petti-petti” which is due to be launched soon. This proposition will cater to over a million of Sri Lankans living abroad, who seek for a professional, hassle-free and seamless service which would enable them to courier a wide range of products, including edibles from any point of origin to their families and friends in Sri Lanka. Lined up to take off, funded by our IPO proceeds are Kapruka Used Goods Market Place and Kapruka Wholesale Market Place, two exclusive propositions that will broaden the impact and opportunities to a wider base of beneficiaries including wholesalers and customers.

One key enabler of progressive innovation, the effects of which span the entire globe is the technological strengths Kapruka enjoys. Our tech prowess lies in having a cloud based ERP system and highly talented team which have enabled the development of a wide range of tech solutions ranging from apps to website within Kapruka. This in-house expertise has afforded us the flexibility, agility and speed in delivering emerging requirements as we progress and expand in to new ventures.

### AN ENTERPRISE LED ON STRONG GOVERNANCE

The significant strengthening of our governance framework that took place last year with the listing of Kapruka Holdings PLC in the main board of the Colombo Stock Exchange stood the company in good stead through the year. The dynamism of the board, their ethical and responsive leadership and checks and balances in place ensured that we continued to deliver value to our diverse stakeholder groups defying the challenges. The Board together with the three sub committees on Audit, Remunerations and Related Party Transactions Review spent considerable time in assessing the

## MESSAGE FROM CHAIRMAN & CEO

evolving externalities, and their effects on the operations of the company, whilst advising the teams on necessary action plans. The management teams were highly effective in prudently and strategically operationalizing such plans, thereby instilling a strong alignment between the Board and the management teams.

### EMPATHY EMBEDDED

The evolving external conditions were not just a test of corporate resilience and decisiveness but also of empathy. We extended exceptional care towards our team in ensuring their financial, physical and mental well-being amidst the adversities of the economic crisis. We ensured the job security of all our staff members, with no compromises on their remuneration. In our commitment to nurture their professional development, we continued to reimburse the cost of professional qualifications pursued by them.

Living the spirit of a responsible corporate citizen, we consciously empower small scale vendors and SMEs through our platforms, creating a far reaching socio-economic benefit to them and the country as a whole.

### WAY FORWARD

Kapruka enjoys some distinct strengths which will propel its growth. The strength of our brand at home and abroad, our loyal customer base and many years of expertise are unmatched by any other player in the retail e-commerce arena in Sri Lanka. Powered by the infusion of equity capital through the IPO, we will strongly leverage these strengths in expanding along the objectives set under the IPO. We are confident of our capabilities in forging ahead to meet these objectives, and also converting shareholder value to positive territories in an economy that is gradually recovering with all indicators moving in the right direction. Our energetic, passionate and united team representing a dynamic range of expertise from software

engineers to delivery personnel will drive growth under strategic leadership of the Board and Management. One of the primary goals in our way forward will be enhancing the export orientation and generation of foreign currency income to the country. A notable move made in this regard is entering the Amazon market space in the UK, and this foot print is set to expand.

### APPRECIATION

As we forge ahead, in the ambitious pursuit of rational strategic plans we have formulated, I reflect on our journey thus far, with deep gratitude towards numerous stakeholders who have been an integral part of our success. I am fortunate to be joined by a Board of Directors of the caliber and charisma of Kaprula Holdings PLC, whose collective counsel and guidance have enabled the company's sustainable progress. I wish to express my sincere gratitude to them. I am exceedingly thankful to our shareholders who have placed their trust in us and I look forward to their continued support for many more years ahead of mutual growth and prosperity. My gratitude also goes to our customers spread across the globe for their continued patronage, which is our source of inspiration for an ever enhancing Kapruka experience. Team Kapruka also deserves a tremendous round of applause for their perseverance and passion and I consider it to be my utmost privilege to be leading such a resourceful team. Our international partners, delivery agents, suppliers and all other stakeholders are remembered with much gratitude for their respective contribution in our journey.

Wishing you well.



**Dulith V. Herath**  
Chairman & CEO

31 August 2023



COMMITTED TO  
**GROWTH**

# OUR BUSINESS MODEL

## INPUTS

### FINANCIAL CAPITAL

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

- Short term investments: **Rs. 372 Mn**
- Borrowings: **Rs.377 Mn**

### MANUFACTURED CAPITAL

- **Rs. 880 Mn** worth of PPE
- **Rs.53 Mn** worth of right of use assets
- **Rs. 200 Mn** worth of inventories

### HUMAN CAPITAL

Human 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.

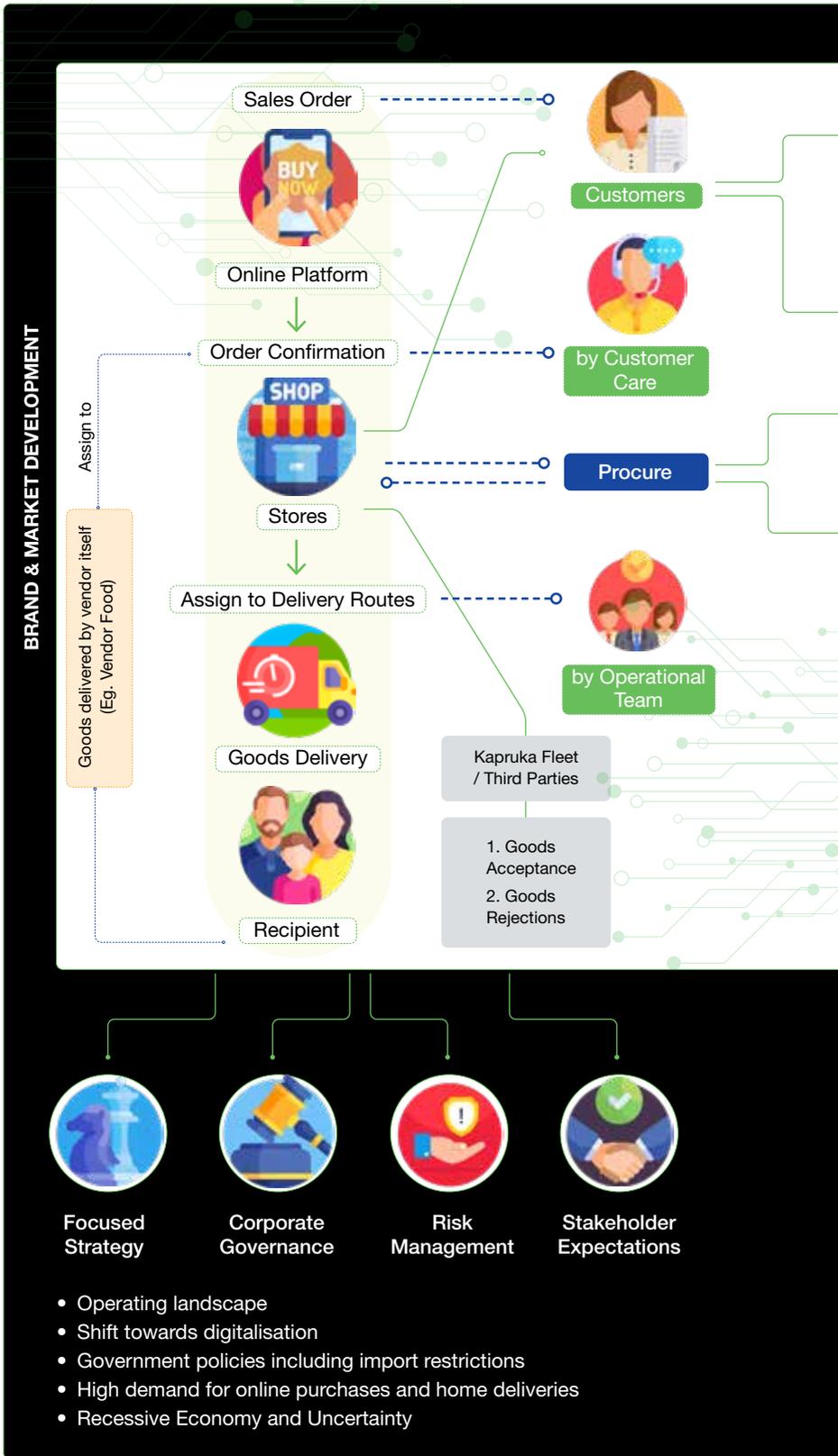
### INTELLECTUAL CAPITAL

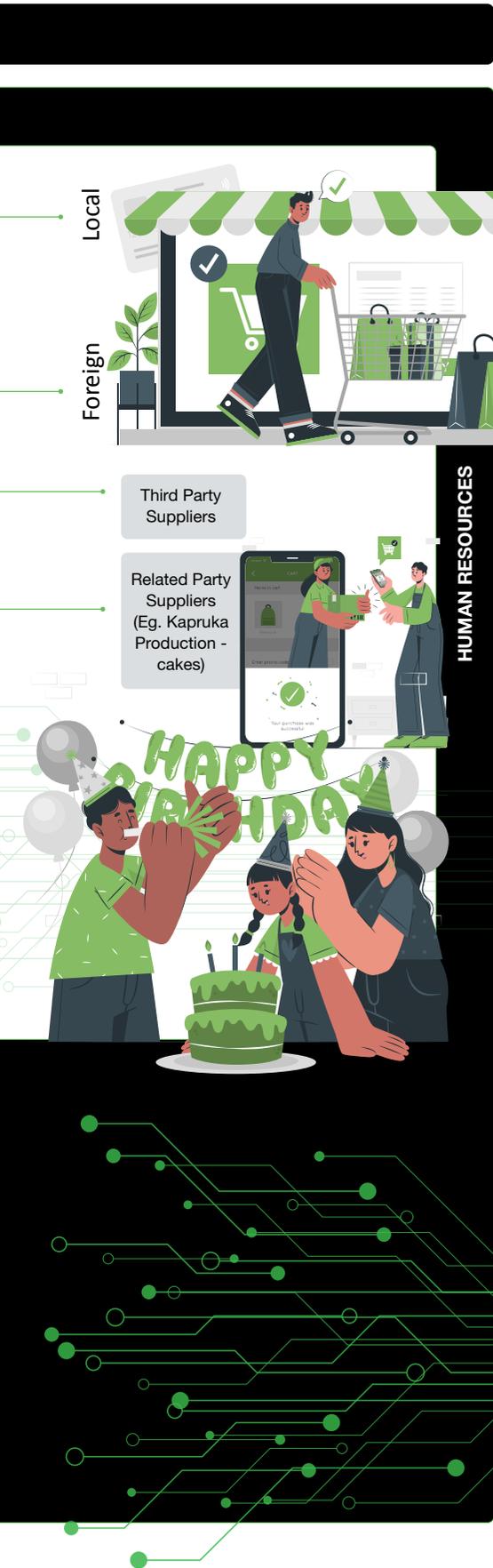
The strength of our Brand, Organisational tacit knowledge and the robust technology, systems and processes in place.

### NATURAL CAPITAL

Natural resources consumed in carrying out our business activities.

## INPUTS





**OUTCOMES**

**FINANCIAL CAPITAL**

Strong balance sheet

- Increased equity to **Rs.1.06 Bn**



**MANUFACTURED CAPITAL**

- Investments in **CAPEX: Rs.458 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.205 Mn to employees
- Promotions in 2022/23: 14
- Career progression and empowerment

**Business Partners**

- Long term relationships with 500 suppliers
- Transparency

**Shareholders**

- Net asset value per share: Rs.6.40

**Government**

- Tax contribution of Rs.183 Mn

**Local Communities**

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

**Environment**

- Environmentally friendly business practices
- Increased automation

## STRATEGY

As the leading e-commerce enterprise in Sri Lanka with a proven track record of delivering superior experience to customers as well as growing value to all other stakeholders, our success is driven through a core strategy which is summarised below. Strong management oversight facilitates the growth, resilience, risk management and optimisation of resources across the business through implementation of these four key strategic pillars.

### FINANCIAL RESILIENCE



Financial resilience is a reflection of the company's commitment towards performance, revenues, net income, expense management and maintaining a strong balance sheet. This enables us to invest in new talent, product development, expand operations and generate returns to all stakeholders. Maintaining a healthy cashflow is also a key element of building financial resilience which enables us to make the right investments and meet operational requirements. By implementing an efficient cash flow management strategy, we aim to guide the company towards sustainable growth.

#### FOCUS AREAS

- Diversify earnings across industries and geographies through investments and partnerships
- Leverage on strategic partnerships to expand our geographic footprint
- Establishing proactive risk management strategies in the evolving and volatile external environment

#### CHALLENGES:

- Business disruptions due to economic crisis
- Supply chain disruptions
- Reduced purchasing power of consumers

#### STRENGTHS AND OPPORTUNITIES:

- Strong market presence
- Long standing business partnerships

### CREATING A UNIQUE CULTURE FOR THE PEOPLE



Organizational culture is hugely important to the success and overall health of our company, our people, and our customers. The end goal is to create a workplace where everyone feels like they're part of a community, with a sense of purpose and motivation. Furthermore, we believe that a competent team with required skills, experience and commitment is essential for us to achieve our strategic objectives. Therefore, we continue to invest in acquiring and improving human resources in order to serve our customers better.

#### FOCUS AREAS

- Provision of a safe and healthy workplace and environment which is conducive to personal and professional growth
- Empowering our employees and providing the opportunity to advance in their careers
- Caring for our people during industry downturns

#### CHALLENGES:

- Retention of a skilled talent pool amidst the mass exodus of talent in the country
- Job enrichment under the challenging circumstances

#### STRENGTHS AND OPPORTUNITIES:

- A young and dynamic workforce

## STRENGTHENING INFRASTRUCTURE



Investing in infrastructure enhances connectivity and accessibility, allowing us to provide a seamless experience to our customers. Furthermore, continuous investments to our technology facilitate a range of benefits including increased efficiency, enhanced customer satisfaction and stronger brand reputation. Providing a superior service to our clients is vital to our growth and bearing this in mind, we will constantly endeavour to upgrade our services by investing in the required infrastructure resources.

### FOCUS AREAS

- Enhance productivity through streamlined processes and automation
- Facilitate innovative solutions to enrich communities
- Progress towards the use of AI tools to identify consumer behaviour and emerging trends

### CHALLENGES:

- Volatile economic conditions that compelled us to adopt a prudent approach towards investments

### STRENGTHS AND OPPORTUNITIES:

- Ability and potential to drive change and innovation within the industry

## SUSTAINABLE GROWTH



Sustainability has always been a vital element of our corporate ethos, as it has a bearing on customer choices, employee support, and investment decisions. By integrating sustainability into our business model, as well as social and environmental impacts into our corporate strategy, we stand better equipped to ensure long-term business resilience and survival. The ultimate objective of our corporate strategy is to create value to all our stakeholders and we will continue to monitor the impact of our actions on the economy, society and environment.

### FOCUS AREAS

- Responsible consumption and production
- Establish management systems to monitor impacts
- Enhance positive impacts while controlling possible adverse impacts
- Enhance product and service quality
- Optimise resource utilisation

### CHALLENGES:

- Changing consumer behaviour
- Supply chain complexity
- Balancing positive and adverse Impacts

### STRENGTHS AND OPPORTUNITIES:

- Safe and healthy working environment for all employees
- Digitalised processes which enable better resource utilisation

## OPERATING ENVIRONMENT



### THE GLOBAL CONTEXT

Following a tentative recovery from the acute phase of COVID-19 pandemic, global economic activity experienced a sharper-than-expected slowdown, with inflation higher than seen in decades. With the cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, economies across the world were striving to achieve a more robust recovery.

Consumer behavior continued to evolve as a result of the pandemic, which saw an increase in demand for services provided by E-commerce and technology related companies. Online shopping, remote work, digital entertainment, and virtual interactions became an integral part of daily life for significant portion of the general population, resulting in a rise in demand for services provided by E-commerce and technology related companies.

E-commerce platforms were well positioned to capitalize on this shift in consumer preferences, as more people embraced the convenience and safety of online shopping.

An indefinite recovery in 2021 was followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, due to downturns in China and Russia,

while US consumer spending fell short of expectations. The world economy already weakened by the pandemic experienced further pressures in the form of higher-than-expected inflation worldwide, especially in the United States and major European economies – triggering tighter financial conditions; a worse than anticipated slowdown in China, reflecting COVID – 19 outbreaks and lockdowns; and additional negative spillovers from the ongoing conflict in Ukraine.

Global growth is forecast to slowdown from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023, which is the weakest growth profile since the global financial crises and the acute phase of the COVID-19 pandemic.

Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023.

During the year global supply chains continued to experience disruptions, impacting various industries. Shortages of raw materials, transportation bottlenecks, and geopolitical tensions affected the movement of goods across borders. Trade relationships, regulations and policy changes had implications for cross-border commerce.

Accordingly, global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024.

### Global Market Trends

Consumer preferences are changing driven by ease of transactions and there is a rise in demand for online shopping and specific products and services offered by e-commerce platforms.

The rise of Artificial Intelligence is transforming how business operate and how consumers experience e-commerce, enhancing consumer shopping experience.

The revenue in the eCommerce market is projected to reach US \$4tn in 2023.

Businesses are looking towards improving their conversion rates by optimizing their online product pages. Multi-Channel selling is used as a way of getting conversions from online customers.

### THE DOMESTIC ECONOMY

The Sri Lankan economy faced an unprecedented economic crisis during the year of 2022, which resulted in a deep contraction amidst the domestic and global headwinds, that reversed the post-pandemic recovery.

There were acute fuel shortages due to the lack of foreign exchange, which

hampered supply chains, prolonged power outages, scarcity of raw materials amidst imports compression, and a rise in the cost of production, which all triggered knock-on effects on consumers and society.

There was an upward revision in major utility prices, amidst soaring global energy prices, and the depreciation of the exchange rate worsened supply side pressures, while accelerated inflation and tax hikes affected the disposable income of households, leading to demand-side challenges.

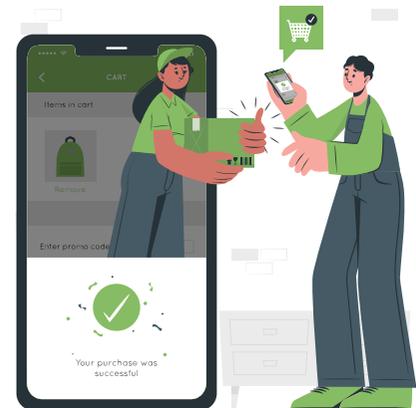
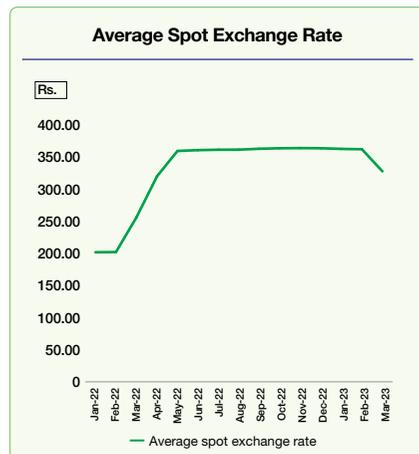
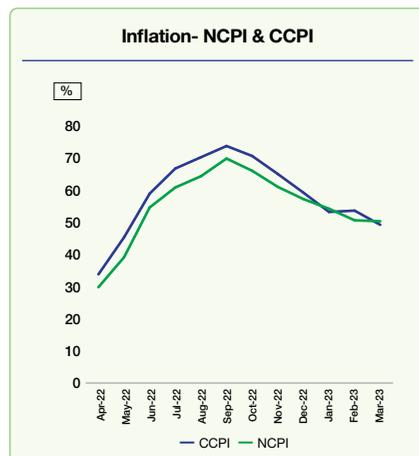
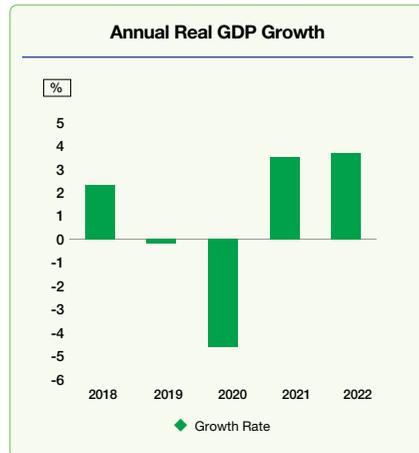
The GoSL entered an agreement with the International Monetary Fund for an Extended Funded Facility (EFF), of SDR 2.286 billion to support Sri Lanka’s economic policies and reforms. This will allow access to international markets and lead the way for sustainable and equitable economic growth.

The year 2022 was a period of extreme uncertainty. However, although the economic volatility was more pronounced during the first half of the year, a gradual improvement was witnessed during the second half.

In September 2022, Sri Lanka’s private consumption surged to 11.960 USD billion, marking a notable uptick from the previous recorded value of 10.379 USD billion in June 2022. This increase reflects a growing momentum in domestic consumer spending. Moreover, private consumption in December 2022 constituted 61.0% of the country’s Nominal GDP, a slight dip from the preceding quarter’s ratio of 61.1%.

This period also witnessed significant changes in the tax landscape. The value-added tax (VAT) underwent successive increments, from 8% to 12% effective from June 1, 2022, and further to 15% effective from September 1, 2022. Concurrently, the government introduced a 2.5% social security contribution levy (SSCL) targeting individuals with annual taxable revenue exceeding Rs.

120 million, effective from October 1, 2022. In addition, the government also increased the personal income tax rate to 36% and the corporate income tax rates up to 30% which further decreased the buying power of the consumers. These fiscal shifts have played a role in shaping consumer behavior and economic dynamics in Sri Lanka during this period.



**INDUSTRY ENVIRONMENT**

Following the pandemic, there were significant shifts in the consumer behavior and business operations within the country. The e-commerce industry sector in particular experienced substantial benefits, as consumers moved to online shopping with increasing contactless transactions. E-commerce platforms subsequently expanded their product offerings to include groceries, essential items, and healthcare products. E-commerce has enabled businesses to tap into global markets, allowing them to expand their customer base beyond geographical constraints.

The severe economic crises that Sri Lanka experienced during the year resulted in a shortage of foreign currency exchange. Contractions were observed in all key sectors of the economy including the e-commerce industry, but the manufacturing and construction sector suffered the most due to shortages of inputs and supply chain disruptions.

Sri Lanka’s current inflation stands at 57.2% according to the IMF. While global problems have contributed to Sri Lanka’s economic situation, the dramatic rise in local prices has been exacerbated by import restrictions, foreign exchange shortages and currency depreciation. The rising inflation has also drastically reduced the purchasing power of consumers.

## OPERATING ENVIRONMENT

### Industry Trends

The rising internet penetration and increasing use of smartphones has given prominence and preference to online shopping, for products and services offered by e-commerce platforms.

Social media platforms are increasingly utilized to reach a wider audience and younger customer base. The emergence of online payment methods by credit card, debit card, and installment payment options offered by KOKO and Mintpay apps have increased the ease of online purchases.

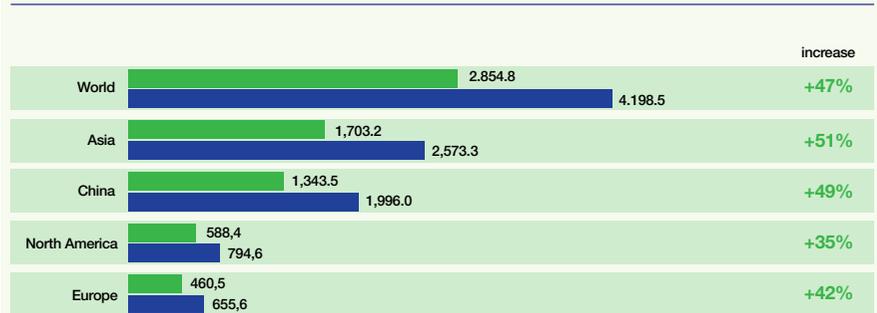
Cloud based convenience stores and E-commerce platforms, have diversified their product offerings to pharmaceuticals, healthcare, fashion, groceries and daily essentials.

The increase in electricity tariffs and fuel costs, coupled with regular power outages in the first half of the year, increased the operational costs of the business.

The increase in interest rates, corporate income tax, VAT and the imposition of SSCL, which is a revenue based tax, has directly increased costs, thereby impacting margins, while also having indirect implications on consumer disposable income.

### Where E-Commerce is Growing Fastest

E-commerce sales in selected countries/regions in 2020 and 2025\* (in billion U.S. dollars)



\* projected  
Source: Statista Digital Market Outlook

### OUTLOOK

According to IMF, following strong policy efforts, the macroeconomic situation in Sri Lanka is showing tentative signs of improvement, with inflation moderating, the exchange rate stabilizing, and the Central Bank rebuilding reserves buffers. However, the overall macroeconomic and policy environment remains challenging.

Inflation is expected to moderate further and stabilize around the targeted level over the medium term. This disinflation process is supported by the lagged impact of tight monetary and fiscal policies, improvements on the supply side, the softening of energy and food inflation, and the favorable base effect.

## DELIVERING SHAREHOLDER VALUE

Financial capital is the lifeblood of our business which is directly linked with all other capitals within our value creation process. This section explains how Kapruka utilized its financial capital in creating and delivering sustainable value to the stakeholders demonstrating progress during the financial year.



Revenue  
**Rs. 1,953 Mn**

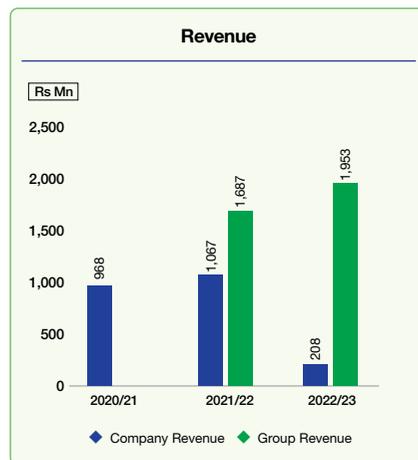
Loss before tax  
**Rs. 30.7 Mn**

Loss after tax  
**Rs. 77.3 Mn**

### REVENUE

In the wake of one of the most challenging years in our history the Kapruka Group recorded a revenue of Rs 1,953 Mn marking an increase of 16% compared to the previous year's revenue of Rs. 1,687 Mn. This is a reflection of our continued commitment to unlock our true potential despite the challenging macro-economic factors hindering consumer demand.

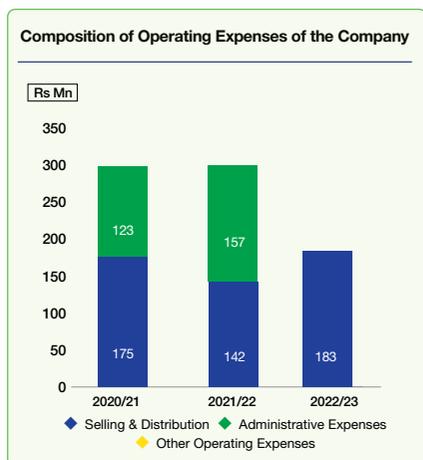
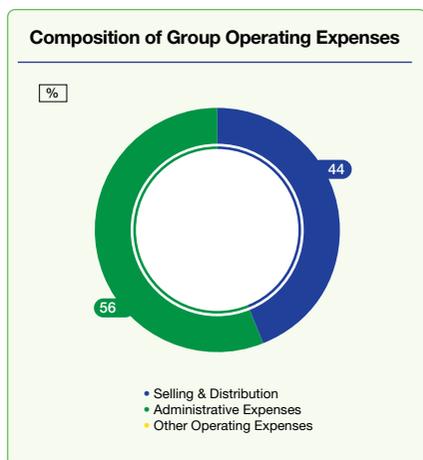
The Group also scaled up its cross-border operations during the year, which contributed to increased sales. While local sales orders were rather subdued as consumer purchasing power dwindled in the backdrop of elevated inflation and macro-economic uncertainty, the increasing use of e-commerce across the globe stood to the benefit of the company allowing us to deliver revenue growth. We witnessed an increase in sales denominated in USD as more expatriates utilized our services to provide essentials for their families in Sri Lanka.



### OPERATING COSTS

Group operating expenses increased by 32% recording Rs. 2.11 Bn during the year with costs of sales increasing significantly by 32% and administrative and distribution costs increasing by 56% and 8% respectively. 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 which helped mitigate the impact of inflationary pressures to some degree.

## DELIVERING SHAREHOLDER VALUE



### PROFIT/(LOSS)

Consolidated gross profits stood at Rs. 527.7 Mn during the year reflecting a 13% drop compared to the prior year, while company gross profit stood at Rs. 208.3 Mn. With the increase in administration and selling and distribution costs the Group recorded an operating loss of Rs. 154.4 Mn. The net finance income of the Group stood at Rs. 125 Mn denoting an increase of 245% compared to the previous year supported by gains through currency conversions on orders placed by foreign expatriate customers and a considerable increase in interest income.

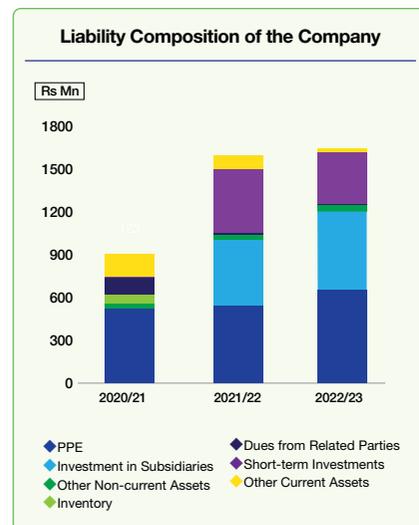
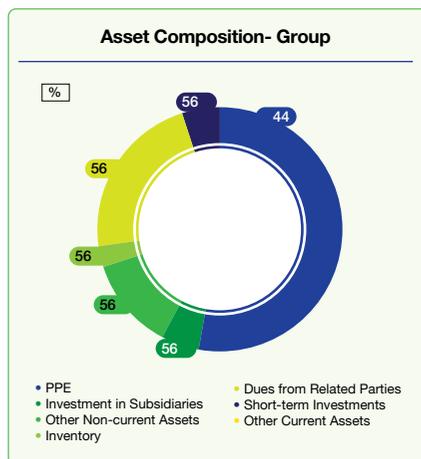
The Group ended the year with a loss before tax of Rs. 30.7 Mn and a net loss of Rs. 77 Mn. Profit before tax demonstrated a decline of 122% compared to the previous year while net

profit declined by 162%. The reduction in Group profits compared to last year's figures resulted from a decrease in local sales, reflecting the Sri Lankan economy's contraction and the VAT/tax increase. The company is currently refashioning its product line to better align itself with the shrinking economy.

	Group		Company	
	2022/23	2021/22	2022/23	2021/22
EPS (Rs)	(0.51)	0.96	0.08	1.25
Return on equity (%)	-8 %	11%	1%	15%
ROCE (%)	5%	10%	11%	14%
Net assets per share (Rs)	6.47	6.98	7.29	7.21
Market price per share (Rs.)	8.30	7.00	8.30	7.00
P/E ratio (Times)	(16)	7	104	6

### ASSETS

Total assets of the Group witnessed a decline of 7% reaching Rs. 1.67 Bn as at 31st March 2023 compared to Rs. 1.79 Bn of the previous year end. Fixed assets accounted for 58% of the total assets which grew by 25% during the year mainly as a result of the increase in property, plant and equipment. Current assets declined by 31% recording Rs. 710 Mn as at year end compared to the prior year's Rs. 1.02 Bn.



### EQUITY AND LIABILITIES

The company's total liabilities marked a decline with non-current liabilities decreasing by 5% and current liabilities decreased by 7%. 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 Group. Total equity of the Group comprising of capital, retained earnings and other reserves also decreased to Rs. 1,061 Mn as of 31st March 2023 as a result of the drop in retained earnings. Return on Capital Employed (ROCE) decreased to 5% while the debt-to equity ratio stood at 50% as at year end.

### Cashflows and liquidity

The company reported a positive cash inflow from operating activities

of Rs. 54.6 Mn during the year, which is an improvement compared to the previous year's inflow of Rs. 47.39 Mn, reflecting prudent management of financial resources. Net cash outflow from investing activities reduced to Rs. 55.4 Mn compared to Rs. 549.71 Mn incurred during the previous year with the acquisition of short-term investments from the IPO proceeds. Net cash outflows from financing activities amounted to Rs. 9.83 Mn. Overall, cash and cash equivalents of the company, for the year, amounted to an outflow of Rs. 4.03 Mn.

Meanwhile, the Group reported a cash outflow from operating activities of Rs. 124.8 Mn for the five-year ended 31st March 2023. Cashflow from investing activities also recorded an outflow of Rs. 20.9 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. 38.8 Mn which resulted in overall cash and cash equivalents of the Group amounting to Rs. -36.2 Mn as at year end. Amidst the uncertain conditions that prevailed during the year the Group continued to focus on proactively managing its cashflows and maintaining sufficient working capital to manage day to day operations and position itself for growth.

	Group		Company	
	2022/23	2021/22	2022/23	2021/22
Net Cash Flow/ (used in) Operating Activities	(124.8)	(27.22)	54.6	47.39
Net Cash Flows/ (used in) Investing Activities Flow/ (used in)	(10.3)	(642.4)	(25.5)	(549.71)
Net Flows/ (used in) Financing activities	28.2	574.69	(39.3)	479.69
Cash and cash equivalents at the end of the year	(36.2)	(5.19)	(4.03)	3.94

#### DISTRIBUTION OF VALUE ADDED

We contribute directly and indirectly towards the socio-economic progress of the country. The total value added during the year was Rs. 539 Mn, out of which the highest percentage was distributed among the Group's pool of 230 employees. 8% of value was retained for growth and expansion purposes while the remainder was distributed to the government, lenders of capital and the community.

Value added statement	2022/23	%
	Rs' 000	
Revenue	1,953,219	
<b>Adjustment for-</b>		
Other Income & Finance Income	189,453	
Share of profits of equity accounted investees	(1,557)	
Less : Cost of material & services purchase	(1,602,447)	
<b>Total Value Added</b>	<b>538,668</b>	
<b>Distributed as follows:</b>		
To employees		
Salaries, wages & other benefits	216,006	40.10
To Government		
Value Added Tax	161,046	
Income Tax & ESC	21,134	
NBT	-	
Assesment Tax	341	182,521
To the providers of capital		
As interest on Loan	97,321	18.07
As non controlling interest	-	-
To shareholders as dividend	-	-
Donation and community Investments	97	0.02
Retained within the Business		
As depreciation & impairment	42,723	7.93
As reserves	-	-
<b>Total Value Distributed</b>	<b>538,668</b>	<b>100.00</b>

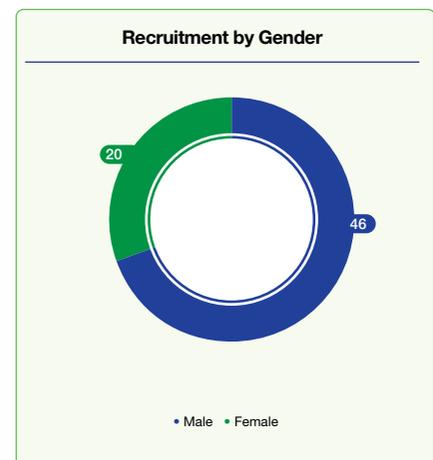
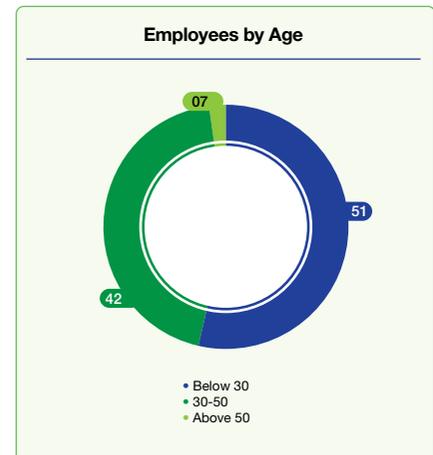
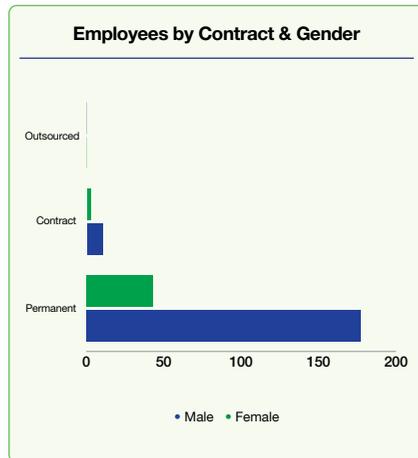
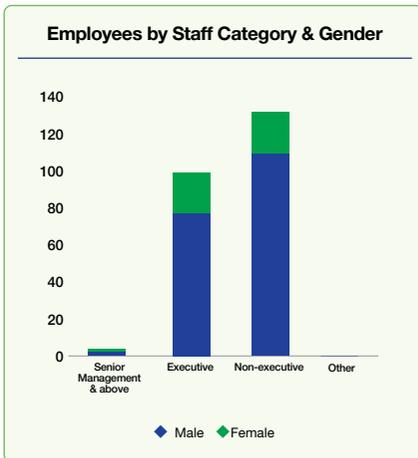
# INVESTING IN OUR PEOPLE

At Kapruka, our commitment to harnessing the potential of our people is at the forefront of our organizational philosophy. Through a multifaceted approach encompassing recruitment, career support, remuneration, development, engagement, and future focus, we pave the way for our employees to thrive and contribute meaningfully to our collective success.



new talents and celebrated 14 internal promotions, epitomizing our commitment to both external and internal growth.

Over the years, we have seen remarkable growth and continued evolution in our team profile. From our humble beginnings, we have expanded our workforce across various agencies. The upward trend in our employee count, as illustrated, is a testament to our commitment to excellence and continuous growth.



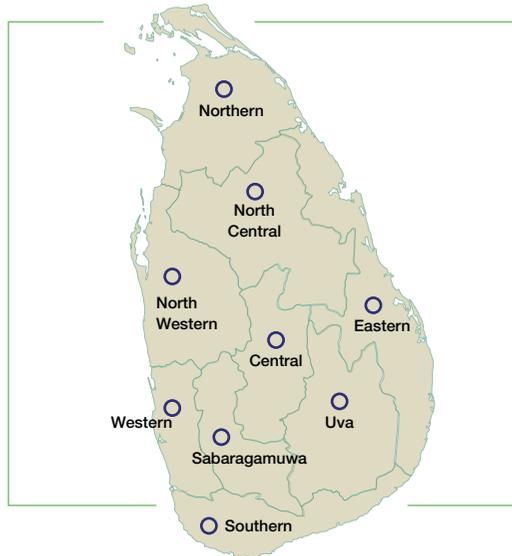
Our HR vision underscores the identification and retention of exceptional talent, timely recognition, and the nurturing of a positive company culture. We follow a strategic approach focusing on a flexible and open work environment, fostering a sense of autonomy among employees, offering competitive benefits, and enhancing our reputation within the industry.

## TALENT ATTRACTION AND RETENTION

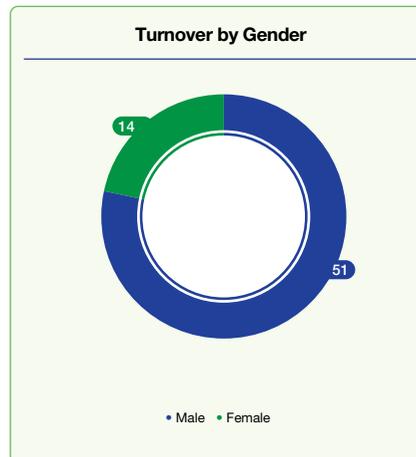
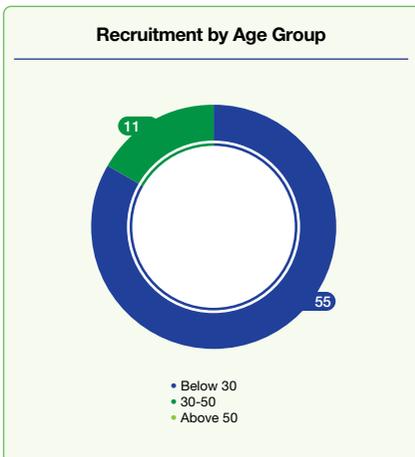
Our journey begins with the careful recruitment of skilled individuals. We embrace diversity, offering equal opportunities regardless of gender, religion, or race. Through an exhaustive six-month probationary period, we meticulously assess the potential of new recruits before they join our permanent team. This year, we welcomed 66

**Recruitment & Turnover by Region**

Recruitment	
Western	51
Central	4
Sabaragamuwa	3
Southern	1
North Western	2
Uva	2
North Central	2
Northern	0
Eastern	1



Turnover	
Western	53
Central	0
Sabaragamuwa	4
Southern	4
North Western	2
Uva	2
North Central	2
Northern	0
Eastern	1



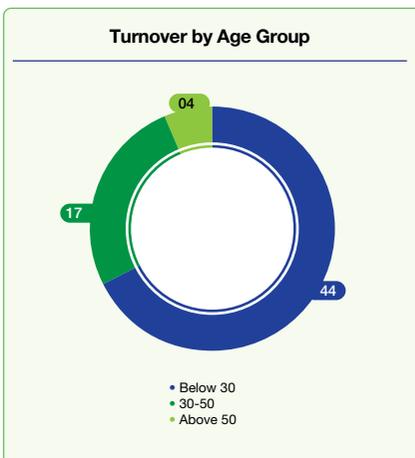
Training remains core to our strategy, ensuring optimal performance. Expanding training opportunities keeps our team upskilled, fostering a culture of continuous learning that gives us a competitive edge in delivering exceptional e-commerce.

**EQUITABLE REMUNERATION**

Our dedication to fair treatment extends to remuneration, where merit is the sole determinant. In the previous year, our staff costs amounted to Rs. 216 Mn, reflecting our unwavering recognition of our employees’ contributions. Our transparent approach to labour relations is evident in the absence of significant labour disputes and pending actions.

Apart from remuneration, we offer a range of other benefits to our employees, as outlined 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.



**EMPOWERMENT AND DEVELOPMENT**

Central to our ethos is empowering employees to reach their full potential. We foster an environment that encourages growth, supported by reimbursing annual professional membership fees, thus investing in both individual development and our workforce.

Our commitment to development extends further through induction programs, leadership training, and skill enhancement. Performance management integrates annual appraisals, immediate supervisor evaluations, and ratings influencing rewards, all within budgetary considerations.

## INVESTING IN OUR PEOPLE

- **Employee accommodation-** 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 instalments 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 working days of holiday for the employee who is getting married.
- "Gifts" on the birth of a child and on the 1st of January among other benefits.



### PERFORMANCE MANAGEMENT

At Kapruka, we recognize that our employees are critical to our success, and we're committed to creating value for them through robust HR processes and systems. Accordingly, we have strengthened our formal performance management system, which pre-defines each employee's KPIs based on organizational goals. This ensures that each employee's objectives are aligned with the Company's broader strategic goals.

We believe that these enhancements to our performance management system will help us improve our organizational performance and create a more positive and fulfilling work environment for our employees. At our Company, we're committed to investing in our employees and empowering them to reach their full potential, and we're confident that our performance management system will enable us to achieve this goal.

### COMMUNICATION AND COLLABORATION

Our employees' engagement is paramount, nurtured through open channels of communication. A flat organizational structure and an open-door policy create an environment where grievances can be voiced, and collaboration is actively encouraged.

Regular meetings facilitate effective communication, fostering a sense of value and belonging.

### AUTOMATION OF HR PROCESSES

In line with the company's overall growth agenda we have taken steps to streamline the human resource processes through the implementation of a new ERP system. This will result in a significant reduction in manual workload, thereby enhancing the overall efficiency and productivity of our staff and enabling optimisation of resources.

### OUTLOOK

Our forthcoming strategies revolve around fostering growth and achieving excellence. We stand ready to elevate employee engagement initiatives, acknowledge collective accomplishments, and give paramount importance to continuous training and advancement. Moreover, our worldwide workforce is a point of pride, spread across diverse international regions, significantly enriching our organizational ethos with its dynamic and multifaceted cultural perspective.

## OPERATING RESPONSIBLY

In Kapruka's financial ecosystem, a cornerstone with a valuation of Rs. 1.13 Bn emerges from a robust assembly of manufactured capital. This confluence of value encompasses diverse assets like Property, Plant & Equipment, Right of Use Assets, and Inventory, constituting 68% of Total Assets: all of which sets a stage for multifaceted value creation and responsible operations.



### MIRIHANA FULFILMENT CENTRE AND OTHER OPERATIONAL LOCATIONS

At the heart of Kapruka's strategic journey lies its Fulfilment Centre, meticulously tailored for the demands of modern e-commerce. In a sprawling expanse exceeding 30,000 square feet, this centre will host innovative features, all synergizing to streamline storage, packaging, and shipping processes. This ground-breaking endeavour is set to revolutionize the landscape for countless high-end brands in Sri Lanka seeking Kapruka as their e-commerce partner. Our centre plays a pivotal role in packaging and delivering products to industry giants such as Amazon.com and eBay.com, catering to the discerning clientele of the USA market. Coveted Sri Lankan brands with global recognition, including Dilmah, Link Products, Dankotuwa, Spa Ceylon, and more, are poised to grace the shelves of Amazon.com through the strategic conduit of Kapruka.

While operating primarily from our established Mirihana location in Sri Lanka, Kapruka Holdings also extends its presence to key international markets, including the USA, UK, and Australia. While economic conditions restricted extensive office expansion, our commitment to optimizing our existing operations remained unwavering.

Marking our steadfast commitment to operational advancement, Kapruka has channelled a substantial investment of Rs. 208.8 Mn into infrastructure development during the previous fiscal year. This resolute expansion of our physical footprint stands as a testament to our unwavering dedication to pioneering solutions that not only redefine the e-commerce landscape in Sri Lanka but also extend our reach to international horizons.

### STRATEGIC INVENTORY MANAGEMENT

As part of our unwavering commitment to continuous improvement, we are actively enhancing inventory management practices to streamline the working capital cycle. This proactive approach becomes particularly pertinent considering the escalating costs associated with stockholding, encompassing both storage expenses and the upward trajectory of interest rates. Through strategic inventory management, Kapruka Holdings navigates the complexities of operations while maintaining financial prudence.

A cornerstone of Kapruka's operational framework is its extensive inventory. This inventory played a significant role in the past year, particularly with the inception of cross-border operations aimed at elevating Sri Lankan brands to international prominence. Strategically distributed across fulfilment centres and warehouses, including those in OHIO, USA, and the facility in Mirihana, we meticulously monitor inventory turnover to ensure optimal selling prices.

Amid operational challenges posed by the fuel and economic crisis of 2022, Kapruka Holdings exhibited resilience and adaptability. Supply chain disruptions prompted suppliers' transition to cash-based transactions, effectively ensuring uninterrupted services. Responding to reduced orders stemming from decreased disposable income, we swiftly shifted focus to provide essential goods. In the face of import restrictions, we creatively sourced local products, thereby maintaining a steady supply despite higher costs.

## OPERATING RESPONSIBLY

Driven by a culture of innovation, Kapruka Holdings introduced a dynamic vendor registration project, facilitating direct vendor engagement. Our commitment to efficient resource utilization led to the implementation of rigorous inventory verification procedures, supplemented by manual checks, effectively reducing product wastage. Further demonstrating prudent financial practices, we optimized operational expenses by investing in internal facilities for event logistics, thus minimizing external outsourcing.

### DIGITALISATION AND ERP SYSTEM

Kapruka Holdings embraces digital transformation by automating a substantial portion of our financial processes, exemplified by approximately 70% of payments being executed online. A pivotal milestone on our journey, the upcoming ERP system (partner center project) promises comprehensive inventory management enhancements, effectively reducing manual labour associated with stock aging and expiry tracking.

### INVESTING IN SUSTAINABILITY

Kapruka Holdings embraces sustainability by conducting regular resource consumption reviews, enabling us to optimize usage and make informed decisions. Our proactive approach extends to rainwater collection and reuse systems, conserving up to 15,000 litres of rainwater. Anticipating a greener future, we plan to install solar panels for enhanced energy efficiency, further contributing to our commitment to environmental responsibility.

### COMPREHENSIVE ASSET UTILISATION

Functioning as an e-commerce powerhouse, our fleet of vehicles assumes a paramount role as a prized asset, seamlessly facilitating widespread last-mile deliveries and diverse logistical operations. Our distinctive array of branded delivery vehicles, including vans, trucks, and bikes, is a familiar

and warmly embraced presence across town, heralding not just a service but an elevated customer experience itself. Beyond their utilitarian function, these vehicles inherently contribute to our brand's prominence, cultivating an aura of anticipation, surprise, and fulfillment that has intricately woven into the fabric of our Group's evolution.

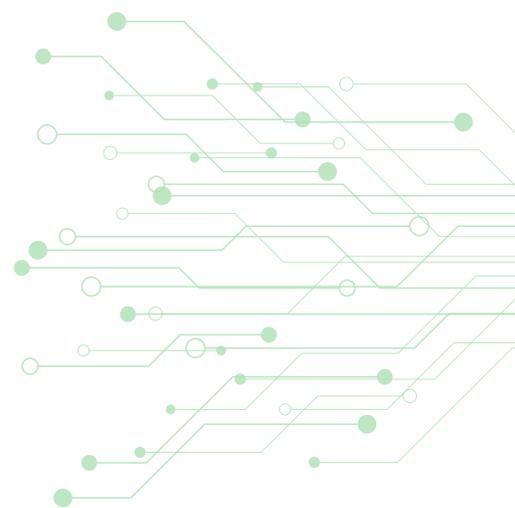
Additional manufactured assets, aside from inventories, account for a cost of Rs. 1.1 Bn and a reduced value of Rs. 955 Mn due to elevated depreciation rates. These assets undergo perpetual investment as they demand frequent upgrades and replacements to align with the brand's progression and technological advancements.

### DEPRECIATION

Understanding asset management requires analyzing depreciation. Motor vehicles constitute 58% of total depreciation, emphasizing the need for replacement. Import restrictions challenge fleet evolution, while rupee depreciation and vehicle scarcity may elevate fleet value.

### OUTLOOK

As the momentum of innovation continues to surge forward, our focus remains steadfast on discovering, nurturing, and applying fresh strategies to fulfil our purpose in the e-commerce arena. One critical strategic goal is to establish a robust framework that demonstrates how our technological investments can contribute net benefits to the planet and its inhabitants. Consequently, we're escalating efforts to communicate this impactful outcome to all stakeholders within our e-commerce ecosystem. Moreover, we're primed to leverage our experiences to effectively advocate for these positive changes and seize opportunities that align with our mission.



## ACHIEVING BUSINESS EXCELLENCE

At the forefront of our pursuit of business excellence stands our unwavering commitment to fortify and amplify our Intellectual Capital. This encompassing asset pool encompasses an intricate fusion of web and mobile platforms, streamlined processes, and advanced systems, constituting the very backbone of our operational prowess. Beyond powering order fulfilment, these systems empower critical functions such as accounting, human resource management, and administrative operations. Notably, our brand forms a dynamic cornerstone within this Intellectual Capital, propelling our strides towards an expanded customer base.



### FOSTERING THE KAPRUKA BRAND

Our prowess in the last mile journey is a defining factor in our quest for excellence. A pinnacle achievement in this endeavour is the inauguration of our state-of-the-art fulfilment center in July 2022. By centralizing our warehouses and integrating cutting-edge inventory management systems, this innovation lays the foundation for streamlined inventory management. As we embrace the next phase of expansion, this strategic move ensures prudent inventory levels in alignment with our ambitions.

The Kapruka brand, more than a mere digital platform, has etched its presence into Sri Lankan homes and resonates deeply within its global audience. Transitioning from a symbol of convenience and quality to a retail powerhouse, Kapruka's trajectory reflects its steady ascent. Fostering

familial bonds across distances, the brand stands as a conduit for heartfelt connections. Its technological innovations amplify its relevance, breathing life into its narrative.

### HARNESSING COLLECTIVE KNOWLEDGE

The foundation of our growth is laid by a cohesive, tech-savvy team, essential for our aspirations as a corporate leader. Our Chairman and CEO, a visionary force, has steered the Group's technological evolution. Collaboratively, the team translates this vision into reality, fostering knowledge transfer through on-the-job coaching, training, and mentorship. This tacit knowledge forms a cornerstone of our Intellectual Capital, resiliently retained even amidst economic uncertainties poised by the fuel crisis of 2022.

### TECHNOLOGY AND INNOVATION

Technology and innovation are a core element of our intellectual capital. We continuously invest in ensuring that the design and functionality of our platforms 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. Furthermore, we embrace the latest technology to enhance the Customer Relationship Management (CRM) system for our suppliers enabling 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.

### ELEVATING OPERATIONAL FRAMEWORKS

While customer relationship management, streamlined warehousing, and efficient order fulfilment remain our keystones, a tapestry of business processes amplifies our operational symphony. These processes, intricately woven, constitute the backbone of our internal controls. Evolving in tandem with our growth, these systems pivot to cater to the diverse information needs of corporate management, the Board, and line managers alike.

## ACHIEVING BUSINESS EXCELLENCE

### GOVERNANCE AND ETHICS

Our approach to governance and leadership is an element of our intellectual capital and supports our overall value creation process. To achieve sustained value, we focus on establishing and maintaining trust with our stakeholders, which would not be possible without embracing governance as a business enabler. Appropriate governance structures and processes enable us to be well-managed and effectively controlled while preserving integrity across all our business activities.

### OUTLOOK

Our path to triumph hinges upon nurturing and consistently investing in our Intellectual Capital. These strategic investments may not be explicitly etched on our balance sheet due to expensed costs, but they form the very essence of our technology-driven business model. Innovating and evolving within this realm will be pivotal in steering our future conquests. We will also continue to ensure the availability, quality, security and safety of the platforms and systems our businesses rely on.

Our journey towards business excellence is intrinsically interwoven with our dedication to enriching and harnessing our Intellectual Capital. This harmonious blend of technology, collaborative teamwork, and strategic investments underpins our aspirations, promising to propel us to new heights of achievement.



**CORPORATE**  
**GOVERNANCE**

## 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. SURESH SUBASINGHE**  
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 43 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), Fellow Member of CA Sri Lanka, Attorney-at-Law 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.

**MR. SIVAKUMAR ALEXANDER**

Executive Director

Mr. Alexander has over 18 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.

## BOARD OF DIRECTORS

### MRS. THILANGANI HERATH

#### Non-Executive Director

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 is a Chartered Accountant and Chartered Global Management Accountant who has 20 year + post qualifying experience serving in leadership C suite Executive positions in both private and state sector in Sri Lanka.

She currently serves as a Global Council Member of Chartered Institute of Management Accountants (CIMA UK), Council Member of the Sri Lanka Institute of Directors (SLID), and a Board Member of Sri Lanka Accounting and Auditing Standards Monitoring Board (SLASSMB), which serves as a regulator.

Manohari completed a three year Board Stint in January 2023 as an Independent Non-Executive Director/ Chairperson -Audit Committee of the National Savings Bank (NSB), which is Sri Lanka's largest State Owned Savings Bank and its fully owned subsidiary NSB Fund Management.

Previously, Manohari served the Hayleys Group, a leading business conglomerate, in multiple leadership roles during an 18 year stint.

She was attached to Hayleys PLC, the parent company, and served as the Head – Strategic Business Development. 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 and was instrumental for Hayleys signing the UN CEO Water Mandate. She 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.

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 Prize-winner 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.

In March 2019, Manohari was selected to represent Sri Lanka by the US State Department in the Fortune Mentoring Program for female leaders

Manohari had Executive Education at ISB Hyderabad, ADB Manila and BHF Bank Germany. She received

the AOTS Scholarship Japan in 2015. In 2014, Manohari was selected for the prestigious International Visitor Leadership Program (IVLP) by the Dept. of State, USA.

Manohari has received many awards for Women Leadership –Women in Management SL (2012), World Women Leadership Congress -Mumbai (2015) and South Asian Partnership Summit-Dhaka (2017).

### MR. SURESH SUBASINGHE

#### Independent Non-Executive Director

(Appointed w.e.f. 13th July 2023)

Mr. Suresh Subasinghe is a celebrated technology expert and visionary leader, recognized for his deep knowledge in digital transformation, enterprise architecture, and innovation. Throughout his distinguished career, he has co-founded and led technology firms, championed digital and e-commerce platforms for Fortune 100 companies, and directed strategic shifts in the global financial sector.

As the Managing Partner of San Francisco-based Arc75 Inc., Mr. Subasinghe co-founded an agency specializing in AI, MarTech, and Personalization solutions for Fortune 100 companies, particularly in high-compliance sectors such as Travel, Healthcare, and Fintech. Under his leadership at Wellpay, a San Mateo firm, they developed digital healthcare products serving over a million patients, generating revenues of \$250 million. At Air Canada, he launched the groundbreaking Digital Experience Platform, foundational to the company's \$15 billion e-commerce and loyalty programs. With United Airlines in Chicago, he spearheaded the cloud transformation of their \$45 billion Ecommerce and Loyalty platforms, and initiated key projects establishing Enterprise AI Platforms and integrating IoT into operations, resulting in over \$100 million in savings. At Zurich Financial Services, his global approach facilitated

strategic technology projects across the US, Switzerland, and the UK.

Mr. Subasinghe earned his MBA from Duke University, North Carolina, in 2010 and holds a Bachelor of Science in Computer Engineering from the University of Utah (2002-2005). In 2019, he completed the Executive Program in Artificial Intelligence at the University of Toronto, Canada.

On July 13th, 2023, Mr. Subasinghe assumed the role of Independent Director at Kapruka Holdings PLC. With his deep understanding of technology and transformation, he now plays a pivotal role in shaping the strategic direction of the company.

Mr. Suresh Subasinghe's career is a testament to his leadership, technological prowess, and innovative mindset. From founding tech startups to driving transformative changes in leading global corporations, he consistently demonstrates a keen ability to enact meaningful change and harness technology for sustainable advancement. As an Independent Director, Suresh is poised to deliver significant value to Kapruka Holdings PLC.

## CORPORATE MANAGEMENT

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01. **MR. SURESH ERANDA** - GENERAL MANAGER

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  02. **MR. AKILA THALPAWILA** - DEPUTY GENERAL MANAGER

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  03. **MS. GAYATHRI BANNEHEKA** - CHIEF TECHNOLOGY OFFICER

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  04. **MR. MANJULA KUMARA** - HEAD OF INTERNAL AUDIT

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  05. **MR. PUBUDU JAYASINGHE** - HEAD OF FINANCE

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  06. **MR. KASUN KULAWANSHA** - MANAGER HUMAN RESOURCES

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  07. **MS. BUDDHIKA CHATHURANGI** - MANAGER - CUSTOMER CARE

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  08. **MR. CHATHURA ATHUKORALA** - MANAGER - BAKERY PRODUCTIONS

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  09. **MS. HARSHANI CHANDRARATNE** - MANAGER - PRODUCT PORTFOLIO

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  10. **MR. JAYANGA FERNANDO** - MANAGER – PROCUREMENT

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  11. **MR. CHANAKA PERERA** – ACCOUNTANT

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  12. **MR. RANDUNU PATHIRANA** - MANAGER - FRUIT AND VEGETABLE

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  13. **MS. CHATHURIKA SOMADASA** - MANAGER – FULFILLMENT

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  14. **MR. ARUNA MADUSHANKA** - MANAGER - SYSTEMS & NETWORK ADMINISTRATION

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  15. **MR. GAMAGE UPENDRA** - MANAGER - LOGISTIC & MAINTENANCE

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  16. **MS. MADUSHI RODRIGO** - MANAGER- CROSS BORDER TRADING

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  17. **MR. DAMITHA GUNAWARDHANA** - MANAGER - FLEET MANAGEMENT

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  18. **MR. BALASUNDARAM SUDARSON** - MANAGER – FULFILLMENT

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  19. **MR. MOHAMMED AFFAN** - MANAGER- MARKETING

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  20. **MR. DINESH GAMLATH** - MANAGER – FMCG

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  21. **MR. JANAKA GUNASEKARA** - MANAGER – STORES

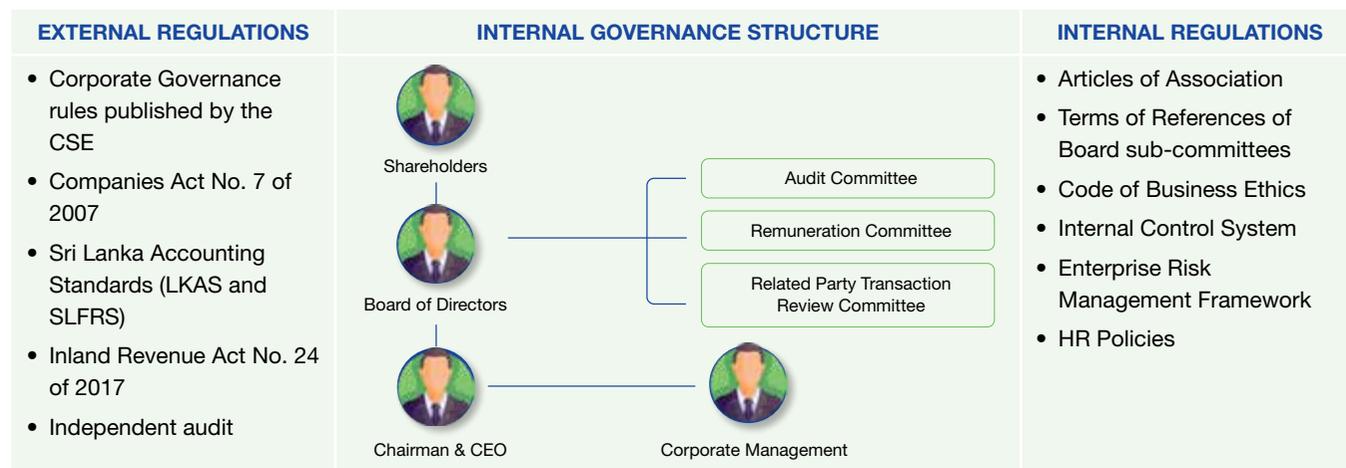
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  22. **MR. NIZRI NIZAM** - ASSISTANT MANAGER- HORTICULTURE
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# CORPORATE GOVERNANCE

## GOVERNANCE STRUCTURE

The board is the focal point for, and custodian of, the Group’s corporate governance systems and bears the 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.

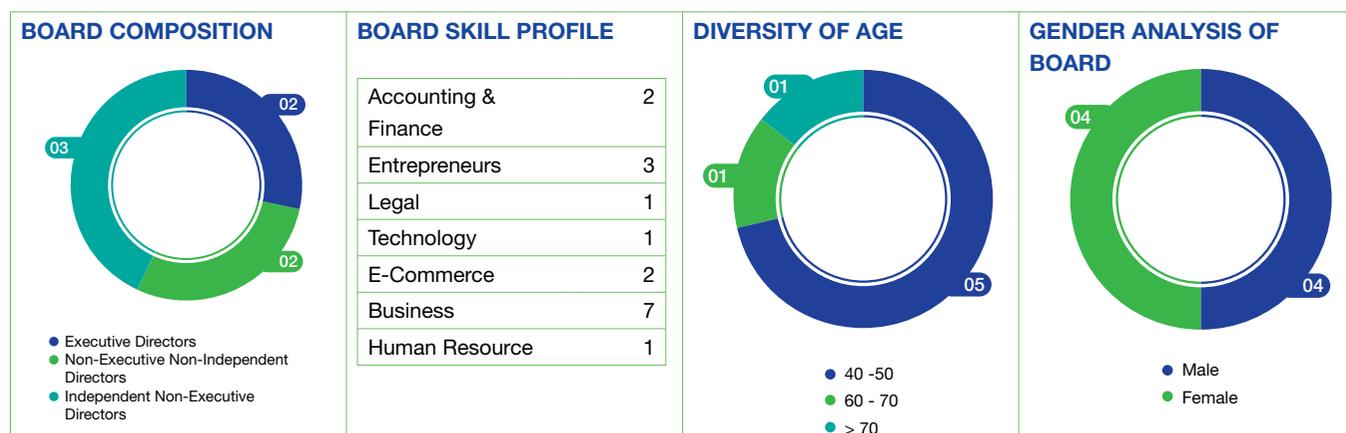


## BOARD COMPOSITION AND EXPERTISE

The Board of Directors provides ethical and entrepreneurial leadership, to safeguard stakeholder value creation within a framework of robust and effective controls. The Board is well balanced and competent to discharge their statutory and fiduciary duties,

objectively and effectively. 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.



## CORPORATE GOVERNANCE

### ROLES AND 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.

Committee	Composition	Areas of oversight
<b>Audit Committee (AC)</b>	<b>Mr. Tishan Subasinghe</b> - Chairman <b>Mrs. Manohari Abeyesekera</b> - Member	<ul style="list-style-type: none"> <li>Compliance with financial reporting requirements,</li> <li>Adequacy and effectiveness of internal controls</li> <li>Adequacy and effectiveness of risk management processes</li> <li>Assessment of the independence and performance of the external auditors</li> <li>Make recommendations to the Board pertaining to external auditors including remuneration and terms of engagement</li> </ul>
<b>Remuneration Committee (RC)</b>	<b>Mrs. Priyanthi Pieris</b> - Chairperson <b>Mrs. Manohari Abeyesekera</b> - Member	<ul style="list-style-type: none"> <li>Considering and recommending to the Board, the broad policy for the remuneration package of Executive Directors, Non-executive directors and Key Corporate Management</li> <li>Recommending and approving total remuneration package including fixed and variable components of the executive directors including the Chief Executive Officer</li> <li>Determining the policy for the terms of employment of the executive Directors</li> <li>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.</li> <li>Reviewing the design of all share incentive schemes.</li> <li>Bearing the responsibility for selecting and appointing any remuneration consultants who advises the committee</li> </ul>
<b>Related Party Transactions Review Committee (RPTC)</b>	<b>Mrs. Manohari Abeyesekera</b> - Chairperson <b>Mrs. A. Herath</b> - Member <b>Mr. Tishan Subasinghe</b> - Member	<ul style="list-style-type: none"> <li>Establishing a policy framework and process to review related party transactions of the Group</li> <li>Ensuring that due process is followed for all related party transactions</li> <li>Determining whether related party transactions to be entered into by the Group require Board or shareholder approval.</li> <li>Ensuring that immediate market and Annual Report disclosures are made in a timely and detailed manner as required by the CSE Listing Rules</li> </ul>

<b>BOARD MEETINGS</b>									
Attendance by the committee members at those meetings	21st April 2022	04th May 2022	30th May 2022	12th August 2022	23rd September 2022	08th Novemebr 2022	23rd December 2022	14th February 2023	20th March 2023
Mr. H P Dulith Vinodan Herath (DH) - Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Anuradha Malimage Herath (AM) - Director	✓	✓		✓		✓	✓	✓	✓
Mr. S M T H Subasinghe (TS) - Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. M P Abeysekera (MA) - Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Thilangani Herath (TH) - Director	✓			✓	✓	✓	✓	✓	✓
Mrs.D.P.Peiris (PP) - Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr.S.S.Alexander (SA) - Director	✓	✓	✓	✓		✓	✓	✓	✓

<b>AUDIT COMMITTEE</b>										
Attendance by the committee members at those meetings	8th April 2022	16th May 2022	24th May 2022	08th August 2022	12th August 2022	10th October 2022	08th Novemebr 2022	11th Novemebr 2022	30th January 2023	08th February 2023
Mr. S M T H Subasinghe (TS) (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. M P Abeysekera (MA)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

<b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b>									
Attendance by the committee members at those meetings	8th April 2022	30th May 2022	17th June 2022	12th August 2022	30th September 2022	08th Novemebr 2022	23rd December 2022	08th February 2023	20th March 2023
Ms. M P Abeysekera (MA)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. S M T H Subasinghe (TS)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Anuradha Herath						✓	✓	✓	✓

<b>REMUNERATION COMMITTEE</b>									
Attendance by the committee members at those meetings								26th August 2022	06th October 2022
Ms. Priyanthi Pieris (PP)								✓	✓
Ms. M P Abeysekera (MA)								✓	✓

**KEY AREAS AND ACTIVITIES CONSIDERED IN 2022/23**

Strategy	Governance
Risk	Stakeholder engagement

## CORPORATE GOVERNANCE

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

Rule		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof	✓	Annual Report of the Board of Directors – Page 43
168 (1) (b)	Signed financial statements of the Kapruka Holdings Group and the Company	✓	Statement of Directors Responsibilities – Page 36
168 (1) (c)	Auditors' Report on financial statements of the Company and Kapruka Holdings Group	✓	Independent Auditor's Report – Page 55
168 (1) (d)	Accounting policies and any changes therein	✓	Notes to the Financial Statements – Page 64
168 (1) (e)	Particulars of the entries made in the Interests Register	✓	Annual Report of the Board of Directors – Page 43
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	✓	Notes to the Financial Statements – Page 64
168 (1) (g)	Corporate donations made by the Company	✓	Notes to the Financial Statements – Page 64
168 (1) (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 43
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	✓	Notes to the Financial Statements – Page 64
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	✓	Independent Auditor's Report – Page 55
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	✓	Statement of Financial Position – Page 58

### 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/ NonIndependence 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 30

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
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 30
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	✓	New Director appointed on 13th July 2023. Profiles of Directors on page 30
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 52
7.10.5(a)	Composition of the 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.	✓	Comprises solely of Independent Non Executive Directors
7.10.5.(b)	Composition of the 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 43
7.10.6	Audit Committee	The Company shall have an Audit Committee	✓	Roles & Responsibilities on page 36 and Report of the Audit Committee on page 48
7.10.6(a)	Composition of Audit Committee	Audit Committee shall comprise of NEDs a majority of whom should be Independent A NED shall be appointed as the Chairman of the Committee The CEO should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	✓	The Audit Committee Chair and member are all Independent Non executive directors The CEO is invited to attend Audit Committee Meetings The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka

## CORPORATE GOVERNANCE

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6(b)	Audit Committee Functions	Overseeing of the Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the External Auditors 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		See report of the Audit Committee on page 48
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	Names of Directors comprising the Audit Committee The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions		See report of the Audit Committee on page 48

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

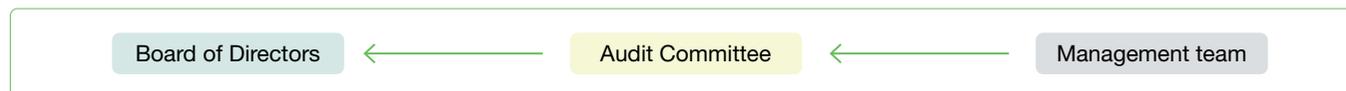
Rule	Compliance Status	Reference (within the Report)
(a) Details pertaining to Non-Recurrent Related Party Transactions (RPT)		Notes to the Financial Statements – Page 64
(b) Details pertaining to RPT		Notes to the Financial Statements – Page 64
(c) Report of the Related Party Transactions Review Committee		Corporate Governance – Page 35
(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 43

## RISK MANAGEMENT

A sound risk management system is vital for any organization to keep up with the turbulent and ever-evolving external environment. At Kapruka, we seek to create value for all stakeholders by ensuring that Group companies effectively identify and mitigate a range of operational, structural, financial and strategic risks that may otherwise prevent the organisation from meeting its objectives.

### RISK GOVERNANCE

The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems, and the management provides a confirmation to the Board on the effectiveness of these systems. The Board and the management of Kapruka continuously face the challenge of striking a balance between the downside exposure and upside potential to optimize or preserve value creation.



The Audit Committee plays a key role in management of risk by monitoring the effective function and adequacy of the internal controls in place to ensure reliability of information, financial reporting processes, safeguarding of assets and compliance with regulatory requirements.



Kapruka has been in the business of e-commerce for over a decade, and has over the years, expanded to reach a wider consumer base in the domestic market while positioning itself as an exporter of products manufactured in Sri Lanka. 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 in achieving the Company’s objective of enhancing stakeholder value and safeguarding its assets are set out below.

Principal risks	Potential impact	Response and mitigating action
<b>Rapid evolution of technology</b>	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
<b>Changing consumer behaviour</b>	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

## RISK MANAGEMENT

Principal risks	Potential impact	Response and mitigating action
<b>High stock holding costs</b>	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
<b>Increase in fuel prices and availability of fuel</b>	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.
<b>Fiscal reforms have an adverse impact on business</b>	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	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
<b>Foreign exchange crisis and Import restrictions</b>	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	Retaining our 1 million + 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
<b>Talent retention</b>	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	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.
<b>Strategic risks</b>	Kapruka has a dynamic business model that continues to adapt to seize the opportunities perceived in it operating environment	While the Group pursues businesses around its technology and e-commerce growth, the new ventures serve to diversify its inherent risks

# 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 2023. 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 PV 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 31/08/2023 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 2023. The names of the subsidiaries, percentage of the ownership and their principal business activities are as tabulated below:

Entity	Principal Business Activities	% of Holdings
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 page 5. The main activities of these companies’ sectors are described in the Portfolio Review page on 5 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 (page 8).

### 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.

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

## 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 2023 which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) are given on pages 58 to 107 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 2023 and their response on those financial statements are given on pages 55 to 57.

## 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 64 to 107 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 2023 were as follows:-

Name of the Directors	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
Mr. S D Subasinghe	Nil

### 3.2.1 Directors' Remuneration

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

	31st March 2023	31st March 2022
Director's Emoluments	19,674,526	17,502,278

## 3.8 Corporate Donations

Donations have not been made by the Company during the year (2022 - Rs. 65,650/-).

## 4. FUTURE DEVELOPMENTS

Future developments are discussed in the Chairman's message (page 8), of this Report.

## 5. PERFORMANCE AND RESERVES

### 5.1. Performance

The Group's Loss Before Tax amounted to Rs. 31Mn. After deducting Rs. 46.5 Mn for taxation the loss was Rs. 77.3 Mn. No noncontrolling interests was available, the Group loss attributable to owners of the Parent for the year was Rs. 84.4 Mn.

### 5.2 Reserves

Total Group Reserves as at 31st March 2023 amounts to Rs. 293 Mn. Other components of equity was Rs.769 Mn and Revenue Reserves Rs.142 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. 209 Mn and Rs. 32 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 06 - 08 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.

## 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 2023 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

We are pleased to inform you that the Company has successfully completed this project at a total cost of Rs. 40,900,000/-, although the initial planned investment was Rs. 100,000,000/-. This was due to efficient strategies,

including the in-house development of our Warehouse Management System (WMS) using open-source software and conducting the rest of the software development internally.

This project was developed to expand the core system with the ultimate goal of offering a world-class online purchasing experience to the end consumer via the use of better technologies. The original intention as set out in the Prospectus, was to purchase SAP or Oracle ERP and WMS. However, as stated above, the development was conducted internally, thereby saving Rs. 59,100,000/-.

At the AGM, held on 30th September 2022, the shareholders approved to utilize a sum of Rs. 30,000,000/- out of the aforesaid saving to upgrade in addition to the existing technologies and infrastructure set out in the Prospectus, the infrastructure of the building premises, namely the installation of a solar roof for the newly built warehouse in Mirihana and the installation of additional storage racks and storage equipment.

As part of the continuous efforts of the management, to evaluate the cost-effectiveness of all investments, and as recommended to the Board, it has been decided not to proceed with the installation of the planned solar roofing system since after careful analysis the management was of the view that the anticipated savings in the electricity cost were not substantial enough to justify the investment.

The unutilized funds amounting to Rs. 59,100,000/- from this project are recommended to be channeled towards meeting the working capital requirements and thereby, strengthening the Balance Sheet of Kapruka Holdings PLC, which the management believes will further enhance the Company's financial stability and ensure a robust foundation for the Company's future initiatives.

#### **(b) USED-GOODS MARKETPLACE UNDER THE OBJECTIVE SET OUT IN CLAUSE 3.5.2 "LAUNCHING KAPRUKA PLATFORM SERVICES"**

In terms of the IPO Prospectus dated 14th December 2021, one of the objectives of raising funds was for the purpose of investing a sum of Rs. 55,520,400/-, to develop Kapruka business-to-business (B2B) operations which combine the bulk purchases, convenience, and value of Kapruka high-quality order fulfillment with features that help improve business purchasing for re-selling purposes. Grocery items would be the primary category here whilst it was to be later expanded to wholesale of fruit and vegetables. This operation was to be carried out by Kapruka E-commerce (Pvt) Limited. The proceeds were to be invested in the recruitment of marketing, operational, and support teams. Initial inventory purchase and marketing (Credit card promotions and other membership-based initial discounts for customer acquisition). Recruitments and the said start-up expenses were to be at market values and did not involve related party transactions.

During the progression of the IPO objective of the Kapruka Partner Central Project, the management recognized the feasibility of incorporating the planned features of the Kapruka wholesale Marketplace into the Kapruka Partner Central platform; without incurring any extra expenses.

This integration will serve to streamline Kapruka e-Commerce (Pvt) Limited's operations as it combines both - business-to-consumer (B2C) and business-to-business (B2B) functionalities into a single, unified platform, thereby minimizing administrative complexities.

The fusion of resources, personnel, and technological development, which were initially intended for two distinct platforms, will result in notable cost efficiencies. This strategy is more

conducive to the effective allocation of the IPO proceeds.

The Rs. 55,520,400/- previously allocated for the separate B2B project which is unutilized is recommended to be channeled towards meeting the working capital requirements and thereby, strengthening the Balance Sheet of Kapruka Holdings PLC, which the management believes will further enhance the Company's financial stability and ensure a robust foundation for the Company's future initiatives.

#### **Share Information**

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 108.

#### **10. DIRECTORS**

The Board comprises of 08 Directors, out of whom 02 are Executive Directors & 06 are Non-Executive Directors to maintain the Board balance. Names of the Directors served during the financial year are given on pages 30 of this report. The brief profiles of the Board of Directors appear on pages 30.

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, Mr. H.P.D.V Herath - Director, Mrs. D.P. Pieris-Director, and Mr. S.M.T.H Subasinghe-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.

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

## 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 48 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 52 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 50 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 page 25.

## 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 48.

## 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 102.

## 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 2023/24 will be proposed at the Annual General Meeting.

## 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 7 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 108 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.

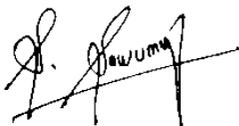
## 26. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday 27th September 2023 at 11.30 a.m via online meeting platform.

### NOTICE OF MEETING

The Notice of the Annual General Meeting to the Shareholders is given on page 110.

By order of the Board



Kreston Corporate Services (Pvt) Ltd  
Secretaries of the Company

31st August 2023

## THE REPORT OF THE AUDIT COMMITTEE



**Tishan Subasinghe**  
Chairman - 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:-

- |   |
|---|
| 1. Mr. S.M.T.H Subasinghe<br>(IND/NED) (Chairman)                       |
| 2. 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 30 to 33 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 minimize 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 Ten (10) occasions during the year 2022/23. Attendance by the Committee members at these meetings is as follows:-

1. Mr. S.M.T.H. Subasinghe (IND/NED)	10/10
2. Mrs. M.P. Abeyesekera (IND/NED)	10/10

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 2023 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 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 2022/23

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 2023 and hence the independence of the External Auditors has not impaired.

The fees paid to the auditors are shown under note 29 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 2024, 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



**Manohari Abeysekera**  
Chairperson - Related Party Transaction 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. M. P. 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 CIMA UK, and Sri Lanka Institute of Directors, and serves as a Director of Sri Lanka Accounting Standards Monitoring Board. She possesses 20 + years of post-qualifying experience. Brief profiles of the members of the Committee are given on pages 30 to 33 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 :

- 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 favorable 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 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 Nine (09) occasion during the year 2022/23. Attendance by the Committee members at these meetings is as follows:-

Members	
1. Mrs. M.P. Abeysekera (IND/NED)	9/9
2. Mr. S.M.T.H. Subasinghe (IND/NED)	9/9
3. Mrs. A. M. Herath (NIND/ NED)	4/9

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 organizational 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 2023.

#### 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 87 to 90.



**Manohari Abeysekera**  
Chairperson

Related Party Transaction Review  
Committee

31st August 2023

## REPORT OF THE REMUNERATION COMMITTEE



**Priyanthi Pieris**  
Chairperson - 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. M P Abeysekera** - Independent Non-Executive Director

Mrs. D P Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka, and a Solicitor of England and Wales with over 40 years of experience in the field of Corporate/ Securities Law. Brief profiles of the members of the Committee are given on pages 30 to 33 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 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 make recommendations to the Board for their approval.

The scope of the Committee also involves, looking into the fees and perquisites of the Chairman and the Non-Executive Directors of the Board of the Company as recommended by the management, and submit the Committee's recommendations for the approval of the Board.

All Non-Executive Directors receive fees for serving on sub-committees, except for Mrs. D P Pieris who had opted not to receive a separate fee for attending the Remuneration Committee meetings.

### 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 incentivization 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 two (02) times during the year under review with the attendance of all its members.

Mrs. D. P. Pieris (Chairperson)	2/2
Mrs. M. P. Abeysekera	2/2

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

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

- Committee formation and Terms of Reference

- Remuneration of Directors and Key Management Personnel – The Committee recommended changes to the remuneration packages of the Non-Executive Directors after reviewing the current remuneration.
- 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.
- 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 organizational 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.

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

#### **DIRECTORS’ EMOLUMENTS**

The Directors’ emoluments are disclosed in page No 88.



**Priyanthi Pieris**  
Chairperson  
Remuneration Committee

31st August 2023



**FINANCIAL**  
**STATEMENTS**

# INDEPENDENT AUDITOR'S REPORT



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

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Fax (Gen): +94 11 269 7369  
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ey.com

## INDEPENDENT AUDITOR'S REPORT 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 2023, 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 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### BASIS FOR OPINION

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

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

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

A member firm of Ernst & Young Global Limited

**INDEPENDENT AUDITOR'S REPORT**

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue from Contracts with Customers</b></p> <p>The Group derived its revenue of Rs. 1.95 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"> <li>• The materiality of revenue reported, together with the significant increase (16%) in revenue recorded during the year.</li> <li>• The Group has processes and controls, many of which are automated, to enable the processing and recording of revenue.</li> </ul>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and tested the operating effectiveness of relevant key controls over the recognition of revenue. Our procedures included testing the general IT control environment and the key IT application controls relating to significant IT systems relevant to revenue recognition.</li> <li>• We performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenue.</li> <li>• We tested the appropriateness of revenue recognized during the year, particularly towards year end, by reviewing relevant sales invoices, delivery confirmations and other relevant supporting documents.</li> </ul> <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>
<p><b>Existence and carrying value of inventories</b></p> <p>As at 31 March 2023, the carrying value of inventories amounted to Rs.233 Mn and the allowance for slow moving and obsolete inventories is Rs. 33 Mn, as disclosed in Note 13 and 13.1 to the financials statements.</p> <p>Existence and carrying value of the inventory was a key audit matter due to;</p> <ul style="list-style-type: none"> <li>• The materiality of the reported amount, which represent 14% of the total assets of the group, and</li> <li>• the use of significant management judgements over identifying inventories requiring to be written down to net realizable value (NRV) and the related estimates applied in determining the allowance for inventory slow moving obsolescence of inventories.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the types and forms of inventories maintained by the entity, together with the key processes and controls relating to the management and measurement of inventories.</li> <li>• We observed physical inventory counts and reconciled the count results to the inventory reports that support the reported balance as at the reporting date.</li> <li>• We tested whether inventories were stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items and assessed the reasonableness of judgements applied by the management in recording inventories at net realizable value.</li> <li>• We tested the aged analysis of inventories considered by management for purposes of determining the allowance for slow – moving and obsolete inventory including assessing the reasonableness of judgements applied by the management.</li> </ul> <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 2022/23 ANNUAL REPORT**

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

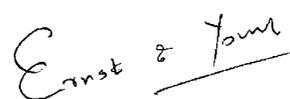
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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 4169.



31 August 2023

Colombo

## STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6.	879,791,531	695,356,234	650,081,933	542,503,026
Right-of-use assets	7.	52,848,864	61,004,601	44,412,909	27,437,634
Intangible assets	8.	17,065,806	2,565,068	1,165,806	1,965,857
Investments in subsidiaries	9.	-	-	550,606,060	459,629,020
Investment in equity accounted investees	10.	20	1,557,062	20	20
Other non-current financial assets	11.	939,808	779,582	939,808	779,582
Consumable biological assets	12.	148,232	396,347	-	-
Deferred tax assets	22.	12,249,208	8,009,043	-	-
		963,043,468	769,667,937	1,247,206,535	1,032,315,139
<b>Current assets</b>					
Inventories	13.	200,182,342	256,116,568	-	-
Trade and other receivables	14.	49,649,901	60,949,234	23,008,932	7,754,464
Amounts due from related parties	15.1	41,996,892	115,352,316	5,645,505	16,465,656
Deposits, advances and prepayments	16.	10,768,427	85,442,735	3,037,590	76,332,060
Income tax receivable		-	2,360,746	-	2,360,746
Short term financial assets	17.	372,161,915	463,052,585	359,000,000	450,000,000
Cash and cash equivalents	18.1	36,132,139	44,945,116	3,561,590	9,956,443
		710,891,617	1,028,219,300	394,253,618	562,869,369
<b>Total assets</b>		<b>1,673,935,085</b>	<b>1,797,887,237</b>	<b>1,641,460,153</b>	<b>1,595,184,508</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Stated capital	19.	769,174,795	769,174,795	769,174,795	769,174,795
Revaluation reserve		150,999,424	150,999,424	150,999,424	150,999,424
Retained earnings		141,763,392	226,221,251	277,068,541	263,156,827
<b>Total equity</b>		<b>1,061,937,611</b>	<b>1,146,395,470</b>	<b>1,197,242,760</b>	<b>1,183,331,046</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	20.	183,916,699	226,583,053	112,227,670	125,998,091
Retirement benefit obligation	21.	20,919,490	15,879,327	7,399,663	4,032,979
Deferred tax liability	22.	73,407,869	50,132,019	73,379,263	50,132,019
		278,244,059	292,594,399	193,006,597	180,163,090
<b>Current liabilities</b>					
Interest bearing loans and borrowings	20.	193,214,400	143,186,552	63,139,768	67,778,213
Trade and other payables	23.	65,990,012	84,770,413	2,802,609	6,525,838
Amounts due to related parties	15.2	-	16,885,779	137,908,572	107,230,589
Advances received from customers		18,914,231	36,597,596	-	-
Income tax payable		9,742,750	-	9,677,614	-
Provisions and accrued expenses	24.	45,892,022	77,457,028	37,682,233	50,155,730
		333,753,414	358,897,368	251,210,798	231,690,372
<b>Total equity and liabilities</b>		<b>1,673,935,085</b>	<b>1,797,887,237</b>	<b>1,641,460,153</b>	<b>1,595,184,508</b>

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



**Pubudu Jayasinhe**

Head of Finance

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 64 to 107 form an integral part of these financial statements.

31 August 2023

Colombo

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Revenue from contracts with customers</b>	25.	1,953,218,800	1,687,378,828	208,395,751	1,067,216,266
Cost of sales		(1,425,458,315)	(1,078,260,998)	-	(621,564,191)
<b>Gross profit</b>		527,760,485	609,117,831	208,395,751	445,652,076
Other income	26.	7,237,411	20,021,590	212,314	14,912,908
Selling and distribution expenses		(303,056,419)	(280,552,756)	-	(142,585,635)
Administrative expenses		(386,427,161)	(247,502,727)	(183,355,171)	(157,219,310)
<b>Results from operating activities</b>		(154,485,684)	101,083,937	25,252,893	160,760,038
Share of Profit of Investment in Associates		(1,557,042)	1,557,042	-	-
Finance cost	27	(56,967,219)	(5,506,579)	(61,373,965)	(1,908,136)
Finance income	28.	182,215,329	41,789,175	107,994,024	26,767,684
<b>Net Finance income</b>		125,248,110	36,282,596	46,620,059	24,859,548
<b>Profit/(loss) before tax</b>	29.	(30,794,616)	138,923,575	71,872,954	185,619,587
Income tax expense	30.	(46,517,580)	(9,313,014)	(56,874,506)	(13,943,426)
<b>Profit/(loss) for the year</b>		(77,312,195)	129,610,561	14,998,448	171,676,161
<b>Profit/(loss) for the period attributable to:</b>					
Equity holders of the parent company		(77,312,195)	129,610,561	14,998,448	171,676,161
Non-controlling interest		-	-	-	-
		(77,312,195)	129,610,561	14,998,448	171,676,161
<b>Other comprehensive Income</b>					
Actuarial gains/(losses) on defined benefit plans	21.1	(1,390,007)	(1,199,935)	(2,598,009)	(766,385)
Income tax effect on defined benefit plan	22.	(8,139,858)	5,330,422	(872,927)	2,769,494
		(9,529,865)	4,130,487	(3,470,936)	2,003,109
Revaluation Gain/(loss) on Land		-	-	-	-
Income tax effect on revaluation on Land		2,384,202	-	2,384,202	-
		2,384,202	-	2,384,202	-
Other comprehensive income for the year, net of tax		(7,145,664)	4,130,487	(1,086,734)	2,003,109
<b>Total comprehensive income for the year, net of tax</b>		(84,457,859)	133,741,049	13,911,714	173,679,270
<b>Total comprehensive Income attributable to:</b>					
Equity holders of the parent company		(84,457,859)	133,741,049	13,911,714	173,679,270
		(84,457,859)	133,741,049	13,911,714	173,679,270
Basic/Diluted earnings/(deficit) per share	31.	(0.51)	0.96	0.08	1.25

The accounting policies and notes on pages 64 to 107 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023	Attributable to equity holders of the parent				
	Group	Stated capital	Revaluation Reserve	Retained earnings	Total
		Note	Rs.	Rs.	Rs.
<b>Balance as at 1 April 2021</b>		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
<b>Balance as at 31 March 2022</b>		769,174,795	150,999,424	226,221,251	1,146,395,471
Profit/(Loss) for the year		-	-	(77,312,195)	(77,312,195)
Other comprehensive income		-	-	-	-
Actuarial gains/(losses) on defined benefit plans	21.1	-	-	(1,390,007)	(1,390,007)
Income tax effect on revaluation on Land	22.	-	-	2,384,202	2,384,202
Income tax effect on defined benefit plan	22.	-	-	(8,139,858)	(8,139,858)
Total other comprehensive income/(loss), net of tax		-	-	(7,145,664)	(7,145,664)
<b>Total comprehensive income/(loss) for the year, net of tax</b>		-	-	(84,457,859)	(84,457,859)
<b>Balance as at 31 March 2023</b>		769,174,795	150,999,424	141,763,392	1,061,937,612

The accounting policies and notes on pages 64 to 107 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Year ended 31 March 2023					
Company		Stated capital	Revaluation Reserve	Retained earnings	Total
	Note	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 April 2021</b>		272,500,028	150,999,423	89,477,555	512,977,006
Issue of Shares	19.	505,520,400	-	-	505,520,400
Transaction Cost for issued share capital		(8,845,633)			(8,845,633)
Profit for the year			-	171,676,161	171,676,161
<b>Other comprehensive income</b>					
Actuarial gains/(losses) on defined benefit plans	21.1	-	-	(766,385)	(766,385)
Income tax effect on defined benefit plan	22.2	-	-	2,769,494	2,769,494
Total other comprehensive income/(loss), net of tax		-	-	2,003,109	2,003,109
<b>Total comprehensive income/(loss) for the year, net of tax</b>		-	-	<b>173,679,270</b>	<b>173,679,270</b>
<b>Balance as at 31 March 2022</b>		<b>769,174,795</b>	<b>150,999,423</b>	<b>263,156,825</b>	<b>1,183,331,045</b>
Profit for the year		-	-	14,998,448	14,998,448
<b>Other comprehensive income</b>					
Actuarial gains/(losses) on defined benefit plans	21.1	-	-	(2,598,009)	(2,598,009)
Income tax effect on revaluation on Land	22.	-	-	2,384,202	2,384,202
Income tax effect on defined benefit plan	22.	-	-	(872,927)	(872,927)
Total other comprehensive income/(loss), net of tax		-	-	(1,086,734)	(1,086,734)
<b>Total comprehensive income/(loss) for the year, net of tax</b>		-	-	<b>13,911,714</b>	<b>13,911,714</b>
<b>Balance as at 31 March 2023</b>		<b>769,174,795</b>	<b>150,999,424</b>	<b>277,068,540</b>	<b>1,197,242,759</b>

The accounting policies and notes on pages 64 to 107 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF CASH FLOWS

As at 31 March	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flows from/ (used in) operating activities					
Profit / (Loss) before tax		(30,794,616)	138,923,575	71,872,954	185,619,587
<b>Adjustments for,</b>					
Interest Expenses	27	56,967,219	5,506,579	61,373,965	1,908,136
Interest Income	28.	(106,407,750)	(9,805,696)	(105,287,547)	(9,514,321)
Gain on disposal of property, plant and equipment	26	(306,608)	(10,388,156)	-	(4,411,042)
Gain on ROU derecognition		(212,314)	(10,250,601)	(212,314)	(6,217,343)
Depreciation of property, plant & equipment	6.1.2	22,629,105	19,777,972	14,320,923	15,442,320
Depreciation of Right-of-use Assets	7.1.1	17,597,095	15,648,649	11,408,970	10,442,525
Foreign currency exchange gain	28.	(75,807,579)	(31,983,479)	(2,706,477)	(17,253,362)
Amortization for intangible assets	8.	1,399,262	443,355	800,051	358,969
Allowance for expected credit loss		1,097,871	7,654,645	-	5,197,385
Bad debt write-off		-	121,471	-	121,471
Share of profit of investment in associate		1,557,042	(1,557,062)	-	-
Provision for slow moving inventory		1,420,127	28,702,671	-	-
Provision for retirement benefit obligations	21.	5,265,008	903,011	1,552,676	(3,227,512)
<b>Operating profit/(loss) before working capital changes</b>		<b>(105,596,137)</b>	<b>153,696,934</b>	<b>53,123,200</b>	<b>178,466,810</b>
(Increase) / decrease in inventory		54,514,098	(218,772,776)		(108,768,063)
(Increase) / decrease trade & other receivables		9,921,762	2,132,201	(15,254,468)	44,330,019
(Increase) / decrease in deposits & prepayment		74,064,978	(77,537,230)	73,294,469	(88,197,714)
Increase / (decrease) in trade creditors		(18,780,401)	50,617,067	(3,723,229)	(34,687,849)
(Increase) / decrease in biological asset		248,115	(396,347)	-	-
Increase / (decrease) in customer advance		(17,683,365)	17,681,200	-	(18,916,396)
Increase/(decrease) In accrued expenses		(31,565,007)	52,025,397	(12,473,497)	-
Increase / (decrease) in amount due to related Parties		(16,885,779)	15,974,549	2,451,211	100,547,387
(Increase) / decrease in amount due from related Parties		6,673,653	(172,304)	10,820,152	9,242,409
<b>Cash generated from/(used in) operations</b>		<b>(45,088,083)</b>	<b>(4,751,312)</b>	<b>108,237,837</b>	<b>82,016,605</b>
Interest paid	27	(56,967,219)	(1,425,771)	(33,147,192)	(337,980)
Income tax paid	30.	(21,134,062)	(19,471,315)	(20,077,623)	(32,714,758)
Retirement benefit obligation	21.	(1,614,852)	(1,569,540)	(784,000)	(1,569,540)
<b>Net cash flow from/(used in) operating activities</b>		<b>(124,804,216)</b>	<b>(27,217,938)</b>	<b>54,229,022</b>	<b>47,394,327</b>

As at 31 March	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cash flows from/(used in) investing activities</b>					
Acquisition of property, plant and equipment	6.2.1	(142,205,653)	(190,722,937)	(121,899,830)	(45,194,829)
Acquisition of ROUA		-	(4,236,000)	-	(4,236,000)
Development of Intangible Assets	8.	(15,900,000)	(443,355)	-	(443,355)
Sale proceed on disposal of property, plant and Equipment		2,300,000	7,119,683	-	4,665,000
Sale proceed on disposal of right of used asset		1,342,222	-	1,342,222	7,300,000
Interest Income		107,017,080	9,805,696	105,287,547	1,772,676
Investment in subsidiaries		-	-	(90,977,040)	(55,000,000)
Repayment of finance Lease	20.2	(53,733,749)	(17,398,734)	(10,151,610)	(10,889,934)
Gross Investment in Fixed Deposits		91,000,000	(450,195,750)	91,000,000	(451,358,095)
Investment in Other Financial Assets		(160,225)	3,670,418	(160,225)	3,670,418
<b>Net cash flows from/(used in) investing activities</b>		<b>(10,340,323)</b>	<b>(642,400,979)</b>	<b>(25,558,936)</b>	<b>(549,714,120)</b>
<b>Cash flows from/(used in) financing activities</b>					
Issuance of Shares	19.	-	496,674,767	-	496,674,767
Proceeds from Interest bearing Loans & borrowings	20.1	136,107,227	148,798,438	10,529,073	47,798,438
Repayment of Interest bearing Loans & Borrowings	20.1	(107,872,727)	(70,783,338)	(49,876,751)	(64,783,338)
<b>Net cash from / (used in) from financing activities</b>		<b>28,234,500</b>	<b>574,689,867</b>	<b>(39,347,678)</b>	<b>479,689,868</b>
Effects of exchange rate changes on cash and cash equivalents		75,807,579	31,983,479	2,706,477	17,253,362
Transfer of Cash and Cash Equivalents to Subsidiary on Restructure		-	-	-	(48,437,885)
<b>Net increase/(decreased) in cash and cash equivalents</b>		<b>(31,102,460)</b>	<b>(62,945,570)</b>	<b>(7,971,106)</b>	<b>(53,814,439)</b>
Cash and cash equivalents at the beginning of the year	18.	(5,190,133)	57,755,437	3,940,998	57,755,437
<b>Cash and cash equivalents at the end of the year</b>	18.	<b>(36,292,593)</b>	<b>(5,190,133)</b>	<b>(4,030,108)</b>	<b>3,940,998</b>

The accounting policies and notes on pages 64 to 107 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 2023 were authorised for issue in accordance with a resolution of the directors on 31 August 2023. 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. Duiith Herath.

### 1.4 Number of employees

The number of employees of the Group at the end of the year was 230 , Company – 50.

## 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

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as for the year ended 31 March 2023.

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

## NOTES TO THE FINANCIAL STATEMENTS

recognised in profit or loss. Any investment retained is recognised at fair value.

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

Subsidiary	Principal activities	County of incorporation	Effective holding	
			2023	2022
Kapruka E-commerce (Private) Limited	Online retailing	Sri Lanka	100%	100%
Kapruka Production (Private) Limited	Manufacturing Cake & Flower	Sri Lanka	100%	100%
Kapruka Techroot (Private) Limited	Providing web services	Sri Lanka	100%	100%

### 3.3.1 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 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.

Associate	Principal activities	County of incorporation	Effective holding	
			2023	2022
Kapruka Global Shop (Private) Limited	Import and selling order through online	Sri Lanka	25%	25%

### 3.3.1 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.

### 3.3.2 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.

### 3.3.3 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 unrealized 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

the circumstances. Revisions to accounting estimates are recognised prospectively.

### 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.

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

**3.9 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

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

<p>d) Impairment of financial assets Further disclosure relating to impairment of financials</p> <p>assets are also provided in the following notes:</p> <ul style="list-style-type: none"> <li>◆ Financial assets Note 11</li> <li>◆ Trade receivables, including contract assets Note 14</li> </ul> <p>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.</p> <p>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.</p>	<p>Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.</p> <p>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.</p> <p>The Group's financial liabilities include trade and other payables, loans and borrowings and amounts due to related parties.</p> <p>b) Subsequent Measurement</p> <p>The measurement of financial liabilities depends on their classification as described below:</p> <p>Financial liabilities at fair value through profit or loss</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p><b>Loans and borrowings</b></p> <p>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.</p> <p>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.</p> <p>c) Derecognition</p> <p>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.</p>
<p><b>3.11.2 Financial liabilities</b></p> <p>a) Initial recognition and measurement</p>	<p><b>3.11.3 Offsetting of financial instruments</b></p> <p>Financial assets and financial</p>	

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

## NOTES TO THE FINANCIAL STATEMENTS

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 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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

## 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

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

#### Definition of Accounting Estimates - Amendments to LKAS 8

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify;

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality

judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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

The Group is currently revisiting the accounting policy information disclosures to ensure consistency with the amended requirements.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law)

Whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and Interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does

not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

The Group is currently assessing the impact of the amendments.

## NOTES TO THE FINANCIAL STATEMENTS

## 6. PROPERTY, PLANT AND EQUIPMENT

## 6.1 Group

## 6.1.1 Gross carrying amounts

	Balance as at				Balance as at
	01.04.2022	Additions	Transfers	Disposal	31.03.2023
At cost/revaluation	Rs.	Rs.	Rs.	Rs.	Rs.
Land	306,985,432	40,351,098	-	-	347,336,530
Buildings	41,940,112	26,330,672	338,855,002	-	407,125,787
Motor Vehicle	90,643,147	-	-	(2,365,000)	88,278,147
Computers	14,695,499	3,513,134	-	-	18,208,633
Furniture & Fittings	20,653,869	3,462,395	-	-	24,116,263
Office Equipment	22,563,583	19,466,591	-	-	42,030,174
Machinery & Equipment	5,219,984	1,198,733	-	-	6,418,717
Agri Net House	1,768,050	-	-	-	1,768,050
Total value of depreciable assets	504,469,675	94,322,623	338,855,002	(2,365,000)	935,282,300

## In the course of construction

	Balance as at				Balance as at
	01.04.2022	Additions	Transfers	Disposal	31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.
Capital work in progress - Building	309,115,200	114,564,800	(338,855,002)	-	84,824,997
	309,115,200	114,564,800	(338,855,002)	-	84,824,997
Total gross carrying amount	813,584,874	208,887,423	-	(2,365,000)	1,020,107,297

## 6.1.2 Depreciation

	Balance as at				Balance as at
At cost	01.04.2022	Additions	Transfers	Disposal	31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	-	-	-	-	-
Buildings	8,503,797	3,661,645	-	-	12,165,442
Motor Vehicle	75,679,287	5,886,063	-	(541,979)	81,023,371
Computers	8,626,180	3,443,949	-	-	12,070,129
Furniture & Fittings	5,807,859	4,461,372	-	-	10,269,231
Office Equipment	14,793,669	3,665,072	-	-	18,458,742
Machinery & Equipment	4,670,511	1,068,990	-	-	5,739,501
Agri Net House	147,338	442,013	-	-	589,350
<b>Total depreciation</b>	<b>118,228,640</b>	<b>22,629,105</b>	<b>-</b>	<b>(541,979)</b>	<b>140,315,767</b>

**6.1.3 Net book values**

	Company	
	2023	2022
	Rs.	Rs.
At cost		
Land	347,336,530	306,985,432
Buildings	394,960,344	33,436,315
Motor Vehicle	7,254,776	14,963,860
Computers	6,138,504	6,069,319
Furniture & Fittings	13,847,032	14,846,010
Office Equipment	23,571,432	7,769,914
Machinery & Equipment	679,215	549,473
Agri Net House	1,178,700	1,620,712
	794,966,534	386,241,034
<b>In the course of construction</b>		
Capital work in progress - Building	84,824,997	309,115,200
<b>Total carrying amount of property, plant and equipment</b>	<b>879,791,531</b>	<b>695,356,234</b>

- 6.1.4** During the financial year, the group acquired property, plant and equipment to the aggregate value of Rs.208,887,423/- Cash payments amounting to Rs.142,205,653/- were made during the year for purchase of property, plant and equipment.
- 6.1.5** In 2023, the Group sold property, plant, and equipment with a net carrying amount of Rs.1,823,021/- for a cash consideration of Rs.2,300,000/-. 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.Rs.114,564,800/- for the capital work in progress in building and improvements. Group capitalized Rs.338,855,002/- to building during the year

**6.2 Company****6.2.1 Gross carrying amounts**

	Balance as at		Asset Transfer	Disposal	Balance as at	
	01.04.2022	Additions			31.03.2023	
At cost/revaluation	Rs.	Rs.	Rs.	Rs.	Rs.	
Land	255,120,000	-	-	-	255,120,000	
Buildings	41,940,112	-	338,855,002	-	380,795,114	
Motor Vehicle	28,795,000	-	-	-	28,795,000	
Computers	11,209,986	2,806,873	-	-	14,016,860	
Furniture & Fittings	6,686,502	103,573	-	-	6,790,075	
Office Equipment	18,661,508	12,633,080	-	-	31,294,588	
Total value of depreciable assets	362,413,109	15,543,526	338,855,002	-	716,811,637	

## NOTES TO THE FINANCIAL STATEMENTS

## In the course of construction

	Balance as at 01.04.2022	Additions	Asset Transfer	Transfers	Balance as at 31.03.2023
At cost/revaluation	Rs.	Rs.	Rs.	Rs.	Rs.
Capital work in progress - Building	232,498,699	106,356,304	-	(338,855,002)	-
	232,498,699	106,356,304	-	(338,855,002)	-
<b>Total gross carrying amount</b>	<b>594,911,807</b>	<b>121,899,830</b>	<b>338,855,002</b>	<b>(338,855,002)</b>	<b>716,811,637</b>

## 6.2.2 Depreciation

	Balance as at 01.04.2022	Charge for the year	Asset Transfer	Disposal Transfer	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	8,503,797	3,483,975	-	-	11,987,772
Motor Vehicle	19,515,360	3,301,804	-	-	22,817,164
Computers	7,255,510	2,855,402	-	-	10,110,912
Furniture & Fittings	4,919,959	1,655,953	-	-	6,575,913
Office Equipment	12,214,155	3,023,789	-	-	15,237,943
<b>Total depreciation</b>	<b>52,408,779</b>	<b>14,320,923</b>	<b>-</b>	<b>-</b>	<b>66,729,704</b>

## 6.2.3 Net book values

	Company	
	2023	2022
	Rs.	Rs.
Land	255,120,000	255,120,000
Buildings	368,807,342	33,436,315
Motor Vehicle	5,977,836	9,279,640
Computers	3,905,947	3,954,476
Furniture & Fittings	214,162	1,766,543
Office Equipment	16,056,645	6,447,353
	<b>650,081,933</b>	<b>310,004,327</b>
In the course of construction		
Capital work in progress - Building	-	232,498,699
	-	232,498,699
<b>Total carrying amount of property, plant and equipment</b>	<b>650,081,933</b>	<b>542,503,026</b>

6.2.4 In 2023, the company acquired property, plant, and equipment to the aggregate value of Rs. 15,543,526/- (2022 - Rs.7,751,965/-). Cash payments amounting to Rs. Rs.15,543,526/- (2022 - Rs.7,751,965/-) were made during the year for purchase of property, plant and equipment.

6.2.5 During the financial year, the company incurred Rs.106,356,304/- for the capital work in progress in building and improvements.and capitalized Rs.338,855,002/-to building during the year

## 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	84,824,997
Mirihana - Office Building	Land	-	A-0, R-0, P32.5	255,120,000
	Building	01	32,000 Sq. ft	368,807,342
Nugegoda - Head Office	Land	-	A-0, R-0, P13.52	81,120,000
	Building	02	7,934 Sq. ft	33,436,315

## 7. RIGHT-OF-USE ASSETS

## 7.1 Group

	Office Premises	Warehouses	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.

**Cost**

As at 1 April 2022	3,389,727	48,926,152	34,995,490	87,311,369
New lease entered during the year	-	2,971,266	7,600,000	10,571,266
De-Recognition	(3,389,727)	-	-	(3,389,727)
As at 31 March 2023	-	51,897,418	42,595,490	94,492,908

**Accumulated depreciation**

As at 1 April 2022	2,259,818	14,002,714	10,044,236	26,306,768
Depreciation charge for the year	-	7,798,779	9,798,316	17,597,095
De-Recognition	(2,259,818)	-	-	(2,259,818)
As at 31 March 2023	-	21,801,493	19,842,552	41,644,045

**Carrying value**

	Company	
	2023	2022
	Rs.	Rs.
Office Premises	-	1,129,909
Warehouses	30,095,925	34,923,438
Motor Vehicles	22,752,939	24,951,254
Total carrying value	52,848,864	61,004,601

## NOTES TO THE FINANCIAL STATEMENTS

## 7.2 Company

## 7.2.1 Gross carrying amounts

	Office Premises	Warehouses	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>				
As at 1 April 2022	3,389,727	3,844,846	34,995,490	42,230,063
Transfer	21,914,154	-	-	21,914,154
New lease entered during the year	-	-	7,600,000	7,600,000
De-Recognition	(3,389,727)	-	-	(3,389,727)
As at 31 March 2023	21,914,154	3,844,846	42,595,490	68,354,490
<b>Accumulated depreciation</b>				
As at 1 April 2022	2,259,818	2,488,376	10,044,236	14,792,429
Depreciation charge for the year	870,761	739,893	9,798,316	11,408,970
De-Recognition	(2,259,818)	-	-	(2,259,818)
As at 31 March 2023	870,761	3,228,269	19,842,552	23,941,582
<b>Carrying value</b>				
	Company			
	2023	2022		
	Rs.	Rs.		
Office Premises	21,043,393	1,129,909		
Warehouses	616,578	1,356,471		
Motor Vehicles	22,752,939	24,951,254		
Total carrying value	44,412,909	27,437,634		

## 8. INTANGIBLE ASSETS

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>Computer Software</b>				
<b>Cost</b>				
At the beginning of the year	7,668,410	7,225,055	6,767,132	6,323,777
Development/Acquisitions during the year	15,900,000	443,355	-	443,355
Transfers/write-off made during the year	(443,355)	-	(443,355)	-
At the end of the year	23,125,055	7,668,410	6,323,777	6,767,132
<b>Amortization</b>				
At the beginning of the year	5,103,342	4,654,246	4,801,275	4,442,306
Amortization for the year	1,399,262	449,096	800,051	358,969
De-Recognition	(443,355)	-	(443,355)	-
At the end of the year	6,059,249	5,103,342	5,157,971	4,801,275
<b>Carrying value as at 31 March</b>	<b>17,065,806</b>	<b>2,565,068</b>	<b>1,165,806</b>	<b>1,965,857</b>

**9. INVESTMENT IN SUBSIDIARIES**

	Number of shares		Holding		Company	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Kapruka E Commerce (Pvt) Ltd	5,939,964	4,542,680	100%	100%	545,236,040	454,259,000
Kapruka Production (Pvt) Ltd	10,000	10,000	100%	100%	5,370,000	5,370,000
Kapruka Techroot (Pvt) Ltd	2	2	100%	100%	20	20
					550,606,060	459,629,020

**10. INVESTMENT IN ASSOCIATES**

	2023	2022
	Rs.	Rs.
<b>Group</b>		
At the beginning of the year	1,557,062	20
Share of profits	-	1,557,042
Derecognized share of profit	(1,557,042)	-
At the end of the year	20	1,557,062

The company also acquired 25% of the shareholding of Kapruka Global Shop (Pvt) Ltd in October 2021 for a consideration of Rs. 20/-. The Group applies the equity method in accounting for the investment in associate. For the financial period, the share of loss from the investment in associate is greater than the balance of investment in associate. Hence, the loss has recognized up to the balance in investment in associate. Therefore, the Investment in Equity Accounted Investees is zero at the Year end.

	2023	2022
	Rs.	Rs.
<b>Company</b>		
Kapruka Global Shop (Pvt) Ltd	20	20
	20	20

**11. OTHER NON-CURRENT FINANCIAL ASSETS**

	Institution	2023	2022
		Rs.	Rs.
<b>Group/Company</b>			
<b>Quoted Investments</b>			
Investment in Unit Trust	NDB Wealth Management Ltd.	939,808	779,582
		939,808	779,582
<b>Non-Quoted Investments</b>			
Convertible Preference Shares	Grasshoppers (Pvt) Ltd.	8,900,000	8,900,000
Less : Impairment		(8,900,000)	(8,900,000)
		-	-
		939,808	779,582

## NOTES TO THE FINANCIAL STATEMENTS

## 12. CONSUMABLE BIOLOGICAL ASSETS

	2023	2022
	Rs.	Rs.
<b>Group</b>		
Mature Plant - Leaves	134,756	131,006
Mature Plant - Flowers	13,476	264,023
Inmature Plant - Flowers	-	1,323
	148,232	396,347

The Group's/ Company's biological assets consist of flower plantation situated in the village of Sandalankawa and company measure biologicals plants at cost at the reporting date.

## 13. INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Trading items	208,758,467	280,492,612	-	-
Raw materials	20,366,665	8,737,386	-	-
Work in progress	4,171,792	1,421,278	-	-
	233,296,924	290,651,276	-	-
Less: Provision for stock variance and slow moving inventories (Note 13.1)	(33,114,582)	(34,534,709)	-	-
	200,182,342	256,116,568	-	-

## 13.1 Provision for stock variance and slow moving inventories

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	34,534,709	-	-	-
Provision during the year	(1,420,127)	34,534,709	-	-
At the end of the year	33,114,582	34,534,709	-	-

## 14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Trade receivables	18,033,865	24,765,011	-	-
Less: Allowance for expected credit losses	(6,753,906)	(10,099,920)	-	-
	11,279,959	14,665,091	-	-
Staff debtors	633,996	540,141	42,500	-
WHT Receivable	1,386,400	-	1,386,400	-
Interest receivable	22,092,083	7,918,481	21,580,032	7,741,645
VAT receivable	-	37,569,455	-	12,819
Other receivables	14,257,462	256,065	-	-
	49,649,901	60,949,234	23,008,932	7,754,464

**14.1 Allowance for expected credit losses**

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>Movement in allowance for expected credit losses</b>				
Balance at the beginning of the year	10,099,920	4,196,527	-	4,196,527
Provision for the year	(3,346,014)	5,903,393	-	(4,196,527)
Balance at the year end	6,753,906	10,099,920	-	-

**15. RELATED PARTY DISCLOSURES**

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		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Kapruka Techroot (Pvt) Ltd	Subsidiary	-	-	493,051	6,258,133
Kapruka Productions (Pvt) Ltd	Subsidiary	-	-	4,083,130	2,300,300
Kapruka Global Shop (Pvt) Ltd	Associate	17,684,193	14,931,321	706,118	-
Java Lounge (Pvt) Ltd	Affiliate	3,515,949	76,135,600	363,206	1,533,297
Grasshoppers (Pvt) Ltd	Affiliate	2,376,725	6,104,631	-	6,048,330
Lexington Residencies (Pvt) Ltd	Affiliate	-	325,596	-	325,596
Kapruka LLC	Affiliate	15,121,935	14,825,307	-	-
Director Current AC	Affiliate	3,029,888	3,021,818	-	-
Kapruka Goodwill Foundation	Affiliate	268,202	8,043	-	-
		41,996,892	115,352,316	5,645,505	16,465,656

**15.2 Amounts due to related parties**

	Relationship	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Kapruka E Commerce (Pvt) Ltd	Subsidiary	-	-	137,908,572	90,344,809
Kapruka Global Shop (Pvt) Ltd	Associate	-	16,254,870	-	16,254,870
Kapruka Goodwill Foundation	Affiliate	-	630,910	-	630,910
		-	16,885,779	137,908,572	107,230,589

## NOTES TO THE FINANCIAL STATEMENTS

## 15.3 Transactions with key management personal of the company

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

## Key Management Personnel Compensation

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Short Term Employee Benefits	19,674,526	14,906,278	19,674,526	14,906,278
Post Employment and Termination Benefits	-	2,596,000	-	2,596,000
	19,674,526	17,502,278	19,674,526	17,502,278

## 15.4.1 Transaction with subsidiaries, associates and other related parties.

Company	Relationship	Nature of the Transaction	Amount		Balance as at 31 March	
			2023	2022	2023	2022
			Rs.	Rs.	Rs.	Rs.
Kapruka E Commerce (Pvt) Ltd	Subsidiary					
				(137,908,572)	(90,344,809)	
		Net Asset Transfer to Kapruka E Commerce	-	(45,790,348)	-	-
		Management Fee	208,943,744	53,191,725	-	-
		Fund Transferred to/ from Related Party	(228,202,954)	(115,682,261)	-	-
		Expenses Incurred on behalf	(77,780)	17,936,075	-	-
		Interest charged on current account balance	(28,226,773)	-	-	-
Kapruka Techroot (Pvt) Ltd	Subsidiary					
			-	-	493,051	6,258,133
		Services Rendered	-	(8,400,000)	-	-
		Management Fee	5,695,704	999,490	-	-
		Payments Made/ Received	(10,272,908)	8,337,000	-	-
		Expenses Incurred on behalf	(1,187,878)	(474,340)	-	-
Kapruka Production (Pvt) Ltd	Subsidiary					
			-	-	4,083,133	2,300,300
		Net Asset Transfer to Kapruka E Commerce	-	(1,360,713)	-	-
		Services Rendered	-	1,610,831	-	-
		Management Fee	8,447,625	-	-	-
		Payments Made/ Received	(13,127,918)	12,142,591	-	-
		Fund Transferred to/ from Related Party	3,965,424	-	-	-
		Expenses Incurred on behalf	2,497,700	16,480,464	-	-

			Amount		Balance as at 31 March	
			2023	2022	2023	2022
Company	Relationship	Nature of the Transaction	Rs.	Rs.	Rs.	Rs.
Kapruka Global Shop (Pvt) Ltd	Associate		-	-	706,118	(16,254,870)
		Net Asset Transfer to Kapruka E Commerce		1,982,135	-	-
		Management Fee	8,959,851	2,041,335	-	-
		Fund Transferred to/ from Related Party	7,581,371	(92,000,000)	-	-
		Expenses Incurred on behalf	419,766	44,784,681	-	-
JAVA Lounge (Pvt) Ltd	Affiliate		-	-	363,206	1,553,297
		Net Asset Transfer to Kapruka E Commerce	-	(75,806,058)	-	-
		Services Rendered	-	(1,175,423)	-	-
		Management Fee	1,592,725	1,472,395	-	-
		Payments Made/ Received	(3,253,643)	3,073,866	-	-
		Expenses Incurred on behalf	470,827	2,112,929	-	-
Lexington Residencies (Pvt) Ltd	Affiliate		-	-	-	325,596
		Payments Made/ Received	(325,596)	255,696	-	-
Goodwill Foundation	Affiliate		-	-	-	(630,910)
		Management Fee	630,910	285,920	-	-
		Payments Made/ Received	-	(5,599)	-	-
Grasshoppers (Pvt) Ltd	Affiliate		-	-	12,810,748	11,245,715
		Net Asset Transfer to Kapruka E Commerce	-	(2,710)	-	-
		Management Fee	1,430,392	850,945	-	-
		Payments Made/ Received	-	1,300,000	-	-
		Expenses Incurred on behalf	134,641	1,176,008	-	-

## NOTES TO THE FINANCIAL STATEMENTS

## 15.4.2 Material Transactions done by Subsidiary with Affiliate

Company	Relationship	Nature of the Transaction	Amount	Balance as at 31 March	
			2023	2023	2022
			Rs.	Rs.	Rs.
	Affiliate				
Kapruka E - Commerce (Pvt) Ltd with Kapruka LLC				15,121,934	14,825,307
		Expenses Incurred on behalf of Related Parties	(246,090,004)		
		Fund Transferred From US Account to Sri Lanka	(1,114,099,458)		
		Funds Received From Customers	1,364,265,521		
		Loan proceeds from US bank	28,991,568		
		Supplier Payment made	(32,771,000)		

## 16. DEPOSITS, ADVANCES AND PREPAYMENTS

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Advance Payments to Suppliers	281,698	73,091,310	281,698	73,091,310
Rent Deposits	2,318,000	8,091,116	1,818,000	2,653,638
Other advances and prepayments	8,168,729	4,260,309	937,892	587,111
	10,768,427	85,442,735	3,037,590	76,332,060

## 17. SHORT TERM FINANCIAL ASSETS

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Other financial assets at amortized cost				
Non-Quoted Investments (Note 17.1)	209,000,000	450,000,000	209,000,000	450,000,000
Investment in fixed deposits (Note 17.2)	163,161,915	13,052,585	150,000,000	
	372,161,915	463,052,585	359,000,000	450,000,000

**17.1 Non-Quoted Investments**

		Group		Company	
Institution		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Investment in Repo	Hatton National Bank PLC	-	50,000,000	-	50,000,000
Investment in Commercial Papers	LOLC Holdings PLC	209,000,000	400,000,000	209,000,000	400,000,000
		209,000,000	450,000,000	209,000,000	450,000,000

**17.2 Fixed Deposit**

Investment in Fixed Deposits	Nations Trust Bank PLC	63,161,915	13,052,585	50,000,000	-
	Commercial Bank of Ceylon PLC	50,000,000	-	50,000,000	-
	Sampath Bank PLC	50,000,000	-	50,000,000	-
		163,161,915	13,052,585	150,000,000	-
		372,161,915	463,052,585	359,000,000	450,000,000

**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		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
<b>18.1 Favourable cash and cash equivalent balances</b>					
Cash and bank balances		36,132,139	44,945,116	3,561,590	9,956,443
		36,132,139	44,945,116	3,561,590	9,956,443
<b>18.2 Unfavourable cash and cash equivalent balances</b>					
Bank overdrafts		(72,424,732)	(50,135,249)	(7,591,698)	(6,015,445)
Total cash and cash equivalents for the purpose of cash flow statement		(36,292,593)	(5,190,133)	(4,030,108)	3,940,998

## NOTES TO THE FINANCIAL STATEMENTS

## 19. STATED CAPITAL

## Company / Group

	2023		2022	
	Number of shares	Rs.	Number of shares	Rs.
<b>Issued and fully-paid - ordinary shares</b>				
Balance at the beginning of the year	164,130,360	769,174,795	131,304,360	272,500,028
Issue of shares	-	-	32,826,000	505,520,400
Transaction costs for issued share capital	-	-	-	(8,845,633)
Balance at the end of the year	164,130,360	769,174,795	164,130,360	769,174,795

## 20. INTEREST BEARING LOANS AND BORROWINGS

## Other financial liabilities

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>Current interest bearing loans and borrowings</b>				
Bank loans (Note 20.1)	89,649,024	73,876,751	48,240,000	49,876,751
Lease liabilities (Note 20.2)	31,140,642	19,174,552	7,308,068	11,886,021
Bank overdrafts (Note 18)	72,424,732	50,135,249	7,591,698	6,015,445
	193,214,399	143,186,552	63,139,766	67,778,217
<b>Non-current interest bearing loans and borrowings</b>				
Bank loans (Note 20.1)	140,755,366	190,708,445	81,496,366	119,708,445
Lease liabilities (Note 20.2)	43,161,333	35,874,608	30,731,304	6,289,646
	183,916,699	226,583,053	112,227,670	125,998,091
Total Interest bearing loans and borrowings	377,131,098	369,769,605	175,367,436	193,776,308

## 20.1 Bank loans

Group	As at 01.04.2022	Loan obtained	Repayment	As at 31.03.2023	Current	Non-current
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Union Bank of Colombo PLC	167,948,445	10,027,921	(48,240,000)	129,736,366	48,240,000	81,496,366
Nations Trust Bank PLC	1,636,751	-	(1,636,751)	-	-	-
Commercial Bank	95,000,000	12,259,000	(24,000,000)	83,259,000	24,000,000	59,259,000
Working Capital business loan	-	51,405,000	(33,995,976)	17,409,024	17,409,024	-
	264,585,196	73,691,921	(107,872,727)	230,404,390	89,649,024	140,755,366

Company	As at 01.04.2022	Loan obtained	Repayment	As at 31.03.2023	Current	Non-current
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Union Bank of Colombo PLC	167,948,445	10,027,921	(48,240,000)	129,736,366	48,240,000	81,496,366
Nations Trust Bank PLC	1,636,751	-	(1,636,751)	-	-	-
	169,585,196	10,027,921	(49,876,751)	129,736,366	48,240,000	81,496,366

## 20. INTEREST BEARING LOANS AND BORROWINGS (CONTD..)

### 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	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
Balance As at 01.04.2022	1,354,478	30,998,972	22,695,710	55,049,159
Additions	24,715,306	-	48,271,266	72,986,572
De-Recognition	(975,913)	(24,715,306)	-	(25,691,219)
Interest Expense Recognised in Profit or Loss	888,520	1,142,460	2,718,996	4,749,976
Repayment of Liability	(1,615,699)	(5,799,680)	(25,377,133)	(32,792,512)
Balance As at 31.03.2023	24,366,691	1,626,445	48,308,839	74,301,976

	Office Premises	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.

#### 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	12,595,652	35,874,607
	1,354,478	30,998,972	22,695,710	55,049,159

#### As at 31.03.2023

Amount repayable within 1 year	960,888	1,626,445	28,553,309	31,140,642
Amount repayable after 1 year	23,405,803	-	19,755,531	43,161,333
	24,366,691	1,626,445	48,308,839	74,301,976

#### Company

	Office Premises	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
Balance As at 01.04.2022	1,354,478	1,291,826	15,529,363	18,175,667
Additions	24,715,306	-	5,300,000	30,015,306
De-Recognition	(975,913)	-	-	(975,913)
Interest Expense Recognised in Profit or Loss	888,520	61,336	1,519,203	2,469,059
Repayment of Liability	(1,615,699)	(960,000)	(9,069,048)	(11,644,746)
Balance As at 31.03.2023	24,366,691	393,162	13,279,519	38,039,372

## NOTES TO THE FINANCIAL STATEMENTS

	Office Premises	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
<b>As at 31.03.2022</b>				
Amount repayable within 1 year	785,586	393,162	5,549,654	6,728,402
Amount repayable after 1 year	568,892	898,664	9,979,710	11,447,265
	1,354,478	1,291,826	15,529,363	18,175,667
<b>As at 31.03.2023</b>				
Amount repayable within 1 year	960,888	393,162	5,954,018	7,308,068
Amount repayable after 1 year	23,405,803	-	7,325,501	30,731,304
	24,366,691	393,162	13,279,519	38,039,372

**20.2.1 Total amount recognised in profit or loss**

The following are the amounts recognised in profit or loss:

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Depreciation expense of right-of-use assets	17,597,095	15,648,649	11,408,970	10,442,525
Interest expense on lease liabilities	4,749,976	4,080,808	2,469,059	1,570,156
Total amount recognised in profit or loss	22,347,070	19,729,457	13,878,029	12,012,681

**20.3. Nature and the repayment terms of the facilities.**

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Carrying value of facility	
				2023	2022
	Rs.			Rs.	Rs.
<b>Kapruka Holdings PLC</b>					
Union Bank of Colombo PLC	Term loan	Respective AW-PLR+1.25%	5 years	129,736,366	167,948,445
Nations Trust Bank PLC	Term loan	4% fixed	2 years	-	1,636,751
<b>Kapruka Production (Pvt) Ltd</b>					
Commercial Bank of Ceylon PLC	Term loan	8.5% fixed	5 years	83,259,000	95,000,000
<b>Kapruka E-Commerce (Pvt) Ltd</b>					
Nations Trust Bank PLC	Overdraft	Respective AW-PLR + 4%(Review monthly)	On demand	35,000,000	42,922,213
PayPal & Amazon working capital loan	Working Capital	12% fixed	On demand	17,409,024	-

## 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 the asset pledged	
			2023	2022
			Rs.	Rs.
<b>Kapruka Holdings PLC</b>				
Union Bank of Colombo PLC	Term loan	Constructed building with land. Loated at No.147 Old Kottawa Road, Mirihana, Nugegoda	623,927,342	406,498,699
Nations Trust Bank PLC	Term loan	Saving facility with the bank	-	3,527,452
<b>Kapruka Production (Pvt) Ltd</b>				
Commercial Bank of Ceylon PLC	Term loan	Constructed building with land No.175 Old Kottawa Road, Mirihana, Nugegoda	84,824,997	76,616,501
<b>Kapruka E-Commerce (Pvt) Ltd</b>				
Nations Trust Bank PLC	Overdraft	FD facility with the bank	13,052,585	13,052,585

## 21. RETIREMENT BENEFIT OBLIGATION

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	15,879,326	18,869,648	4,032,978	17,151,943
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	3,345,415	2,310,906	986,677	599,866
Interest cost	1,919,593	881,951	565,998	268,491
Actuarial (gain)/loss	1,390,007	1,199,935	2,598,009	766,385
Payments made during the year	(1,614,852)	(1,569,540)	(784,000)	(1,569,540)
As at 31 March	20,919,490	15,879,327	7,399,663	4,032,978

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

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Expense recognized in profit or loss				
Current service cost	3,345,415	2,310,906	986,677	599,866
Interest cost	1,919,593	881,951	565,998	268,491
	5,265,008	3,192,857	1,552,676	868,357
Actuarial gains and losses recognized directly in OCI				
Recognized during the period	1,390,007	1,199,935	2,598,009	766,385

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2023. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The liability is not externally funded.

**NOTES TO THE FINANCIAL STATEMENTS**

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		Company	
	2023	2022	2023	2022
Discount rate	23%	14%	23%	14%
Salary increment	15%	12%	15%	12%
Staff turnover	30%	20%	30%	20%
Retirement age	60 Years	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,

		2023		2022	
		Effect on comprehensive income increase / (reduction) / (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 %	7,249,811	(7,249,811)	3,889,628	(3,889,628)
	- 1 %	(7,556,928)	7,556,928	(4,208,980)	4,208,980
Increase/ (decrease) in salary increment	+ 1 %	(7,598,711)	7,598,711	(4,228,647)	4,228,647
	- 1 %	7,207,423	(7,207,423)	3,868,840	(3,868,840)

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	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Within the next 12 months	6,480,606	2,847,964	2,330,227	690,493
Between 1 and 5 years	12,549,875	9,109,210	4,407,339	2,276,822
Between 5 and 10 years	1,618,957	2,826,273	540,324	792,084
Beyond 10 years	270,054	1,105,746	121,775	283,444
	20,919,492	15,889,193	7,399,665	4,042,844

**21.5 The Group weighted average duration of the defined benefit plan obligation at the end of the reporting period is 3.5 years.**

## 22. DEFERRED TAX LIABILITIES

### 22.1 Group

Group	Statement of Financial Position		Statement of Comprehensive Income		Income Statement	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liability</b>						
Accelerated Depreciation on Property, Plant and Equipment	32,996,378	59,837	-	-	32,936,540	59,837
Revaluation on Properties and Equipments	45,299,827		-	-	-	-
Leases	-		-	-	-	-
Revaluation on Properties and Equipments	-	47,684,028	2,384,201	-	-	-
Leases	15,571,950					
	93,868,154	47,743,865	2,384,201	-	32,936,540	59,837
<b>Deferred Tax Assets</b>						
Provision for Gratuity	(5,578,930)	2,560,928	(8,139,858)	2,560,928	-	-
Allowance for Expected Credit Loss	(3,843,224)	1,416,814	-	-	(5,260,039)	1,416,814
Provision for Slow Moving Inventory	(9,404,305)	3,488,330	-	-	(12,892,635)	3,488,330
Leases	(13,883,034)	441,388	-	-	(14,324,422)	441,388
Tax Losses	-	41,745	-	-	(41,745)	41,745
	(32,709,493)	7,949,206	(8,139,858)	2,560,928	(32,518,841)	5,388,278
Net Deferred Tax Liabilities	61,158,661	55,693,071	(5,755,657)	2,560,928	417,700	5,448,115

### 22.2 Company

Group	Statement of Financial Position		Statement of Comprehensive Income		Income Statement	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liability</b>						
Accelerated Depreciation on Property, Plant and Equipment	32,230,499	4,326,471	-	-	27,904,028	-
Revaluation on Properties and Equipments	45,299,827	47,684,028	(2,384,202)	-	-	-
Leases	13,323,873	-	-	-	13,323,873	(1,735,529)
	90,854,198	52,010,500	(2,384,202)	-	41,227,901	(1,735,529)
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	(2,219,899)	(1,346,972)	(872,927)	2,769,494	-	-
Allowance for Expected Credit Loss	(3,843,224)	-	-	-	(3,843,224)	1,007,166
Provision for Slow Moving Inventory		-	-	-	-	1,399,689
Leases	(11,411,812)	(531,508)	-	-	(10,880,304)	(531,508)
	(17,474,935)	(1,878,480)	(872,927)	2,769,494	(14,723,528)	1,875,347
			(3,257,128)	2,769,494	26,504,372	139,819
Net Deferred Tax Liabilities	73,379,263	50,132,019				

## NOTES TO THE FINANCIAL STATEMENTS

## 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Trade payables	65,990,012	84,770,413	2,802,609	6,525,838
	65,990,012	84,770,413	2,802,609	6,525,838

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

## 24. PROVISIONS AND ACCRUED EXPENSES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Provisions	4,723,544	9,458,427	3,545,597	3,912,544
Accrued Expenses	41,168,478	67,998,602	34,136,636	46,243,186
	45,892,022	77,457,028	37,682,233	50,155,730

## 25. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Sale of Goods	1,743,985,722	1,563,409,420	-	993,493,778
Rendering of Services	209,233,078	123,969,408	208,395,751	73,722,488
Total Gross Revenue	1,953,218,800	1,687,378,828	208,395,751	1,067,216,266

## 25.1 Geographical Segmental Revenue

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Local revenue	656,720,089	753,320,473	208,395,751	1,067,216,266
Foreign revenue	1,296,498,711	934,058,356	-	-
	1,953,218,800	1,687,378,828	208,395,751	1,067,216,266

## 26. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Profit on Disposal of Assets	518,922	10,388,156	212,314	10,388,156
Vehicle Rent Income	-	520,000	-	520,000
Other Income	6,718,489	9,113,434	-	4,004,752
	7,237,411	20,021,590	212,314	14,912,908

**27. FINANCE COST**

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Overdraft Interest	19,381	157,775	19,381	157,775
Bank Loan Interest	46,039,706	754,970	30,658,752	180,205
Leasing Interest	9,802,093	4,080,807	2,469,059	1,570,156
Other Finance Expenses	1,106,039	513,027	28,226,773	-
	<b>56,967,219</b>	<b>5,506,579</b>	<b>61,373,965</b>	<b>1,908,136</b>

**28. FINANCE INCOME**

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Interest income	106,407,750	9,805,696	105,287,547	9,514,321
Foreign exchange gain	75,807,579	31,983,479	2,706,477	17,253,362
	<b>182,215,329</b>	<b>41,789,175</b>	<b>107,994,024</b>	<b>26,767,684</b>

**29. PROFIT BEFORE TAX**

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>Include in cost of sales</b>				
Employees benefits including the following				
- Defined contribution plan costs - Salaries, EPF & ETF	56,365,136	65,594,806	-	41,458,369
- Other staff cost	-	12,693	-	-
<b>Included in administrative expenses</b>				
Employees benefits including the following				
- Defined contribution plan costs, Salaries, EPF & ETF	96,132,828	23,478,612	64,582,300	16,105,158
- Other staff cost	23,379,592	17,947,074	3,473,611	7,713,488
Directors' Fee and Emoluments	19,674,526	1,966,000	19,674,526	1,966,000
Depreciation of property, plant and equipment	22,629,105	19,777,972	14,320,923	15,442,320
Amortization of intangible assets	1,399,262	443,355	800,051	358,969
Auditors remuneration	716,944	564,583	504,516	375,000
Donations	97,350	125,600	-	65,550
<b>Included in selling &amp; distribution expenses</b>				
Employees benefits including the following				
- Defined contribution plan costs - Salaries, EPF & ETF	57,994,466	56,965,860	-	32,752,938
- Other staff cost	1,812,163	1,654,642	-	708,216
Allowance for expected credit loss	1,097,871	7,654,645	-	5,197,385
Depreciation of property, plant and equipment	-	11,052,725	-	11,052,725
Depreciation of right-of-use assets	17,597,095	15,648,649	11,408,970	10,442,525

## NOTES TO THE FINANCIAL STATEMENTS

## 30. INCOME TAX EXPENSE

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>Current income tax</b>				
Current income tax charge (Note 30.1)	17,889,449	14,061,140	17,889,449	13,243,436
Income tax under provision in respect of previous years	14,226,538	-	14,226,538	-
	32,115,987	14,061,140	32,115,987	13,243,436
<b>Deferred tax expense</b>				
Deferred taxation charge/(reversal) (Note 30.5)	20,157,249	(10,078,547)	23,247,244	(2,069,504)
	52,273,236	3,982,593	55,363,231	11,173,932

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

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Profit before taxation	71,872,954	138,923,575	71,872,954	185,619,587
Add: Aggregate disallowed items	35,258,167	59,291,308	35,258,167	46,647,970
Less: Aggregate allowable items	(148,867,927)	(41,026,717)	(148,867,927)	(32,926,179)
Less: Tax exempt income	-	(140,018)	-	(140,018)
Add: Other sources of income	107,994,024	9,514,321	107,994,024	9,514,321
Business loss	-	(4,805,230)	-	-
Exempt losses	-	(98,353,716)	-	(98,353,715)
Taxable profit	66,257,218	63,403,523	66,257,218	110,361,966
<b>Income tax charged at:</b>				
Income tax @ 12%	-	13,243,436	-	13,243,436
Income tax @ 18%	-	817,703	-	-
Income tax @ 24%	7,950,866	-	7,950,866	-
Income tax @ 30%	9,938,583	-	9,938,583	-
<b>Current tax expense</b>	17,889,449	14,061,140	17,889,449	13,243,436

## 30.2 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 2022/23 at the rate of 24% & 18% for the first 6 months and 30% for second 6 months.

## 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	2023	2022
		Income tax rate	
Kapruka Production (Pvt) Ltd	Manufacturing of goods / Trading	18% - 30%	18%
Kapruka Holdings PLC	Investment Company	24% - 30%	24%

**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		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Deferred tax arising from				
- Accelerated depreciation for tax purposes	32,936,540	59,837	27,904,471	4,326,471
- Revaluation on Properties and Equipments	(2,284,201)	-	(2,284,202)	47,684,028
- Retirement benefit obligation	(8,139,858)	2,560,928	(872,927)	(1,346,972)
- Allowance for Expected Credit Loss	(5,260,039)	1,416,814	(3,843,224)	-
- Provision for obsolete and slow moving inventories	(12,829,635)	3,488,330	-	-
- Leases	1,247,528	441,388	2,443,569	(531,508)
- Benefit arising from tax losses and others	(41,875)	41,745	-	-
<b>Total deferred tax charge/(reversal)</b>	<b>5,436,590</b>	<b>8,009,043</b>	<b>23,247,244</b>	<b>50,132,019</b>

**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		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator :				
Net profit/(loss) attributable to equity holders of the company	(84,457,859)	133,741,049	13,911,714	173,679,270
Amounts used as the denominator :				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	164,130,366	139,038,705	164,130,366	139,038,705
<b>Earnings/(deficit) per share (Rs.)</b>	<b>(0.51)</b>	<b>0.96</b>	<b>0.08</b>	<b>1.25</b>

**NOTES TO THE FINANCIAL STATEMENTS****32. COMMITMENTS AND CONTINGENCIES****32.1 Commitments**

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

**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**

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 2022 and 2023:

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Rs.	Rs.	Rs.	Rs.
<b>Assets measured at fair value:</b>				
As at 31 March 2022				
<b>Non-financial assets</b>				
Consumable biological assets	396,347	-	-	396,347
<b>Non financial assets as at 31 March 2022</b>	<b>396,347</b>	<b>-</b>	<b>-</b>	<b>396,347</b>
As at 31 March 2023				
<b>Non-financial assets</b>				
Consumable biological assets	148,232	-	-	148,232
<b>Non financial assets as at 31 March 2023</b>	<b>148,232</b>	<b>-</b>	<b>-</b>	<b>148,232</b>

During the reporting period ended 31 March 2023 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 2023 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	Group
		Effect on profit before tax	Effect on profit before tax
		Rs.	Rs.
2023	+ 50	306,870	284,836
	- 50	(306,870)	(284,836)
2022	+ 50	9,541	-
	- 50	(9,541)	-

## NOTES TO THE FINANCIAL STATEMENTS

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

### 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 2022 and 2023, and sensitivity analysis to profit & loss and equity if exchange rate increased / (decrease) by 15%.

As at 31 March 2023	Change in rates		Company		Group	
			Effect on profit before tax		Effect on profit before tax	
			Rs.	Rs.	Rs.	Rs.
USD	+ 15%	- 15%	-	-	2,268,290	(2,268,290)

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

### 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			
		2023		2022	
		Rs.	%	Rs.	%
Trade and other receivables	14.	49,649,901	10%	60,949,234	9%
Amounts due from related parties	15.1	41,996,892	8%	115,352,316	17%
Short term financial assets					
- Investment in Commercial Papers	17	209,000,000	42%	400,000,000	58%
- Investment in Repo	17.1	-	0%	50,000,000	7%
- Investment in fixed deposits	17.2	163,161,915	33%	13,052,585	2%
Cash at bank and cash equivalents	18.1	36,132,139	7%	44,945,116	7%
		499,940,847	100%	684,299,251	100%

### 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 homogenous 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. 36 Mn at 31 March 2023 which represents its maximum credit exposure on these assets.

### 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 2023 based on contractual undiscounted payments.

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2023	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities</b>					
Bank loans	-	22,412,256	67,236,768	140,755,366	230,404,390
Lease liabilities	-	7,785,161	23,355,482	43,161,333	74,301,975
Bank overdrafts	72,424,732	-	-	-	72,424,732
Amounts due to related parties	-	-	-	-	-
Trade and other payables	-	65,990,012	-	-	65,990,012
	72,424,732	96,187,428	90,592,250	183,916,699	443,121,110

## NOTES TO THE FINANCIAL STATEMENTS

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2022	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities</b>					
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

## 36.3.2 Maturity analysis - Company

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2023	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities</b>					
Bank loans	-	12,060,000	36,180,000	81,496,366	129,736,366
Lease liabilities	-	1,827,017	5,481,051	30,731,304	38,039,372
Bank overdrafts	7,591,698	-	-	-	7,591,698
Amounts due to related parties	-	137,908,572	-	-	137,908,572
Trade and other payables	-	2,802,609	-	-	2,802,609
	7,591,698	154,598,198	41,661,051	112,227,670	316,078,617

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2022	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial liabilities</b>					
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

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		Company	
	2023	2022	2023	2022
Debt / Equity	49%	22%	23%	13%

### 38. CONTINUOUS DISCLOSURE REGARDING STATUS OF UTILIZATION OF FUNDS VIA IPO PROCEEDS AS AT 31.03.2023

Objective No	Objective as per Prospectus	Amount Allocated as per Prospectus in Rs.	Proposed Date of Utilization as per Prospectus	Amount Allocated Upon the Receipt of Proceeds in Rs. (A)	% of Total Proceeds	Amount Utilized in Rs. (B)	% of Utilization Against Allocation (B/A)	Clarification if not fully utilized including where the fund are invested
1	Existing Technologies and infrastructure upgrades	100,000,000	1Q 2022- 1Q 2023	100,000,000	19.78%	40,934,137	41%	
2	Launching Kapruka partner central	200,000,000	2Q 2022- 2Q 2024	200,000,000	39.56%	15,900,000	8%	
3	Launching Personal cargo collection and delivery	880,913	2Q 2022- 2Q 2024	50,000,000	9.89%	-	0%	Maintaining in company's' deposit accounts and other short term investment accounts with bank and Financial Institutions
4	Launching Kapruka Wholesale Market Place	55,520,400	1Q 2023- 1Q 2024	55,520,400	10.98%	-	0%	
5	Expanding Kapruka Cross border operation	100,000,000	1Q 2022- 1Q 2024	100,000,000	19.78%	89,165,863	89%	
		456,401,313		505,520,400		146,000,000	29%	

## SHARE INFORMATION

### PUBLIC SHARE HOLDING

	31.03.2023
Issued Share Capital (No.)	164,130,360
No.of Transactions	506
No of Share Traded	678,790
Value of share Traded (Rs.)	5,873,734
Public Holdings as a percentage of issued share capital	20%
Total No of shareholders	2,753
No of shareholders representing the public holding	2,750
Float adjusted market Capitalization (Rs.)	272,430,062

The Company is in compliance with Rule 7.14.1 (a) of the Listing Rules of the Colombo Stock Exchange on minimum public holding, under option 2 thereof.

### Directors' share holding

The number of shares held by the Board of Directors as follows ;

Name of the shareholder	31.03.2023		31.03.2022	
	No. of shares			
Mr.H P D V Herath (Chairman & CEO)	131,304,360		131,304,360	
Mrs. A M Herath	Nil		Nil	
Mrs. R A T Herath	Nil		Nil	
Mr. S Alexander	2,215		2,215	
Mrs. D P Pieris	Nil		Nil	
Mr. S M T H Subasinghe	Nil		Nil	
Mrs. M P Abeyssekera	Nil		Nil	

Twenty Largest Shareholders of the company as follows ;

	Name of the shareholder	31.03.2023		%
		No. of shares		
1	MR. H.P.D.V. HERATH	131,304,360	80.00%	
2	TRANQUILITY ESTATE (PVT) LTD	8,749,000	5.33%	
3	MRS. A.S. DE ALWIS	3,176,649	1.94%	
4	COMMERCIAL BANK OF CEYLON/JANASHAKTHI CAPITAL LIMITED	1,525,974	0.93%	
5	BANK OF CEYLON A/C CEYBANK UNIT TRUST	958,400	0.58%	
6	BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND	958,400	0.58%	
7	AVARNA VENTURES (PVT) LTD	811,688	0.49%	
8	MR. D.N.P. RATHNAYAKE	806,830	0.49%	
9	MR. V. JEEVARATNAM	390,909	0.24%	
10	MRS. S.H. SARDAKHAN	350,000	0.21%	
11	DFCC BANK PLC/T.L. SAMARAWICKRAMA	316,954	0.19%	
12	MR. T.C.U. JAYANETTI & DR A.L.T.P. AMARAWICKRAMA	272,335	0.17%	
13	MR. A.M. IRFAN	260,224	0.16%	
14	MR. W.D.D.T. SIRIYARATHNA	200,000	0.12%	
15	MR. W.R.V.A.K.D. HATHURUSINGHE	200,000	0.12%	
16	MR.S. VASUDEVAN	179,489	0.11%	
17	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/T.K.FERNANDO	177,200	0.11%	
18	MR. D.D.K. RAJAPAKSA	170,759	0.10%	
19	DIALOG FINANCE PLC /M.A.M.UVAIM	160,902	0.10%	
20	MR. T.L. SAMARAWICKRAMA	160,000	0.10%	
		151,130,073	92.08%	
	Others	13,000,287	7.92%	
		164,130,360	100.00%	

**STATED CAPITAL**

tated capital is represented by the number of shares in issue as given below,

	31.03.2023		31.03.2022	
	Number	Rs.	Number	Rs.
Balance at the beginning of the period	164,130,360	769,174,795	131,304,360	272,500,028
Issue of shares	-	-	32,826,000	505,520,400
Transaction costs attributable to issuance of shares	-	-	-	(8,845,633)
Balance at the end of the period	164,130,360	769,174,795	164,130,360	769,174,795

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 (164,130,340) Ordinary Voting Shares.

The company's Highest, Lowest and Last Traded Market Price Given below,

	31.03.2023
Last Traded	8.30
Highest	9.20
Lowest	8.00
Market Capitalization on 31.03.2023	1,362,281,988

**Earning per share**

	12 Months ended 31st March			
	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Net profit/(loss) for the period	(84,457,859)	133,741,049	13,911,714	173,679,270
Weighted average number of shares	164,130,360	139,038,705	164,130,360	139,038,705
Earning per share (EPS)	(0.51)	0.96	0.08	1.25

Basic earnings per share is calculated by dividing the net profit / (loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period as required by LKAS - 33, Earning Per Share. Number of shares outstanding end of the current period are higher than the last year due to share split for the IPO. therefore last year EPS significantly higher than the current period.

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First (21st) Annual General Meeting of the shareholders of **KAPRUKA HOLDINGS PLC** will be held in terms of Articles 58(1) (iii) of the Articles of Association, by means of audio and visual communication on **27th September 2023 at 11.30 a.m.** centered at the Board Room of the company 147, Old Kottawa Road, Mirihana, Nugegoda 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 2023 together with the Report of the Auditors thereon.
- 1.2 To elect as a Director, in terms of Article 92 of the Articles of Association **Mr. Herath Pathiranalage Dulith Vinodan Herath**, who retires from the Board by rotation in terms of Article 88(1) of the Articles of Association of the Company.
- 1.3 To elect as a Director, in terms of Article 92 of the Articles of Association **Mrs. Dayangani Priyanthi Pieris**, who retires from the Board by rotation in terms of Article 88(1) of the Articles of Association of the Company.
- 1.4 To elect as a Director, in terms of Article 92 of the Articles of Association **Mr. Subasinghe Mudiyansele Tishan Harendranath Subasinghe**, who retires from the Board by rotation in terms of Article 88(1) of the Articles of Association of the Company.
- 1.5 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 72 years as at the date of the Annual General Meeting.

“That **Mrs. Ranasinghe Arachchige Thilangani Herath** who has reached the age of 72 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.”

- 1.6 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.
- 1.7 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 2024 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** that 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 objectives as set out in Clause 3.5.1 of the Prospectus dated 14th December 2021 and the subsequent variation thereof with the approval of the shareholders at the Annual General Meeting (AGM) held on 26th September 2022, in the application of funds for upgrading existing technologies and infrastructure, and to employ the funds not so utilized amounting to Rs. 59,100,000/- to meet the working capital requirement of the

company and thereby, strengthening the Balance Sheet of the company

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

**IT IS HEREBY RESOLVED** that 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”, approve to incorporate of the planned features of the **Kapruka wholesale Marketplace**, into the **Kapruka Partner Central platform** the objectives referred in Clause 3.5.2 of the Prospectus dated 14th December 2021 without incurring any extra expenses. Also, to channel the allocated funds for the **Kapruka wholesale Marketplace amounting to Rs. 55,520,400/-** towards meeting the working capital requirements of the Company.”

By order of the Board  
**KAPRUKA HOLDINGS PLC**



Director  
**Kreston Corporate Services (Pvt) Ltd**  
Secretaries

31st August 2023

#### 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.

# 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 Herat               | or failing her |
| Mr. Solamutthu Sivakumar Alexander                        | or failing him |
| Mr. Subasinghe Mudiyansele Tishan Harendranath Subasinghe | or failing him |
| Mrs. Dayangani Priyanthi Pieris                           | or failing her |
| Mrs. Manohari Prasadini Abeyesekera                       | or failing her |
| Mr. Suresh Deepal Subasinghe                              |                |

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 27th September 2023 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 21st Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve item no. 1.3 set out in the Notice of the 21st Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve item no. 1.4 set out in the Notice of the 21st Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve item no. 1.5 set out in the Notice of the 21st Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve item no. 1.6 set out in the Notice of the 21st Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve item no. 1.7 set out in the Notice of the 21st Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the Ordinary Resolution set out in item 2.1	<input type="checkbox"/>	<input type="checkbox"/>
8. 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 .....wo Thousand and Twenty-three.

.....  
 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](mailto: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 11.00 A.M on 25th September 2023.
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](mailto: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 February 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 7th January 2005, the Company changed its name to Kapruka Dot Com (Private) Limited under the Companies Act No.17 of 1982 and re-registered under the provisions of Companies Act No. 7 of 2007 on 29th July 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. Kapruka Holdings Limited was listed on the main board of Colombo stock exchange on the 7th January 2022. The status of the Company was changed from Limited to PLC on 13th April 2022.

## Registered No.

Old PV 5789

New PQ00247881

## Registered Office

No:237/22A, Vijaya Kumarathunga Mawatha,

Colombo 05, Sri Lanka

Tel: +94 11 7551111

Email - [colombo.office@kapruka.com](mailto:colombo.office@kapruka.com)

Website - <https://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

Mr.Suresh Subasinghe - (w.e.f.13/07/2023)

## 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

## Secretaries

Kreston Corporate Services (Pvt) Ltd

No.74A, 02nd Floor, Advantage Building,

Dharmapala Mawatha, Colombo 07, Sri Lanka

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