



**BOGAWANTALAWA**  
CLIMATE POSITIVE AND BEYOND

# ANNUAL REPORT

2023 / 2024



LEADING THE WAY TO A SUSTAINABLE FUTURE



# ABOUT US

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## VISION

Bogawantalawa Tea Estates PLC aspires to be the world's best tea growing and marketing company.

## MISSION

To be a company where people share the responsibility and commitment to attain excellence in managing the resources on a sustainable basis by providing customers with high-quality products and services whilst developing our employees and protecting the environment.





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## FINANCIAL CALENDAR 2023/2024

### FINANCIAL STATEMENTS DATE

1st Quarter.....	14/08/2023
2nd Quarter.....	14/11/2023
3rd Quarter.....	14/02/2024
4th Quarter.....	28/05/2024

### ANNUAL REPORT 2023/2024

30th Annual General Meeting .....	30/09/2023
31st Annual General Meeting .....	27/09/2024



**BOGAWANTALAWA TEA ESTATES PLC**  
Annual Report 2023/24  
online at <http://www.bogawantalawa.com>



# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty First Annual General Meeting of Bogawantalawa Tea Estates PLC will be held by way of electronic means on the 27th of September 2024 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2024 and the Report of the Auditors thereon.
2. To re-elect as a Director Ms. S H Munasinghe who retires in terms of Article 96 of the Articles of Association of the Company.
3. To re-elect as a Director Mr. S A S Jayasundara who retires by rotation in terms of Articles 89 & 90 of the Articles of Association of the Company.
4. To pass the ordinary resolution set out below to re- appoint Mr. D J Ambani who is 71 years of age, as a Director of the Company;

**IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr D J Ambani who is 71 years of age and that he be and is hereby re-appointed a Director of the Company.”

5. To pass the ordinary resolution set out below to re- appoint Mr D A de S Wickramanayake who is 74 years of age, as a Director of the Company;

**“IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr D A de S Wickramanayake who is 74 years of age and that he be and is hereby re-appointed a Director of the Company.”

6. To authorize the Directors to determine donations for the ensuing year.
7. To re-appoint Messrs. BDO Partners, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

By Order of the Board  
Bogawantalawa Tea Estates PLC

Sgd.

**P W CORPORATE SECRETARIAL (PVT) LTD**

Director/Secretaries

28th August 2024

Colombo

## Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 153, Nawala Road, Narahenpita, Colombo 5, not less than Thirty Six (36) hours before the time fixed for the commencement of the Meeting.

# CHAIRMAN'S STATEMENT

It gives me great pleasure to present the audited financial statements for Bogawantalawa Tea Estates PLC for the fiscal year ending March 31st, 2024. In a rapidly changing environment, the Company successfully continues to execute its strategy with the delivery of another strong year.

The strategic measures we have implemented have resulted in substantial profits for our company, even in challenging times. As we progress, we remain committed to the highest standards of environmental sustainability and social well-being for our employees and the communities we serve. Our focus on sustainability and innovation, alongside sound agricultural and manufacturing practices, continues to drive our various R&D programs and marketing efforts forward.

## THE TEA INDUSTRY

Total tea production in Sri Lanka for the year 2023 recorded 256.1 million kg in comparison to 251.5 million kg for the same period in 2022. The production of tea registered a notable increase of 1.8 percent, year-on-year, in 2023, largely due to the strong global demand, availability of fertilizer and favourable weather conditions – consistent rainfall and optimal temperatures supporting better crop growth. Accordingly, production of high, medium, and low grown tea contributed to around 22.4 percent, 16 percent, and 61.6 percent of the total production respectively in 2023.

Tea prices at the Colombo Tea Auction reached their highest levels in 2022 and stabilised in 2023 with the gradual recovery in production. The average price of tea decreased by 6.5 percent to Rs. 1,188.33 per kilogramme during the year, from Rs. 1,270.50 per kilogramme recorded in 2022. Accordingly, the average tea prices for high, medium, and low grown tea reported year-on-year decreases of 5%, 4%, and 7%, respectively, in 2023. The average export price (FOB) of tea increased by 8% to USD 5.41 per kilogramme during 2023, compared to USD 5.03 per kilogramme recorded in the preceding year. The average tea prices during the year were stable partly due to the improved production and better economic conditions than in 2022.

The tea sector experienced a rise in production costs in 2022 due to the economic crisis in the country and the costs stabilized due to economic recovery in 2023. Elevated prices continued for chemical fertilizers and other agricultural inputs, as well as utility prices, including fuel, electricity, and water, thereby hampering the country's competitiveness in global tea markets.

Consequently, the estimated cost of tea production increased by Rs. 50 to Rs. 997 per kilogramme in 2023, compared with 2022.

## OVERALL PERFORMANCE

Despite a challenging year for the Tea Industry, the company achieved a turnover of Rs 5.0 billion and the profit before taxation was recorded at Rs 483.5 million. The total Sale of made tea was 4.2 Million Kg this year and we have been able to maintain our NSA at Rs 1,038 per kilogramme which is a decrease of 19.1% compared to the previous season.

The consolidated capital expenditure on replanting and factory development has been over Rs. 651 million for the past three years and a total sum of Rs. 287 million has been invested during the financial year 2023/24.

## COMMITMENT TO SUSTAINABLE EXCELLENCE: A VISION FOR THE FUTURE

At Bogawantalawa, sustainability is a fundamental value deeply ingrained in our organizational ethos. We are dedicated to aligning our operations with the United Nations' 17 Sustainable Development Goals (SDGs), aiming for a future where environmental integrity, social responsibility, and economic resilience are seamlessly integrated. Despite global challenges, our commitment to sustainability drives continuous innovation and enhances all facets of our business. This dedication is reflected in our comprehensive Sustainability Policy, which harmonizes our operations with broader environmental and social goals while ensuring long-term economic viability. By focusing on 45 Impact Drivers and 135 Key Performance Indicators (KPIs), we actively track and improve our progress in critical areas, ensuring that our sustainability efforts translate into tangible benefits for the environment, communities, and our industry.

For the sixth consecutive year, Bogawantalawa proudly maintains its Climate Positive status, setting a high standard for sustainability within the tea industry. We have recently achieved the prestigious Climate Neutral Certification (CNC) from the Climate Neutral Group (CNG) in the Netherlands, cementing our position as the world's first tea-growing, manufacturing, and marketing company offering uncompensated Climate Positive Teas from our state-of-the-art Climate Positive Facilities. We have made significant strides in integrating renewable energy solutions and enhancing energy efficiency, contributing to our Net Zero Energy Certification.

Our initiatives include implementing climate-smart agricultural practices, innovative waste management strategies, soil development, and water stewardship, further demonstrating our dedication to minimizing our environmental impact. Additionally, our conservation and social forestry programs advance biodiversity conservation by protecting ecosystems and engaging local communities in environmental stewardship. Our True Organic Spice Zone, spanning over 500 hectares, represents a significant advancement in our sustainability journey. By cultivating a diverse range of spices and herbs under stringent organic standards, we contribute to environmental conservation and community development. This initiative not only expands our product offerings but also aligns with our goal of fostering sustainable agricultural practices and further enhances our commitment to long-term environmental sustainability.

Social sustainability is equally central to our mission. We are devoted to enhancing the quality of life for our employees and surrounding communities through comprehensive programs in healthcare, education, and infrastructure development. Our initiatives focus on improving health and nutrition, empowering youth, enhancing living environments, building community capacity, and providing exceptional child care services. These efforts reflect our commitment to making a positive, lasting impact on the lives of those we serve. As we continue to advance our sustainability agenda, we remain focused on fostering positive social impact alongside our environmental achievements. Looking to the future, we are excited about the opportunities that lie ahead and are committed to driving progress through our core values of Trust, Commitment, and Teamwork. Our journey towards a more sustainable and equitable future continues, and we are honored to share this path with our stakeholders and communities.

### **FUTURE OUTLOOK**

At Bogawantalawa, our oil palm sector remains a testament to our unwavering commitment to sustainable agriculture and land use efficiency. Currently, we manage cultivation across 203 hectares, where we implement sustainable practices, including responsible land management, water management, biodiversity enhancement, climate smart agriculture practices and a deliberate reduction in fertilizer use. These practices not only optimize land use efficiency but also contribute positively to Sri Lanka's vegetable oil sector. This

dedication supports crop diversification and further solidifies our ongoing commitment to environmental stewardship and sustainable growth.

In response to evolving market conditions and environmental challenges, we have strategically expanded into spice cultivation through our ambitious True Organic Spice Zone project. Covering over 500 hectares, this initiative is one of the most substantial and impactful undertakings in our company's history. By cultivating a diverse array of herbs and spices under stringent organic standards, we are not only broadening our product offerings but also reinforcing our commitment to sustainable agricultural practices. This project is in alignment with our objectives of maximizing land use efficiency, promoting environmental conservation, and fostering community development through job creation and economic opportunities. Our venture into spice cultivation represents a significant milestone in our growth trajectory, underscoring our dedication to innovative and responsible farming practices.

### **CONCLUSION**

As we reflect on the progress made during the past year, I extend my sincere gratitude to the Board of Directors for their commitment and confidence. We are also grateful for the commitment and dedication of our people who have been instrumental in our continued success. We are confident in our ability to overcome the obstacles in our path and deliver on our commitments. I take this opportunity to thank our Shareholders, business partners and our valued customers for their commitment and continuous loyalty. With a clear vision, a resilient business, and a talented team, we are well equipped to navigate and seize the opportunities that lie before us.

Sgd.

**L J Ambani**  
Co-Chairman  
28th August 2024

# FINANCIAL HIGHLIGHTS

For the year ended 31 March	2023/24 Rs. '000s	2022/23 Rs. '000s	Change %
Turnover	4,970,425	5,427,130	-8%
Gross Profit	552,663	1,595,220	-65%
Profit/(Loss) before tax	483,509	1,434,139	-66%
Taxation	97,157	(206,357)	147%
<b>Profit/(Loss) after tax</b>	<b>580,666</b>	1,227,782	-53%
Other Comprehensive Income/ (Expenses)	(24,600)	44,797	-155%
<b>Total Comprehensive income /(Expenses) for the year</b>	<b>556,066</b>	1,272,580	-56%
Total Assets	7,893,756	7,406,741	7%
Total Equity	3,313,769	2,883,327	15%
Total Value Added	3,386,585	3,979,796	-15%
<b>Rs per share</b>			
Earnings per share	6.93	14.66	
Net assets per share	39.57	34.43	
Market value per share	37.00	45.00	
Dividend per share	1.50	-	

# VALUE ADDED STATEMENT

For the year ended 31 March	2023/24 Rs. '000s	2022/23 Rs. '000s
Turnover	4,970,425	5,427,130
Other Income	398,355	332,138
<b>Total Revenue</b>	<b>5,368,780</b>	5,759,268
Cost of Bought Material and Service	1,982,195	1,779,472
	<b>3,386,585</b>	3,979,796
<b>Distribution of Value Added</b>		
To Employees as Remuneration	2,355,014	2,166,198
To Government	140,322	135,708
To Lenders of Capital	130,528	198,114
Retained in the Business	760,720	1,479,775
	<b>3,386,585</b>	3,979,796
<b>Retained in the Business</b>		
Provision for Depreciation & Amortization	204,654	207,196
Profit Retained	556,066	1,272,580
	<b>760,720</b>	1,479,775

# FINANCIAL REVIEW

## PRODUCTION

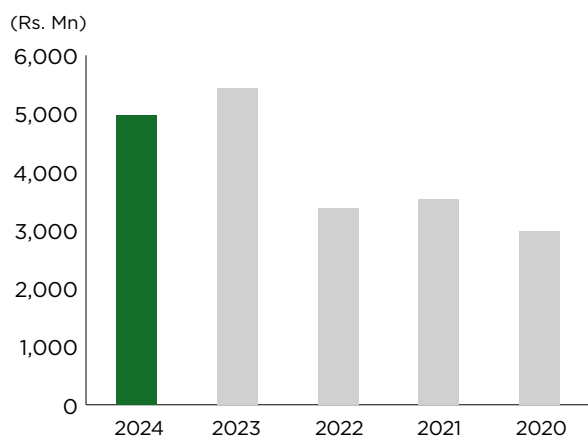
Bogawantalawa Tea Estates tea production comes mainly from Up Country region 93% and balance 7% from Low country region.

The total extent in bearing in the Up Country region is 3,366.60ha with 61% of the extent in the Bogawantalawa Region and 39% in Hatton region. The yield for the year for the Up country region was 1,101 per kg with Bogawana Estate achieving the highest yield of 1,282 per kg for the Company. The total production for the year was 4.1 MTs as against 3.8 MTs previous year. The total production for the Company increased by 6% from last year due to our concerted efforts in adopting climate smart agronomic practices combined with data analytics enabled us to be resilient and fortify our operations.

## PROFITABILITY

BPL's total revenue reached Rs. 4,970.43 Mn from Rs. 5,427.13 Mn in previous financial year. The rate of revenue growth, which was 61% in previous year, declined to 8% in the current year due to lower revenue across the sectors during the financial year 2023/2024.

## TURNOVER



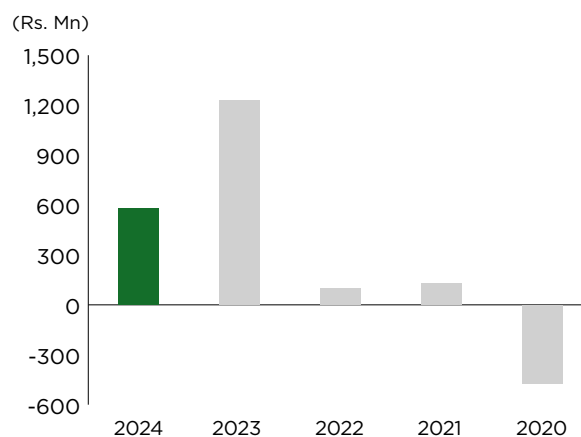
The net sales average decreased by 19.1% against previous year, last year market price increase due to the favorable dollar appreciation. The overall increase in Cost of production per kg was 5.3% compared to last year. However, with stringent cost controls the total cost of sales was increased by Rs 586 Mn.

The growth rate of the gross profit declined against the previous year's recorded growth rate of 610%. The gross profit decreased from Rs. 1,595 Mn to Rs. 553 Mn which is a year-on-year decline of 65%.

Reflecting overall lower revenues and increasing costs, profit growth moderated in the current financial year compared to the large increase in the previous year. The Profit before Tax decreased by 66% to Rs. 484 Mn, compared to the 3,257% increase in the last year. The lower interest rates on average for the current financial year, supported positively for the growth. The Net Finance Expenses for the year was Rs. 117 Mn compared to Rs. 257 Mn, in the previous year.

The company recorded a Net Profit of Rs. 581 Mn for the financial year 2023/2024, compared to the Rs. 1,228 Mn of 2022/2023.

## PAT



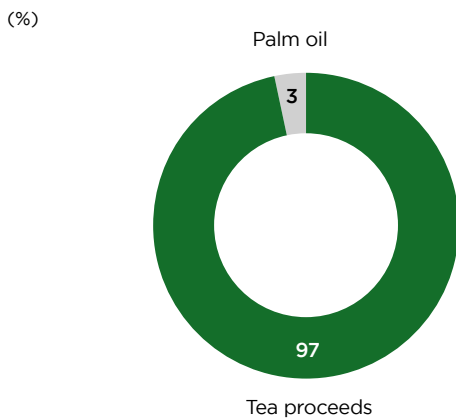
## SEGMENT ANALYSIS

Tea remained the largest contributor to total revenue, according for 97% of revenue. Although Tea outputs decreased by 1% year on year, total revenue from tea declined by 8% compared to previous year due to lower NSA.

The contribution to gross profit from Tea was Rs. 494 Mn, while Oil Palm contributed Rs. 58 Mn. The sustained growth in gross profit was mainly due to higher outputs

of Tea segment. However, contribution to overall gross profit from Oil Palm increase from 5% to 11%.

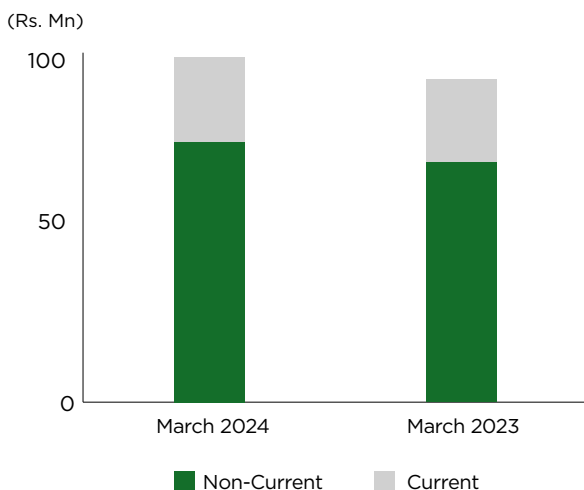
### SEGMENT ANALYSIS



### ASSETS BASE

The Company's total assets base grew by 7% reaching Rs. 7,894 Mn in value. This growth was driven by increasing investment in replanting tea and diversified crops. The current assets increased by 1% to Rs. 1,940 Mn which was mainly made up of inventories and Cash and Cash Equivalents.

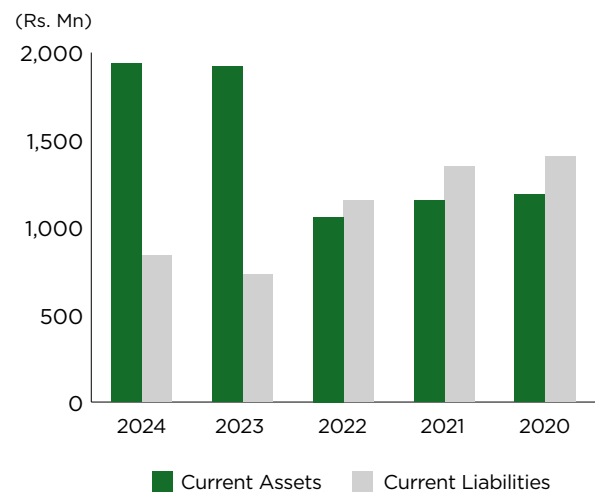
### ASSETS BASE



### WORKING CAPITAL

The current asset and current liabilities at the end of the year under review were Rs. 1,940 Mn and Rs. 837 Mn respectively. Comparatively the figures were Rs. 1,921 Mn and Rs. 728 Mn previous year. The current ratios exceeded 2.0 times consecutive couple of years, demonstrating our ability to meet short-term obligations smoothly.

### WORKING CAPITAL



### DEBT AND FINANCE COST

The Company's borrowings consist of interest bearing loans and borrowings, debentures and short term bank overdrafts. As at the end of the financial year 2023/2024, the total loans and borrowings decreased by 16% against the previous year, due to a loan repayment of Rs. 125 Mn (2023 - Rs. 649 Mn). The total net finance cost for the Company was Rs. 117 Mn for the year with Rs. 163 Mn being the lease interest to JEDB/SLSPC.

### CAPITAL EXPENDITURE

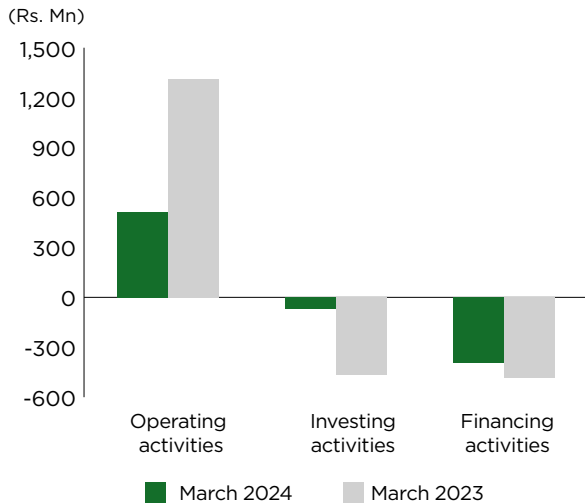
The Company invested Rs. 287 Mn on capital expenditure during the year (2023 - Rs. 178 Mn). This comprised of Rs. 234 Mn on field development, Rs. 53 Mn on factory development and other capital expenditure.

### CASH FLOW

After adjustments for non-cash items the total cash for the Company was Rs. 893 Mn and the net cash generated from operations was Rs. 513 Mn for the year. There was a net increase in cash and cash equivalents of Rs. 48 Mn compared to a net increase of Rs. 359 Mn previous year.

# FINANCIAL REVIEW

## CASH FLOWS FROM OPERATING, INVESTING & FINANCING ACTIVITIES



## EARNINGS PER SHARE

The earnings per share recorded at Rs 6.93 in 2023/2024 as against Rs 14.66 in previous year.

## FUTURE OUTLOOK

With the Sri Lankan economy starting to show tangible signs of recovery towards the end of 2023, we are confident of our prospects for financial year 2024/2025 and beyond. The downward trend in fertilizer prices too is encouraging and is expected to positively impact our financial performance in the forthcoming year.

Despite these positive developments, policy inconsistency in relation to the cultivation of oil palm remains a key challenge, hampering the significant growth potential of the oil palm sector. We therefore urge the relevant authorities to take a holistic view of the industry, and take a decisive step in the right direction.

Based on an in-depth study and after careful consideration of a medium to long term view, Company has adopted strategies to consolidate core crops and diversify into cultivating specific herbs and spices.

The company will continue to work with all stakeholders to reach a solution to satisfy their expectations of plantation industry. As a company, we are confident that, we will meet industry challenges with the leadership and strategic competencies that has kept with us in a good position.

We are committed to our value proposals to ensure high quality production with best practices in agriculture and manufacturing in line with our certification programs.

# SUSTAINABILITY REPORT

## EMBRACING A FUTURE OF RESPONSIBLE EXCELLENCE

### At Bogawantalawa, Sustainability is a Core Value

Sustainability at Bogawantalawa is not just a term; it is a fundamental principle ingrained in our organizational DNA. Guided by the United Nations' 17 Sustainable Development Goals (SDGs), we are dedicated to a future where our operations seamlessly integrate environmental integrity, social responsibility, and economic resilience. Despite global challenges and crises, our commitment to sustainability drives continuous innovation and enhancement across all aspects of our business.

### Pioneering Sustainability: Achieving Climate Positive Status and Recognized Excellence

For the sixth consecutive year, Bogawantalawa proudly upholds its status as a Climate Positive company, setting an exceptional standard for sustainability in the tea industry. We have recently earned the prestigious Climate Neutral Certification (CNC) from the Climate Neutral Group (CNG) in the Netherlands, solidifying our position as the world's first tea-growing, manufacturing, and marketing company to achieve the Climate Positive standard. This certification underscores our commitment to not only neutralizing our carbon footprint but also creating a positive environmental impact by removing additional carbon dioxide from the atmosphere.

Additionally, our Net Zero Energy Certification highlights our success in balancing energy consumption with renewable energy production, significantly reducing our overall carbon footprint.

### Certifications and Commitment

Bogawantalawa's adherence to the highest sustainability standards is evidenced by our extensive array of certifications, including Climate Positive, Carbon Neutral, Rainforest Alliance, Fairtrade, EU Organic, USDA Organic, GMP, HACCP, ISO 9001, and BRC. These certifications affirm our unwavering commitment to environmental stewardship, social responsibility, and quality excellence. Through rigorous adherence to international standards and continuous innovation, Bogawantalawa is dedicated to delivering exceptional tea that not only meets but exceeds the highest sustainability benchmarks, reflecting our broader commitment



# SUSTAINABILITY REPORT

## SUSTAINABLE PRODUCTION

With a production capacity exceeding 5 million kilograms of Black Tea annually, equivalent to over 3 billion cups enjoyed globally, our commitment extends beyond tea cultivation. Responding to evolving consumer preferences, we have ventured into sustainable spice production with our 'True Organic Spice Zone.' Here, we grow a diverse range of spices and herbs, including cinnamon, pepper, vanilla, cardamom, lemongrass, ginger and turmeric, all cultivated with minimal external resource use and responsible practices.

## BOGAWANTALAWA SUSTAINABILITY POLICY

Our Sustainability Policy is more than a set of guidelines; it is a pledge to harmonize our operations with the broader goals of preserving our planet, uplifting our communities, and ensuring long-term economic viability. In a world where environmental and social challenges are increasingly complex, our policy serves as a beacon of our proactive approach to sustainable development.

By integrating the principles of the Triple Bottom Line (TBL) framework—balancing the needs of the planet, people, and profit—our policy sets a new standard for responsible practices in the tea industry. We are dedicated to advancing sustainability through innovative practices, transparent communication, and continuous improvement.

## VISION AND MISSION OF THE BOGAWANTALAWA SUSTAINABILITY EXPEDITION

### Vision: Envisioning a Sustainable Tea Journey

To stand as a worldwide pioneer in sustainable tea production, acknowledged for our unwavering dedication to preserving the environment, promoting social responsibility, and ensuring economic viability.

At Bogawantalawa, we envisage a future where each cup of tea we produce signifies a voyage into sustainability, beginning from the verdant tea gardens to the warmth of your teapot. Our sustainability vision is to serve as an exemplar of conscientious tea farming, production, and promotion, igniting transformative progress in our sector and nurturing a healthier planet for all.

### Mission: Harvesting Sustainability, One Sip at a Time

To nurture a future where our tea operations are an inspiration of environmental responsibility, social inclusivity, and economic resilience. We are committed to integrating sustainable practices into every aspect

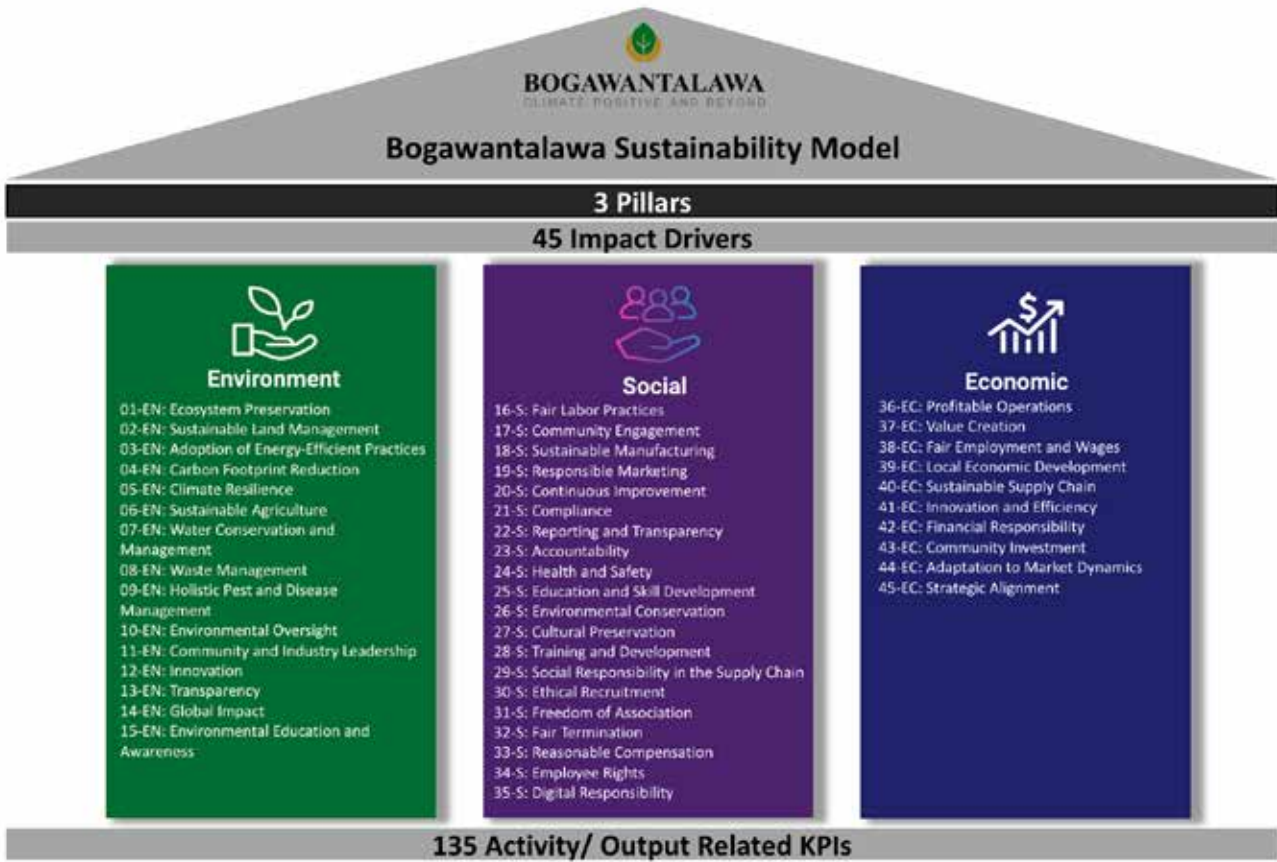
of our operations, fostering biodiversity, minimizing our ecological footprint, and positively impacting the communities we serve.

Through continuous innovation and a dedication to ethical stewardship, our sustainability mission aims to not only meet industry standards but to set a new standard for responsible tea cultivation, demonstrating our unwavering commitment to a harmonious and sustainable future. Our mission is to integrate sustainability seamlessly into every aspect of our tea-growing, manufacturing, and marketing processes.

## BOGAWANTALAWA SUSTAINABILITY MODEL

Grounded in our comprehensive Sustainability Policy, the Bogawantalawa Sustainability Model serves as a transformative blueprint for integrating environmental stewardship, social equity, and economic resilience into every facet of our operations. It embodies our commitment to ensuring that each cup of tea we produce reflects a harmonious blend of ethical, sustainable, and high-quality values. This model not only defines our core principles but also fosters a culture of continuous improvement, innovation, and accountability. By focusing on Impact Drivers and Key Performance Indicators (KPIs), we actively track and enhance our progress in critical areas, ensuring that our efforts translate into tangible benefits for the environment, communities, and our industry.





### HIGHLIGHTS OF OUR SUSTAINABILITY INITIATIVES

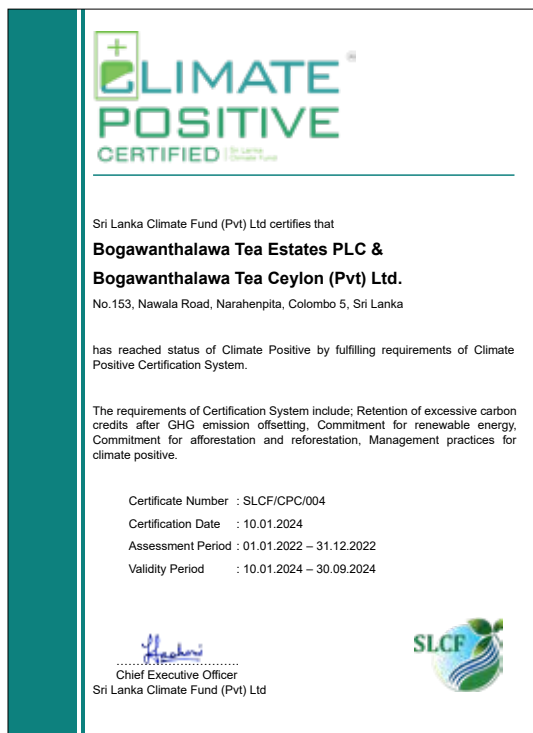
#### Focus on Environment: Preserving Our Planet

At Bogawantalawa Tea Estates PLC, environmental stewardship is a fundamental aspect of our operations. Our motto, "Passionate Growers with Sustainability at Heart," drives us to integrate sustainability into every facet of our business. We are committed to reducing our carbon footprint, enhancing soil health, and protecting biodiversity while embracing renewable energy solutions. By adopting innovative practices and setting new industry standards, we strive to balance exceptional tea production with a profound responsibility towards preserving our planet. Through these efforts, we aim to leave a positive and lasting impact on the environment for future generations.



*True Organic Spice Zone*

# SUSTAINABILITY REPORT



*Climate Positive Certificate*

## Carbon Footprint and Climate Action: Advancing Emission Reduction

Since 2010, Bogawantalawa has dedicated itself to reducing greenhouse gas (GHG) emissions throughout our value chain. Our adherence to ISO 14064-1:2018 standards, aligned with ISO 14064-3:2019 specifications, covers all emission sources from cradle to shipping point, including Scope 01, 02, and 03 emissions.

We have made substantial strides in reducing GHG emissions through various initiatives: enhancing energy management, adopting eco-design principles, integrating the latest technologies, advancing organic and integrated fertility management, shifting to renewable energy sources, optimizing waste management, and implementing effective training and awareness programs.

Having achieved Carbon Neutral status in 2017 and Climate Positive status in 2019, our ongoing policy focuses on minimizing emissions and enhancing carbon sequestration. Key emission sources include electricity, fertilizers, fuel, and packaging materials.

## Sustainable Soil Development: Nurturing Our Soil for a Healthier Future

To support the fertile Golden Valley of Ceylon Tea, we invest substantially in Sustainable Soil Development practices. Soil plays a crucial role in agricultural productivity, plant growth, animal habitation, biodiversity, and carbon sequestration, all integral to achieving the United Nations' Sustainable Development Goals (SDGs).

Soil degradation, due to pollution, erosion, salinization, and acidification, threatens these vital functions. To meet the 2030 SDGs, soil management must become more sustainable. At Bogawantalawa, we prioritize practices that enhance soil health, integrating interdisciplinary approaches to address biodiversity and climate change.

Our strategies include increasing soil organic carbon through compost and Biochar applications, using advanced technologies for soil mapping, identifying nutrient deficiencies, managing fertility, controlling erosion, and developing a robust soil resource base.

## Plantation Forestry: Restoring Forest Heritage

In the early 20th century, Sri Lanka boasted dense natural forests covering around 80% of its land. Today, this has diminished to just over 28%. The loss of forest cover has impacted agriculture, the wood industry, and wildlife.

To address this, Bogawantalawa has embraced plantation forestry. We operate the country's largest nursery, cultivating diverse plants for timber, herbs, fruit, and native species. Our plantation forestry efforts focus on production, protection, and recreation, with over one million trees planted to enrich biodiversity and maintain ecological balance in the Bogawantalawa Valley.



*Plantation Forestry*

### **Conservation Forestry: Protecting Ecosystems and Biodiversity**

Our conservation forestry initiatives are designed to maintain ecosystem balance and protect sensitive areas. Key activities include enriching natural forests, conserving riverbanks, and catchments, planting native species, conducting biodiversity assessments, and creating mini jungles.

Collaborating with Sri Lanka's Ministry of Environment, we focus on conserving watersheds and participating in tropical reforestation projects. Our efforts in public awareness and training on biodiversity conservation and ecosystem stability support significant climate change mitigation interventions.

### **Social Forestry: Engaging Communities in Environmental Stewardship**

Bogawantalawa involves staff and local communities in various social forestry initiatives. Our programs include educational outreach for schoolchildren, public tree planting campaigns, distribution of planting materials, and promotion of organic vegetable farming. These initiatives aim to foster community engagement and enhance environmental awareness.

We are committed to protecting biodiversity through various projects, including identifying biodiversity hotspots, enriching forests, conserving habitats, and creating forest corridors. Our initiatives also focus on native species propagation and raising awareness about biodiversity conservation.

### **Organic and Towards Organic: Leading in Organic Production**

Bogawantalawa manages 200 acres certified for EU, JAS, and USDA Organic standards, producing premium Organic Black and Green Teas. We are also developing a 1250-acre True Organic Spice zone, adhering to the principles of organic farming: health, fairness, ecology, and care.

We produce organic fertilizers internally, ensuring high product quality. Best practices in organic farming are applied to conventional tea areas, including integrated fertility and weed management, cover crop maintenance, minimum tillage, integrated pest and disease management, intercropping, agroforestry, shade trees, and site-specific approaches.



*Planting material distribution*



*Environmental day celebration 2024*



### **Flora and Fauna: Protecting Biodiversity Hotspots**

Sri Lanka, one of the world's 34 biodiversity hotspots, has the highest biodiversity per unit area among Asian countries. The wet zone rainforests host nearly all of the country's woody endemic plants and about 75% of its endemic animals. Bogawantalawa Valley is home to rich endemic flora and fauna.

### **Regenerative Agriculture: Promoting Sustainable Farming Practices**

Regenerative agriculture offers an approach to farming with potentially lower environmental impacts and enhanced social benefits. It focuses on topsoil regeneration, increasing biodiversity, improving water cycles, enhancing ecosystem services, supporting carbon sequestration, and building resilience to climate change.

# SUSTAINABILITY REPORT

Bogawantalawa implements the five principles of regenerative agriculture: avoiding soil disturbance, keeping soil surfaces covered, maintaining living roots, growing diverse crops, and reintroducing grazing animals. Our holistic approach includes climate-smart practices, agroforestry, animal husbandry, biofertilizers, composting, green mulch, cover crops, kitchen and vegetable gardening, soil health improvement, runoff control, and no-tillage techniques.



*Regenerative Agriculture*

**Improve Soil Structure**

**Continuous Plant Coverage**

**Livestock Integration**



**Crop Diversification**

**Targeted Input Management**

## **Water Stewardship: Managing Our Water Resources Efficiently**

We closely monitor our water footprint, assessing both direct and indirect freshwater usage. Regular water balance sheets and audits help us improve our water footprint across the value chain.

Our water management practices include moisture conservation, catchment and watershed protection, pollution control, rainwater harvesting, and runoff control. We have established 23 rainwater harvesting ponds with a total storage capacity of 1,550,000 liters to ensure sustainable water resource management.

## **Waste Footprint: Advancing Towards a Circular Economy**

Bogawantalawa embraces a circular economy strategy to achieve zero waste within our plantations. All biodegradable waste is composted on-site, and we apply the 5Rs (Reduce, Reuse, Recycle, Refuse, Repurpose) throughout our value chain.

Our initiatives include identifying waste hotspots, setting up waste collection centers, adding value to waste materials, empowering communities to manage waste, and conducting awareness and training programs.

## **Energy Management: Optimizing Energy Use**

The tea industry faces challenges related to energy costs and security. We focus on improving energy efficiency through regular audits and the adoption of advanced technologies. Our goal is to reduce energy consumption and minimize GHG emissions, addressing inefficiencies from outdated machinery.

By identifying energy hotspots and implementing strategies to enhance efficiency, we have made significant progress in reducing our energy demand and consumption.

## **Renewable Energy: Leading in Green Energy Solutions**

Bogawantalawa began solar trials in 2010 and scaled up successful results with large-scale developments starting in 2015. Despite low solar irradiation levels, the cool climate and other favorable conditions support effective solar energy generation. We have installed more than 2000 kW generating 3 million KWH annually and saving 2,500 MT of GHG emissions.

Our 3.2 MW micro-hydro projects also contribute to our renewable energy portfolio. With over 40 MW of hydro power commissioned by our sister company Eco Power (Pvt) Ltd, we generate around 14 million electricity units annually, saving 9,100 MT of GHG emissions. We have achieved 'Net Zero Energy' status, with our renewable energy production surpassing our energy consumption.

### Climate Smart Agriculture: Adapting to Climate Challenges

The Bogawantalawa Climate Smart Agriculture Centre focuses on research and development to enhance resilience against climate change. We monitor various parameters, including weather conditions, soil properties, groundwater levels, air quality, and biodiversity.

Our center analyzes data to provide adaptation strategies for mitigating climate change impacts and improving plantation resilience. We are dedicated to identifying effective methods and practices to strengthen our response to climate challenges.



### FOCUS ON PEOPLE: ENHANCING LIVES AND COMMUNITIES

BTE's operations encompass more than 4,200 direct employees and a vibrant plantation community of over 45,000 individuals. This extensive network motivates us to pursue our social sustainability strategy with a focus on achieving meaningful and impactful outcomes. Throughout the year, we embarked on several key initiatives. While many of these projects primarily focused on social conservation, they were thoughtfully designed to include elements of community upliftment. Our approach has been to foster both economic growth and knowledge empowerment within the communities we serve.

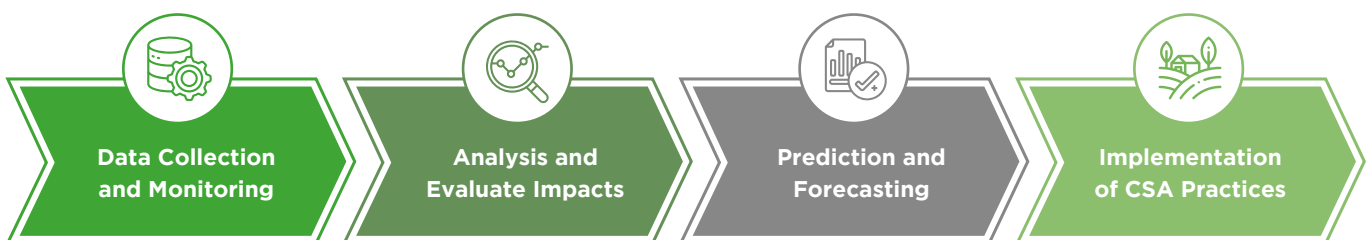
Recognizing our responsibilities, we are dedicated to enhancing the living standards of local communities. Our efforts include investments aimed at fostering economic independence, improving access to education, healthcare, and housing, and promoting social integration. These initiatives are integral to the benefits package we offer to our employees and extend to their families residing within our estates.

### Health and nutrition

We implement immunization programs to minimize the risk of communicable diseases, alongside offering comprehensive antenatal and postnatal care. Our efforts also include early childhood development programs such as providing mid-day meal and dental, other medical clinics, ensuring holistic healthcare for the community.



Net Zero Certification



# SUSTAINABILITY REPORT



## Improving the living environment

We provide essential infrastructure, including roads, housing, water and sanitation systems, as well as recreational and learning facilities. These investments are crucial to improving the overall quality of life and fostering community development.



## Youth empowerment

Expand vocational training opportunities to enhance skills and expertise, offer scholarships, and raise awareness about important social issues.



## Child Care

Our child care program is designed to offer a safe, nurturing, and stimulating environment for children, ensuring peace of mind for parents while they focus on their professional responsibilities. We have ensured Child protection through Child Protection Policy and well established Village Child Development Committees.



# INVESTOR INFORMATION

## 1. STOCK EXCHANGE LISTING

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange in Sri Lanka

### Ordinary Shares

Stated Capital Rs 586,250,010

## 2. 20 MAJOR SHAREHOLDERS OF THE COMPANY

NAME	31ST MARCH 2024			31ST MARCH 2023		
		NO OF SHARES	(%)		NO OF SHARES	(%)
1 METROPOLITAN RESOURCE HOLDINGS PLC	53,889,067	65,701,567	78.45	53,889,067	65,701,567	78.45
COMMERCIAL BANK OF CEYLON PLC / METROPOLITAN RESOURCE HOLDINGS PLC	11,812,500			11,812,500		
2 MR.D A D E S WICKRAMANAYAKE		9,614,580	11.48		9,468,778	11.31
3 SANDWAVE LIMITED		1,016,352	1.21		891,086	1.06
4 SEZEKA LIMITED		499,292	0.60		499,292	0.60
5 DR.R D BANDARANAIKE & MRS A.D.BANDARANAIKE		196,909	0.24		196,909	0.24
6 SENKADAGALA FINANCE PLC/A.V.R.DE SILVA JAYATILLEKE		106,031	0.13		-	-
7 MRS K.G.M. PIERIS		100,000	0.12		100,000	0.12
8 MR.A.N.HANDUNPATHIRANA		85,000	0.10		-	-
9 MR. D S A JAYATILEKE		71,448	0.09		66,448	0.08
10 SEYLAN BANK PLC/JAYANTHA DEWAGE		70,000	0.08		70,000	0.08
11 COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD		63,750	0.08		63,750	0.08
12 MR. K P A PREMALAL		60,000	0.07		80,000	0.10
13 MR. A V R DE SILVA JAYATILLEKE		59,338	0.07		59,563	0.07
14 KELMARSH INVESTMENTS LIMITED		57,831	0.07		57,831	0.07
15 KATUNAYAKE GARMENTS LIMITED		56,575	0.07		56,575	0.07
16 PEOPLE'S LEASING & FINANCE PLC / MR. F B R D SILVA		52,600	0.06		52,250	0.06
17 MR R.E. RAMBUKWELLE		52,500	0.06		52,500	0.06
18 MR. M H M ZAROOK		50,157	0.06		50,157	0.06
19 DIALOG FINANCE PLC/W.JINADASA		50,116	0.06		-	-
20 MACKSONS HOLDINGS (PVT) LTD		50,000	0.06		-	-
		78,014,046	93.15		77,466,706	92.50
OTHERS		5,735,954	6.849		6,283,294	7.50
<b>Total</b>		<b>83,750,000</b>	<b>100.00</b>		<b>83,750,000</b>	<b>100.00</b>

## 3. DISTRIBUTION OF ORDINARY SHAREHOLDERS

31ST MARCH 2024					31ST MARCH 2023				
From	To	No. of Holders	No. of Shares	%	From	To	No. of Holders	No. of Shares	%
1	- 1,000	17,955	3,999,497	4.78	1	- 1,000	17,959	4,004,781	4.78
1,001	- 10,000	339	1,054,516	1.26	1,001	- 10,000	344	1,059,250	1.26
10,001	- 100,000	51	1,561,256	1.86	10,001	- 100,000	58	1,815,154	2.17
100,001	- 1,000,000	3	802,232	0.96	100,001	- 1,000,000	4	1,700,470	2.03
Over 1,000,000		4	76,332,499	91.14	Over 1,000,000		3	75,170,345	89.76
<b>Total</b>		<b>18,352</b>	<b>83,750,000</b>	<b>100.00</b>	<b>Total</b>		<b>18,368</b>	<b>83,750,000</b>	<b>100.00</b>

# INVESTOR INFORMATION

## 4. CATEGORIES OF SHAREHOLDERS

Category	31ST MARCH 2024			31ST MARCH 2023		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	18,260	15,717,120	18.77	18,279	15,863,971	18.94
Local Institutions	77	66,421,915	79.31	73	66,354,519	79.23
Foreign Individuals	12	37,490	0.04	13	83,301	0.10
Foreign Institutions	3	1,573,475	1.88	3	1,448,209	1.73
<b>Total</b>	<b>18,352</b>	<b>83,750,000</b>	<b>100.00</b>	<b>18,368</b>	<b>83,750,000</b>	<b>100.00</b>

Category	As at March	
	2024	2023
5. Earning per share (Rs)	6.93	14.66
6. Dividend Per Share (Rs)	1.50	-
7. Net Assets per share (Rs)	39.57	34.43
8. Price earning ratio	5.34	3.07
9. Return on capital employed	0.09	0.25

## 10. MARKET VALUE OF SHARES

Category	As at March	
	2024	2023
Highest during the year	Rs. 55.00 26.07.2023	Rs. 72.90 07.09.2022
Lowest during the year	Rs. 33.30 30.11.2023	Rs. 9.00 28.04.2022
As at end of the year	Rs. 37.00	Rs. 45.00
Number of Transactions during the year	2,698	9,629
Number of Shares traded during the year	1,247,636	12,463,769
Value of shares traded during the year (Rs.)	55,117,034	581,014,424

11. The Public Holding Percentage- 9.98%

12. Total number of shareholders who hold the Public Holdings as at 31st March 2024 - 18,346

13. The Float adjusted market capitalization as at 31st March 2024 – Rs. 309,244,335

14. Ordinary voting shares of Bogawantalawa Tea Estates PLC have been transferred from the Main Board to Diri Savi Board, with effect from 02nd July 2018 and from the Diri Savi Board to Second Board with effect from 7th August 2024.

The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1(i) (b) of the Listing Rules of the Colombo Stock Exchange and the Company has not complied with the minimum public holding requirement applicable under the said option.

## 15. DEBENTURE

Company has issued 10,000,000 Debentures at Rs 85 (15% discounted from the par value) and raised Rs 850,000,000/-. Tenure of the debentures will be 5 , 6 and 7 years and the purpose of the issue was settlement of high cost debt, field development activities and factory development.

### 15.1. Interest rates of the debentures

	Tenor	Coupon interest rate	Annual effective rate	Interest rate of comparable government security
Type A	5 years	13%	16.19%	12.37%
Type B	6 years	13.25%	16.52%	12.38%
Type C	7 years	13.50%	16.85%	12.51%

### 15.2. Market prices & issue prices of debentures recorded during the period ended 31st March 2024 are as follows

	Issue Price	Highest Price	Lowest Price	Last Traded Price	Last Traded Date
Type A	85	Not Traded	Not Traded	Not Traded	N/A
Type B	85	Not Traded	Not Traded	Not Traded	N/A
Type C	85	Not Traded	Not Traded	Not Traded	N/A

### 15.3. Debt Security related ratios

Category	As at March	
	2024	2023
Current ratio	2.32	2.64
Quick ratio	1.66	1.78
Interest cover	5.14	6.57

# BOARD OF DIRECTORS

## MR. D J AMBANI

Mr. Dinesh Jamnadas Ambani is the present Chairman of the following companies:

- Metropolitan Resource Holdings Limited
- Bogawantalawa Tea Estates PLC
- Bogawantalawa Tea Ceylon (Pvt) Ltd
- Metrocorp (Pvt) Ltd,
- Megatech (Pvt) Ltd.
- Eco Power Group
- Ceylon Bungalows (Pvt) Ltd.
- Metropolitan Group

### He is a Director of the following companies

- Ceylon Tea Trails
- Office Network (Pvt) Ltd
- Areva Investments (Pvt) Ltd.

## MR. L J AMBANI

Mr. Lalithkumar Jamnadas Ambani is a fellow Member of the Chartered Institute of Management Accountants and an Associate member of the Sri Lanka Institute of Chartered Accountants. He is the Chairman of Office Network (Pvt) Ltd and he functions as Co-Chairman of Bogawantalawa Tea Estates PLC and Deputy Chairman of Metropolitan Group.

He is a Director of the following companies:

- Bogawantalawa Tea Ceylon (Pvt) Ltd
- Metrocorp (Pvt) Ltd
- Megatech (Pvt) Ltd
- Metropolitan Resource Holdings Limited
- Eco Power Group
- Areva Investments (Pvt) Ltd
- Ceylon Bungalows (Pvt) Ltd.

## MR. C M O HAGLIND

Mr. Carl Michael Oscarsson Haglind has a MSc from Stockholm School of Economics. He is a Director of Eco Power, Bogawantalawa Tea Ceylon (Pvt) Ltd, Gourmet Teas and Compose Software. Prior to this he was the Vice President of Manpower in Sweden.

## MR. S A S JAYASUNDARA

Mr. Sudath Ajitha Samaradivakara Jayasundara has a Bachelor of Law (LL.B) from the University of Colombo and is an Attorney-at-Law & Notary Public, having an active practice in the Civil Courts of Sri Lanka. He also holds a Diploma in International Relations (BCIS).

He currently works and holds the following positions:

- Chairman of Shraddha Media Network (Guaranteed) Ltd
- Board Director of Harishchandra Mills, Matara
- Board Director of Sithara Ltd
- Board Director of Metropolitan Resource Holdings PLC
- Board Director / Acting Chairman of Bimputh Finance PLC and
- Director of Enterprise Technologies (Pvt) Ltd
- Chairman of Blue Diamond Jewelry worldwide PLC
- Chairman of Lanka Transformers (Private) Limited, Lanka Transformers Holdings (Private) Limited and Lanka Transformers Galvanizing (Private) Limited.

## MR. D A DE S WICKRAMANAYAKE

Mr. Don Ariyaseela De Silva Wickramanayake is the present Chairman/Managing Director of Master Divers (Pvt) Ltd. , Director of Pelwatte Sugar Industries Ltd, Chairman of Pelwatte Dairy Industries, Chairman of Mawbima Lanka Foundation and Director of Aitken Spence Plantation Managements PLC. Currently he is a Member of University Grant Commission Standing Committee on Agriculture, Veterinary Medicine and Animal Science , Advisory Board Member of Sabaragamuwa University, Council Member of Ocean University, Faculty Representative for the Faculty of Technology, University of Colombo, former Council member of Uva Wellassa University and Council member of National Institute of Fisheries and Nautical Engineering. He is also the Former Chairman of National Livestock Development Board, former Chairman of State Engineering Corporation and former Member of the council University of Ruhuna.

Mr Wickramanayake has published the book WHY HAMBANTOTA (Regarding Port of Hambantota)

## MR L H MUNASINGHE

Mr Lalith Hemantha Munasinghe holds a Diploma in Business Management at the World View Institute. Mr Munasinghe counts over 40 years of experience in the plantation sector and prior to joining Bogawantalawa Tea Estates PLC, held the position of Director / Deputy Chief Executive Officer at Talawakelle Tea Estates PLC a member of the Hayleys Group. He has followed a leadership development programme at the Indian School of Business (ISB).

### **MS S H MUNASINGHE**

Subhashini Munasinghe is a finance professional with over 16 years of experience in financial reporting, internal audit, risk management and corporate governance.

She is presently the Chief Executive Officer of the Sri Lanka Institute of Directors. Prior to that, she was a Director at Deloitte Sri Lanka providing audit and assurance services to listed and privately held companies. During her tenure at Deloitte, she was head of internal audit services as well as worked at the Deloitte office in London for over 5 years within the audit practice advising some of the largest listed telecom companies in the UK. She has also been an instructor on training programs on International Financial Reporting Standards and leadership training conducted locally and overseas.

Subhashini is an Associate member of the Institute of Chartered Accountants of England and Wales (ICAEW) as well the Institute of Chartered Accountants in Sri Lanka (ICASL) and she holds a BSc (Hons) in Economics and Accounting from the University of Bristol in the UK.

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## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for that period.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. Relevant accounting standards have been followed.

The Directors are responsible for maintaining adequate accounting records, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Accordingly, the Directors have taken all reasonable steps to ensure that proper books of accounts of the Company and its subsidiaries and associates have been maintained and that the financial statements have been prepared in compliance with the Sri Lanka Accounting Standards.

By Order of the Board

**BOGAWANTALAWA TEA ESTATES PLC**

(Sgd)

**L J Ambani**

Co-Chairman

28th August 2024

# MANAGEMENT TEAM

Executive Director .....	Mr. L.H. Munasinghe
Chief Executive Officer.....	Mr. M.F. Majeed
Director - Low Country Operations, Sustainability, Research & Development.....	Dr. Y.M.T.K. Bandara
Chief Financial Officer .....	Mrs. C.D. Wahalathantri
General Manager - Marketing.....	Mr. R.A.J. Guneratne
General Manager - Auditing and System Monitoring.....	Mr. K.J. Jayabrendra
Financial Controller .....	Mr. R.K.W. D.M.R.T.N.B. Bogahalanda
Senior Manager - Certification and Quality Assurance .....	Mr. U.S. Waidyatilleke
Senior Manager - Projects .....	Mr. M.G.A. Nadeeshan
Manager - Human Resources .....	Mr. H.G. Augustus
Manager - IT.....	Mr. L.H.A.D.U.S. Hettiarachchi
Assistant Manager - Administration .....	Mr. A.S. Samuel

## ESTATE LEVEL

General Manager - Kotiyagalla Estate.....	Mr. W.N.D. De Alwis
General Manager - Bogawana Estate.....	Mr. R. Winter
General Manager - Fetteresso .....	Mr. K.D.H. Manjusri
General Manager - Lethenty Estate .....	Mr. R.M. Samarakoon
General Manger - Norwood Estate.....	Mr. G.L.C. De Silva
Deputy General Manager - Anhettigama & Illuktenne Estates.....	Mr. H.I. Wijayasundara
Senior Manager - Loinorn Estate.....	Mr. K.G. Samarathunga
Senior Manager - Osborne Estate .....	Mr. C.D. Ikiriwatte
Senior Manager - Champion Estate.....	Mr. R.L. Manoj
Senior Manager - Wanarajah Estate .....	Mr. M.S.Z. Imthiaz
Manager - Bogawantalawa Estate .....	Mr. S.M.S.D. Seneviratne
Manager - Poyston Estate.....	Mr. S.N. Liyanage

# CORPORATE GOVERNANCE

The Board of Directors of Bogawantalawa Tea Estates PLC are committed to the highest standards of corporate governance, transparency and business behavior to protect the interest of our stakeholders. The Directors confirm that the Company has already implemented action to comply with the Rules on Corporate Governance contained in the listing rules of the Colombo Stock Exchange.

## THE BOARD OF DIRECTORS

The Directors of the Board are responsible for the formation of overall business strategies, policies and setting standards and ensuring the implementation of them, setting goals and targets in short, medium and long term basis. The Directors review progress quarterly and during the year under review they met on two occasions.

Attendance at these meetings was:

Mr. D J Ambani.....	2/2
Mr. L J Ambani.....	2/2
Mr. C M O Haglind.....	2/2
Mr. D A D S Wickramanayake.....	1/2
Mr. S A S Jayasundara.....	2/2
Mr G V M Nanayakkara.....	1/2
(Resigned on 31st March 2024)	
Mr L H Munasinghe.....	2/2

The Board reviews and approves the Annual Budget, actual performance against the budget, grants approval for capital expenditure and any other project proposals. Separate sub committees are set up by the Board for Investment decisions and special projects. The recommendation from these sub committees are forwarded to the Board for the final approval at a Board meeting.

## MANAGEMENT MEETING

Management meetings are held every quarter whereby all Directors, the senior management including all divisional heads review the progress for the most recent quarter and the performance against budget and last year. Further the next quarters forecast and the forecast for the year are discussed and agreed upon at each meeting. Estate wise details are analysed and recommendations are made to the Board. All capital expenditure, other project proposals, budgets are initially reviewed at this meeting and referred to the Board at the Board Meeting for formal approval and/or ratification wherever necessary. In addition there is also a Management Committee consisting the Chairman / Directors and the Senior Management Team which meets every

month to review progress, approval for payments and recommendations to the Board for any Board papers.

## AUDIT COMMITTEE

An Audit Committee is formed at the Company level and the members of the Audit Committee (AC) are as follows

### Mr G V M Nanayakkara

Chairman AC (Independent Non-Executive Director)  
Resigned on 31st March 2024

### Ms S H Munasinghe

Chairperson AC (Independent Non-Executive Director)  
Appointed on 1st April 2024

### Mr S A S Jayasundara

Member AC (Independent Non-Executive Director)

### Mr C M O Haglind

Member AC (Non-Executive Director)

Attendance at the AC meetings was:

Mr G V M Nanayakkara.....	2/2
Mr. S A S Jayasundara.....	2/2
Mr. C M O Haglind.....	2/2
Ms S H Munasinghe.....	0/2
(Appointed on 1st April 2024)	

The Audit Committee, is responsible, for reviewing policies and procedures of Internal Control, Risk Review and Control reports, planning and audit completion reports from the Company's external auditors and ensuring that the Company has an embedded process of identifying risks, both financial and operational. The Committee ensures that risks, so identified, are managed via a well-defined action plan.

The Committee is also responsible for the consideration and appointment of external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in the preparation of public financial information and examining all documents representing the final financial statements.

The Chief Financial Officer, General Manager Auditing and System Monitoring and relevant operational divisional heads attend the meeting by invitation. The decisions of the Audit Committee are reported to the Directors at the Board Meetings.

The report from the Chairman of the Audit Committee is on page no 29.

# CORPORATE GOVERNANCE

## REMUNERATION COMMITTEE

The Remuneration Committee is set up at Company level and the members of the Remuneration Committee (RC) are as follows

### Mr G V M Nanayakkara

Chairman RC (Independent Non-Executive Director)  
Resigned on 31st March 2024

### Ms S H Munasinghe

Chairperson RC (Independent Non-Executive Director)  
Appointed on 1st April 2024

### Mr S A S Jayasundara

Member RC (Independent Non-Executive Director)

### Mr C M O Haglind

Member RC (Non-Executive Director)

Attendance at the RC meetings was:

Mr G V M Nanayakkara.....	1/1
Mr. S A S Jayasundara .....	1/1
Mr. C M O Haglind .....	1/1
Ms S H Munasinghe.....	0/1
(Appointed on 1st April 2024)	

The Remuneration Committee is responsible for the recommendation of the remuneration payable to the Chairman, Executive Directors and Chief Executive Officer and sets guidelines for the remuneration of the Senior Management within the Company, to the Board of BTE PLC. The Board makes the final determination upon consideration of such recommendations. The remuneration recommendations are based on the present market rates.

The gross amount paid as directors emoluments for the year is disclosed under notes to the financial statements – note no 12 Page 68.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related party Transactions Review Committee is set up at Company level and the members of the Related Party Transactions Review Committee ( RPTRC) are as follows

### Mr G V M Nanayakkara

Chairman (Independent Non-Executive Director)  
Resigned on 31st March 2024

### Ms S H Munasinghe

Chairperson ( Independent Non-Executive Director )  
Appointed on 1st April 2024

### Mr S A S Jayasundara

Member ( Independent Non-Executive Director )

### Mr L H Munasinghe

Member ( Executive Director )

The Committee is entrusted with evaluating and considering all transactions with related parties of the Company except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the company and related party transactions are evaluated according to the applicable rules and regulations. To this end the Committee shall ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the Company and its subsidiaries.

Attendance at the RPTRC meetings was:

Mr G V M Nanayakkara.....	2/2
Mr. S A S Jayasundara .....	2/2
Mr L H Munasinghe.....	2/2
Ms S H Munasinghe.....	0/2
(Appointed on 1st April 2024)	

The report from the Chairman of the Related party Transactions Review Committee is on page no 30.

## INTERNAL CONTROL

Board has endeavored to ensure that control systems, designed to safeguard the Company's assets and maintain proper accounting records that facilitate the production and availability of reliable information, are in place and are functioning as planned.

An internal audit and monitoring division is set up to monitor whether all internal control systems, processes and procedures are followed Any issues relating to controls, productivity, efficiency, effectiveness are discussed at the monthly review meetings with respective operational managers. All operational and financial functions and approval levels are clearly defined and controlled by the officers with proper segregation of duties. All purchases for major inputs, capital expenditure, disposals are handled by a committee at Center Office and recommend to the Chief Executive Officer. Payments to major suppliers of estates are made from Head Office. All sales proceeds are collected at Head Office and the required funds are released for

remuneration and local purchases to operational units. Actual utilization of funds released are monitored by obtaining certified statements from respective operational managers.

### COMPLIANCE WITH LEGAL REQUIREMENTS

The Board is conscious of its responsibility to the Shareholders, the Government and the Society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative, Human Resource and Finance Divisions, strives to ensure that the businesses of the Company comply with the laws and regulations of the country. The Board of Directors ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards and conform to the requirements of the Colombo Stock Exchange.

### RELATIONS WITH THE COMMUNITY

The Board is conscious of the principles of good citizenship and the operational dimensions of the BTE PLC's social programmes. The Human Resources division of the Company is set up at Head Office in Colombo with regional coordinating officers.

Subject	Compliance Status	Details
<b>Disclosures regarding the Board of Directors</b>		
Four of the seven Directors are Non-Executive Directors	Compliant	Please refer page no 33
Two of the four Non-Executive Directors are Independent Directors.	Compliant	
Non-Executive Directors have submitted the declaration of independence /non-independence	Compliant	
Names of independent Directors included in the Annual Report	Compliant	Please refer page no 33.
A brief resume of each Director included in the Annual Report	Compliant	Please refer page no 22.
<b>Disclosures regarding remuneration and Remuneration Committee</b>		
Specify whether a separate Remuneration Committee was formed or listed parent's Remuneration Committee used	Compliant	A separate Remuneration Committee was formed.
The names of the members and the composition of the Remunerations Committee included in the Annual Report	Compliant	Please refer page no 36
The functions and the Remuneration Policy of the Remuneration Committee included in the Annual Report	Compliant	Please refer page no 31
The aggregate remuneration paid to Executive & Non-Executive Directors specified in the Annual Report	Compliant	Please refer page no 68

# CORPORATE GOVERNANCE

Subject	Compliance Status	Details
<b>Contents under the Audit Committee Report</b>		
Specify whether a separate Audit Committee was formed or listed parent's Audit Committee used	Compliant	A separate Audit Committee was formed
The names of the members and the composition of the Audit Committee included in the Annual Report	Compliant	Please refer page no 35
Chief Executive Officer and the Chief Financial officer attend Audit Committee Meetings	Compliant	
The Chairman of the Audit Committee and two members are Members of a professional accounting body	Compliant	
The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer Audit Committee Report on page 29
The Annual Report shall Contain a Report of the Audit Committee setting out the manner of Compliance of the Functions	Compliant	Please refer Audit Committee Report on page 29
<b>Contents under the Related Party Transactions Review Committee Report</b>		
Specify whether a separate Related Party Transactions Review Committee was formed or listed parent's Related Party Transactions Review Committee used	Compliant	A separate Related Party Transactions Review Committee e was formed
The names of the members and the composition of the Related Party Transactions Review Committee included in the Annual Report	Compliant	Please refer page no 36.
The Related Party Transactions Review Committee shall meet once a calendar quarter	Non-Compliant	The Committee met twice during the year under review. The matters under the purview of the Committee during the balance 2 quarters were reviewed by the Committee by way of Circular Resolutions.
The Chairman of the Related Party Transactions Review Committee should be an Independent Non-Executive Director	Compliant	
The Annual Report shall Contain a Report of the Related Party Transactions Review Committee setting out the manner of Compliance of the Functions	Compliant	Please refer Related Party Transactions Review Committee Report on page 30.

By order of the Board

**Bogawantalawa Tea Estates PLC**

Sgd.

Director

28th August 2024

# REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Bogawantalawa Tea Estates PLC consists of the following Non-Executive Directors.

- Mr G V M Nanayakkara - Chairman ( Resigned on 31st March 2024 ) - Independent Non-Executive Director
- Ms S H Munasinghe - Chairperson ( Appointed on 1st April 2024 ) - Independent Non-Executive Director
- Mr C M O Haglind - Member (Non-Executive Director)
- Mr S A S Jayasundara Member (Independent Non-Executive Director )

The Audit Committee's role and duties include;

- the review of internal control systems,
- assist the Board of Directors in its oversight of the preparation of the financial statements in conformity with SLFRS, Companies Act No. 7 of 2007, rules and regulations of CSE and SEC,
- overview of the Company's processes for monitoring compliance with laws & regulations and risk assessments,
- make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee met two times during the year under review. The Chief Financial Officer, General Manager Audit and System Monitoring, sector senior management personnel, Executive Director and Chief Executive Officer were invited and attended to deliberate proceedings.

The Audit Committee reviewed the management letter issued by the external auditors at the audit committee meeting and also considered and verified the independence of the external auditors Messers BDO partners, Chartered Accountants. The Audit Committee reviewed the nature of the non-audit function related to tax that external auditors have undertaken to ensure that it did not compromise their independence.

The Audit Committee is strongly supported by the internal audit reports and external audit segment wise management letters. The internal audits have been carried out for the financial year covering estates, other administrative units and specific areas of attention are decided by the Executive Director based on the audit committee proposals and Board directions. Audit

Supervisory Committee has been set up consisting senior management team to scrutinize the audit reports and exceptional reports generated by the computerized management information system. The exceptional reports and the alerts are generated by the management information system and automatically emailed to the respective management levels copy to the General Manager Audit and System Monitoring regularly. Matters arising from such reports, where attentions required toward internal control aspects are scrutinized by the General Manager - Audit and System Monitoring and get the clarification from the management where necessary and send required guidelines to improve system & control. The deliberations are reported to the Audit Committee. Audit Supervisory Committee had discussed report findings and implemented the recommendations with the respective sector managers and estate managers. These reports have been reviewed by the Audit Committee along with the explanations given by the estate management and members of the senior management who participated at these Audit Committee meetings. At the meetings, the Committee reviewed the effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks.

The Committee studied the processes that are in place to safeguard the assets of the Company.

The Committee noted that a comprehensive set of Management Accounts and progress reports are produced on a monthly basis highlighting all key performance indications and reviewed by the Senior Management. The Directors review the performance at the pre- Board meetings followed by the Board Meetings held quarterly on a pre-determined dates agreed.

The Committee reviewed the audited financial statements including the Annual Report for the year 2023/24. The Audit Committee has recommended to the Board of Directors that Messers BDO partners, Chartered Accountants be continued as the external auditors for the year ending 31st March 2025 as well.

Sgd.

**S H Munasinghe**

Chairman-Audit Committee

28th August 2024

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Related Party Transactions Review Committee comprises of three (3) Board members. The composition of the Committee is as follows:

**Mr. G V M Nanayakkara**

Chairman - Independent Non-Executive Director  
(Resigned on 31st March 2024)

**Ms S H Munasinghe**

Chairperson - Independent Non Executive Director  
(Appointed on 1st April 2024)

**Mr. S A S Jayasundara**

Member - Independent Non-Executive Director

**Mr. L H Munasinghe**

Member - Executive Director

## CHARTER OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was formed by the Board of Directors as per the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), so that the Company shall follow the rules pertaining to related party transactions as set out in the Listing Rules of the CSE. The composition and the scope of work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

The Terms of Reference of the Related Party Transactions Review Committee is reviewed annually by the Board of Directors.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

The Committee carries out the following duties and responsibilities:

- Reviewing to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.14.10 of the Listing Rules of the CSE, that require consideration by the Committee under the Related Party Policy of the Company.

- Approving or rejecting the Related Party Transaction upon the required internal approvals being obtained.
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of, the Company and its stakeholders; and
- Recommending to the Board what action, if any, should be taken by the Board with respect to any Related Party Transaction.
- Recommending to the Board where necessary, that the approval of the shareholders of the Company be obtained by way of a Special Resolution, prior to the concerned transaction being entered into as specified in Section 9.14.6 of the Listing Rules.

## COMMITTEE GUIDING PRINCIPLES

The Committee is entrusted with evaluating and considering all transactions with related parties of the Company except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the Company and related party transactions are evaluated according to the applicable rules and regulations. To this end the Committee shall ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the Company and its subsidiaries.

The Committee is required to carry out the aforementioned approval of the related parties and related party transactions in line with the Colombo Stock Exchange and/or Securities and Exchange Commission of Sri Lanka, the Companies Act requirements and the Sri Lanka Accounting Standards.

## COMMITTEE MEETINGS

The Committee met two (2) times during the year under review, and all members attended the meetings. The quorum for a meeting is two (2) members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

## METHODOLOGY USED BY THE COMMITTEE

In carrying out the duties of the Committee, the Committee is required to avoid 'conflicts of interest', which may arise from any transaction of the Company with any person, particularly with related parties, ensure arm's length dealings with related parties whilst also ensuring adherence to the corporate governance

directions which requires the Company to avoid engaging in transactions with related parties, in a manner that would grant such parties 'more favorable treatment' than accorded to other constituents of the Company.

The Committee will also be guided by the Listing Rules of the CSE pertaining to related party transactions, the Board approved Related Party Transactions Policy and the Terms of Reference of the Committee.

#### **RELATED PARTY TRANSACTIONS DURING THE YEAR 2023/24**

During the year 2023/24, there were no recurrent and non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the above period is disclosed in note 40 to the financial statements.

#### **DECLARATION**

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2023/24 is given on page 88 of the Annual Report.

Sgd

**S H Munasinghe**

Chairperson - Related Party Transactions Review Committee  
28th August 2024

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## **REPORT OF THE REMUNERATION COMMITTEE**

The Remuneration Committee of the Company is formed in compliance with the CSE Listing Rules.

#### **COMPOSITION**

The Committee comprises a combination of Independent Non-Executive Directors and a Non-Executive Director.

The names of the Directors, their status of independence at the meetings are as follows

**Mr G V M Nanayakkara**

Chairman - Independent Non-Executive Director  
(Resigned on 31st March 2024)

**Ms S H Munasinghe**

Chairperson - Independent Non-Executive Director  
(Appointed on 1st April 2024)

**Mr S A S Jayasundara**

Member - Independent Non-Executive Director

**Mr C M O Haglind**

Member - Non-Executive Director

#### **ROLE OF THE COMMITTEE**

The Remuneration Committee is responsible for the recommendation of the remuneration payable to the

Chairman, Executive Directors and Chief Executive Officer and sets guidelines for the remuneration of the Senior Management within the Company, to the Board of BTE PLC. The Board makes the final determination upon consideration of such recommendations. The gross amount paid as directors emoluments for the year is disclosed under notes to the financial statements - note no 12 Page 68.

#### **REMUNERATION POLICY**

The Remuneration Policy is to attract and retain experienced and highly qualified work force. The remuneration recommendations are based on the present market rates and performance evaluation criteria of the Company.

#### **COMMITTEE MEETINGS**

The Committee held its meeting for the year on 12th March 2024.

Sgd

**S H Munasinghe**

Chairperson - Remuneration Committee  
28th August 2024

# RISK MANAGEMENT

## RISK MANAGEMENT PROCESS & APPROACH

The process of risk management consists of identification, analysis, assessment, prioritization, monitoring of risk and either acceptance or mitigation of uncertainty in Business decision-making.

Our approach to risk management is to have built in internal control systems to business processes, outcome of regular discussions, review meetings and comprehensive reporting.

## Responsibilities for the Risk

The Board of Directors of Bogawantlawa Tea estates PLC:

- bears overall responsibility to exercise prudent risk management mechanisms.
- identifies principle risks faced by the company and ensure implementation of appropriate system to manage such risks.
- designates key management personnel and defines their areas of responsibility to manage risks
- reviews risk management strategy periodically and formulate mitigating actions considering internal and external environmental changes.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
<b>Worker Shortage in Tea Plantations</b>	Tea plantations require a significant number of workers for various tasks such as planting, plucking, and processing. A shortage of workers can severely disrupt these operations.	Insufficient labor can delay the harvesting process, leading to reduced tea quality and quantity. Delayed plucking can cause leaves to over-mature, affecting the final product.	Offering competitive productive base incentive to attract and retain workers.  Investing in machinery for plucking and processing to reduce dependency on manual labor.  Providing training for workers to operate and maintain new machinery, ensuring a smooth transition to more automated processes.  Ensuring strict compliance with labour laws to avoid legal issues and improve working conditions.  Extending Revenue Share Model Extends.
<b>Tea Plantation Worker Wage Increase</b>	Proposed increase in wages without a corresponding increase in productivity.	<ul style="list-style-type: none"> <li>• Increased operational costs</li> <li>• Potential reduction in profit margins</li> <li>• Financial strain on the company</li> <li>• Possible need for price adjustments of products</li> <li>• affecting competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Implement productivity-linked wage structures</li> <li>• Invest in worker training and development to improve productivity</li> <li>• Explore cost-saving measures in other operational areas</li> <li>• Engage in negotiations with workers and unions to find a balanced solution</li> <li>• Conduct a thorough financial impact analysis to inform strategic decisions</li> </ul>
<b>Scarcity of Good Firewood for Tea Manufacture</b>	Shortage of quality firewood for tea manufacturing.	<ul style="list-style-type: none"> <li>• Increased Production Costs</li> <li>• Lower efficiency in tea drying processes, possible affecting tea quality.</li> <li>• Extending long hour manufacture</li> </ul>	<ul style="list-style-type: none"> <li>• Engage in reforestation programs to replenish firewood supplies.</li> <li>• Invest in R&amp;D for efficient tea drying technologies.</li> <li>• Outsourcing Drier Operation</li> </ul>
<b>Trade Union Involvement</b>	Disruption of tea plantation operations due to union activities such as strikes	Halting of tea production and delay in meeting production targets	Establish regular communication channels with union representatives to address concerns proactively.
<b>Changes in government policy</b>	Stop cultivation of oil palm trees	Potential loss of raw material supply	Diversify supply chain sources. Engage in advocacy and policy dialogue Explore alternative crops or products.

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

The Directors of Bogawantalawa Tea Estates PLC have pleasure in presenting their Annual Report of the Board of Directors on the Affairs of the Company together with the Audited Financial Statements of the Company for the year ended 31st March 2024.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

## GENERAL

Bogawantalawa Tea Estates PLC is a public limited liability Company which was incorporated under the Companies Act No.17 of 1982 as a public Company on 22nd June 1992. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 8th April 2008 and bears registration number PQ 124. Accordingly, the name of the Company was changed to Bogawantalawa Tea Estates PLC.

The Company has also issued 10 million Rated Senior Unsecured Redeemable Debentures at a par value of SLR Rs.100/- which are listed on the Main Board of the Colombo Stock Exchange.

## PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The principal activity of the Company, which is cultivation and processing of Tea, Rubber and Oil Palm, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained in the Chairman's review (pages 04 to 05.)

This report together with the Financial Statements reflect the state of affairs of the Company.

## FINANCIAL STATEMENTS`

The Financial Statements of the Company are given on pages 44 to 95.

### Summarized Financial Results

Year ended	2024 Rs.'000	2023 Rs.'000
Revenue	4,970,425	5,427,130
Net Profit / (Loss) for the year	580,666	1,227,782
Carried forward Profit /(Loss)	2,677,224	2,250,980

## INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 38.

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 46 to 66. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

## DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 22 to 23.

### Executive Directors

Mr. D J Ambani	- Co-Chairman
Mr. L J Ambani	- Co-Chairman
Mr. L H Munasinghe	- Executive Director

### Non - Executive Directors

Mr. C M O Haglind	- Director
Mr. D A De S Wickramanayake	- Director
*Mr. S A S Jayasundara	- Director
*Mr. G V M Nanayakkara	- Director

(Resigned with effect from 31st March 2024)

\* Independent Non-Executive Director

Due to the Co-Chairmen of the Company being Executive Directors, Mr. S A S Jayasundara was appointed as the Senior Independent Director of the Company with effect from 15th December 2023.

Ms. S H Munasinghe was appointed as an Independent Non-Executive Director of the Company with effect from 1st April 2024. Ms Munasinghe retires in terms of Article 96 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mr. S A S Jayasundara retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 89 and 90 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mr D J Ambani who is 71 years of age and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2)(b) of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

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

Mr D A de S Wickramanayake who is 74 years of age and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2)(b) of the Companies Act No.7 of 2007, is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

## **FIT AND PROPER ASSESSMENT OF DIRECTORS**

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.

## **ADDITIONAL DISCLOSURES PERTAINING TO DIRECTORS**

### **(i) Material Business relationships**

None of the Directors or close family members have any material business relationships with other Directors of the Company

### **(ii) Other directorships held by the Directors**

Other directorships held by Directors are disclosed on pages 22 and 23..

## **BOARD MEETINGS**

Two (2) Board Meetings of the Company were held during the year under review and the Directors' attendance at those Meetings is set out on page 25.

## **INTERESTS REGISTER**

The Company maintains an Interests Register in terms of the Companies Act, No.7 of 2007, and the names of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review are given in Note 40 to the Financial Statements on page 88.

## **DIRECTORS' REMUNERATION**

The Directors' remuneration is disclosed under key management personnel compensation in Note 40 to the Financial Statements on page 90.

## **DIRECTORS' INTERESTS IN CONTRACTS**

The Directors declare that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director was materially interested in a contract or a proposed contract with the Company, they have refrained from voting on such contracts. It is further declared that during the year under review, the Company did not enter into any contracts in which any Director was materially interested.

## **DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with requirements of the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

## **AUDITORS**

Messrs BDO Partners, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than that of Auditors and provider of tax related services.

A total amount of Rs.3,632,578 is payable by the Company to the Auditors for the year under review.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 12th March 2024 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## **INDEPENDENCE OF AUDITORS**

Based on the declaration provided by Messrs BDO Partners, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

## **STATED CAPITAL**

The Stated Capital of the Company as at 31st March 2024 is Rs 586,250,010/-.

The number of shares issued by the Company stood at 83,750,000 fully paid ordinary shares and 01 Golden Share as at 31st March 2024 (which was the same as at 31st March 2023).

## DIRECTORS' SHAREHOLDING

The relevant interests of Directors and the CEO in the shares of the Company as at 31st March 2024 and 31st March 2023 are as follows.

Year ended	Shareholding as at 31/03/2024	Shareholding as at 31/03/2023
Mr. D J Ambani		
Mr. L J Ambani		
Mr. C M O Haglind		
Mr. D A de S Wickramanayake	9,614,580	9,468,778
Mr. S J S Jayasundera		
Mr. G V M Nanayakkara (Resigned w.e.f. 31st March 2024)		
Mr. L H Munasinghe		
<b>CEO'S SHAREHOLDING</b>		
Mr. M F Majeed	118	

## SHAREHOLDERS

There were 18,352 shareholders registered as at 31st March 2024 (18,368 shareholders as at 31st March 2023).

## MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 19 to 20 under Share Information.

## RESERVES

The movement of reserves during the year are given under the Statement of Changes in Equity on page 44.

## LAND HOLDINGS

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 498,642,496 (2023 - Rs. 487,037,521/-)

The extents, locations, valuations and the number of buildings of the Company's land holdings are given in Note 17.

The movement of fixed assets during the year is given in Note 17 to the financial statements.

## DIVIDENDS

The Directors do not recommend a dividend.

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Board has made arrangements to make themselves aware of applicable laws, rules, and regulations and changes thereto, particularly to Listing Rules and applicable capital market provisions through regular updates provided by Directors themselves.

To the best of knowledge and belief of the Directors, there were no material non-compliances with laws or regulations and there were no fines which are material imposed on the Company by any government or regulatory authority in the country.

## DONATIONS

The Company made donations amounting to Rs. 302,000 (2023 - Rs. 576,000./-) during the year under review for charitable purposes.

## EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements except as stated in Note 42.

## CORPORATE GOVERNANCE

Corporate Governance practices and principles with respect to the management and operations of the Company is set out on page 25 of this report.

An Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as Sub-Committees of the Board and the members of these Committees possess the requisite qualifications and experience. The composition of the said Committees is as follows:

## AUDIT COMMITTEE

Ms. S H Munasinghe - Chairperson  
Mr. S A S Jayasundara - Member  
Mr. C M O Haglind - Member

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

## REMUNERATION COMMITTEE

Ms. S H Munasinghe - Chairperson  
Mr. S A S Jayasundara - Member  
Mr. C M O Haglind - Member

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Ms. S H Munasinghe - Chairperson  
Mr. S A S Jayasundara - Member  
Mr. L H Munasinghe - Member

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2024.

The Corporate Governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 25 to 28 explains the measures adopted by the Company during the year.

## CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Program, details of which are set out on pages 11 to 18 of this Report.

## ENVIRONMENTAL PROTECTION

After making adequate enquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company operates.

## GOING CONCERN

The Financial Statements are prepared on going concern principles. After making adequate enquires from the management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held by way of electronic means on 27th September 2024 at 10.00 a.m.

The Notice of the Annual General Meeting appears on page 03.

By Order of the Board  
**Bogawantalawa Tea Estates PLC**

Sgd.  
**L J Ambani**  
Co-Chairman

Sgd.  
**L H Munasinghe**  
Executive Director

Sgd.  
**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries

28th August 2024

# FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT



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Sri Lanka

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF BOGAWANTALAWA TEA ESTATES PLC

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Bogawantalawa Tea Estates PLC ("the Company"), which comprise the statement of financial position as at 31st March 2024, and the statement of 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 material accounting policy information as set out on pages 46 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for Opinion

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

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the 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.

## Key Audit Matters

### 1 VALUATION OF CONSUMABLE BIOLOGICAL ASSETS

The Company has consumable biological assets carried at fair value amounting to Rs.1,444 Mn. The biological assets, Eucalyptus Grandis Mature and Immature Timber Trees of the Company, were inspected and valued by an independent external valuer as at 31st March 2024.

The valuation of consumable biological assets requires significant levels of judgment and technical expertise, including the use of discounted cash flow models and selecting appropriate assumptions. Changes in the key assumptions used such as discount rate and available timber quantity to value the Company's consumable biological assets could have a material impact on the statement of profit or loss and the value of consumable biological assets. Accordingly, the valuation of consumable biological assets has been considered as a Key Audit Matter.

##### Related Disclosures

Refer to Note 19 of the accompanying financial statements.

##### How Our Audit Addressed the Key Audit Matter

Our audit procedures included the following:

- Assessed the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare;
- Verified the mathematical accuracy of the consumable biological assets valuation;
- Assessed the objectivity of the external valuation expert and the competence and qualification of the external expert, and
- Assessed the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.

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

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA, F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Niroscha Vadivel Bsc (Acc), ACA, ACMA.



## 2 MEASUREMENT OF BEARER BIOLOGICAL ASSETS

The bearer biological assets are a significant non-current asset of the Company representing 31% of the total assets consisting of Rs. 2,477 Mn as mature and immature plantations as at 31st March 2024.

Assessing the valuation of the bearer biological assets in the financial statements is a key audit matter due to the magnitude of the balance and its significance to total assets. Further the identification of costs to be capitalised as immature plantations, involves the management's judgment, regarding the point at which transfers should be made from immature plantations to mature plantations and for the identification of triggers of impairment (if any).

### Related Disclosures

Refer to Note 18 of the accompanying financial statements.

### How Our Audit Addressed the Key Audit Matter

Our audit procedures included the following:

- Assessed the processes and controls in place to ensure proper identification of the expenses incurred relating to immature plantations;
- Verified the significant amounts capitalised (including labour and other acceptable costs) by examining related invoices, capital expenditure authorisations and other corroborative evidences;
- Assessed the timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations;
- Reviewed the reasonableness of depreciation provided on the matured plantations by performing independent computations, and
- Assessed the adequacy of the disclosures in the financial statements.

## 3 VALUATION OF RETIREMENT BENEFIT OBLIGATION

The Company has recognised the retirement benefit obligation of Rs. 934 Mn as at 31st March 2024. The retirement benefit obligation of the Company is significant in the context of the total liabilities of the Company. The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions,

including salary increases and discount rate. Small changes in those assumptions could have a significant impact on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the computation of the retirement benefit obligation. We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognised in the financial statements as well as estimation uncertainty involved in the assessment of the obligation.

### Related Disclosures

Refer to Note 31 of the accompanying financial statements.

### How Our Audit Addressed the Key Audit Matter

Our audit procedures included the following:

- Assessed the competency, objectivity and capabilities of the independent actuary engaged by the management;
- Assessed the appropriateness of the key assumptions used in the valuation, in particular the discount rate, inflation rate, future salary increases and mortality rates;
- Assessed the accuracy, completeness and reasonableness of the employee data used for the calculation of retirement benefit obligation, and
- Assessed the adequacy of the disclosures made in the financial statements in accordance with the relevant accounting standards.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and the Auditor's Report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the

# INDEPENDENT AUDITOR'S REPORT



work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence

that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

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

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit, and as far as it 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 4639.

Sgd.

**CHARTERED ACCOUNTANTS**

Colombo  
28th August 2024

NV/cc

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	2023/2024 Rs.	2022/2023 Rs.
Revenue	7	4,970,425,007	5,427,130,442
Cost of sales	8	(4,417,761,764)	(3,831,910,078)
<b>Gross profit</b>		<b>552,663,243</b>	1,595,220,364
Gain on fair value of biological assets	19	135,931,345	99,246,110
Other income	9	262,423,641	232,891,596
		<b>951,018,229</b>	1,927,358,070
Administration and other expenses		(239,313,088)	(235,776,211)
Management fee expenses		(111,333,343)	-
Net finance expense	11	(116,863,047)	(257,442,480)
		<b>(467,509,478)</b>	(493,218,691)
<b>Profit before taxation</b>	12	<b>483,508,751</b>	1,434,139,379
Income tax expenses	13	97,157,417	(206,357,203)
<b>Profit for the year</b>		<b>580,666,168</b>	1,227,782,176
<b>Items that will be re-classified to profit or loss</b>		-	-
<b>Items that will not be re-classified to profit or loss</b>			
Valuation gains on equity instruments at fair value through other comprehensive income	21	4,197,319	23,221,992
Remeasurement of retirement benefit obligations	31.1	(41,138,877)	30,821,963
Deferred tax impact on retirement benefit obligations	35	12,341,663	(9,246,588)
<b>Total other comprehensive income for the year, net of tax</b>		<b>(24,599,895)</b>	44,797,367
<b>Total comprehensive income for the year</b>		<b>556,066,273</b>	1,272,579,543
Basic earnings per share	14.1	6.93	14.66
Diluted earnings per share	14.2	6.93	14.66

Figures in brackets indicate deductions.

The material accounting policy information and notes from pages 46 to 95 form an integral part of these financial statements.

Colombo  
28th August 2024

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2024 Rs.	2023 Rs.
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	16	1,457,255,743	1,216,875,669
Tangible assets other than bearer biological assets	17	498,642,496	487,037,521
Bearer biological assets	18	2,476,502,178	2,344,872,297
Consumable biological assets	19	1,443,599,033	1,362,575,489
Capital work-in-progress	20	12,724,627	13,134,251
Investments in equity shares	21	65,294,656	61,097,337
<b>Total non-current assets</b>		<b>5,954,018,733</b>	<b>5,485,592,564</b>
<b>Current assets</b>			
Produce on bearer plants	22	22,446,877	22,751,456
Inventories	23	530,972,903	600,644,696
Trade and other receivables	24	432,720,702	344,699,149
Amounts due from related parties	25	2,947,423	3,995,562
Short-term investments	26	785,131,369	778,073,560
Cash and cash equivalents	27	165,517,631	170,983,636
<b>Total current assets</b>		<b>1,939,736,905</b>	<b>1,921,148,059</b>
<b>Total assets</b>		<b>7,893,755,638</b>	<b>7,406,740,623</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	28	586,250,010	586,250,010
Retained earnings		2,677,224,055	2,250,980,101
Fair value reserve of financial assets at fair value through other comprehensive income		50,294,656	46,097,337
<b>Total equity</b>		<b>3,313,768,721</b>	<b>2,883,327,448</b>
<b>Non-current liabilities</b>			
Interest bearing borrowings	29	47,789,136	130,581,022
Debentures	30	439,251,375	656,896,586
Retirement benefit obligation	31	934,112,779	876,925,900
Grants and subsidies	32	57,450,373	65,953,460
Deferred income	33	197,007,553	206,388,864
Lease liabilities	34	1,863,450,310	1,545,339,282
Deferred tax liability	35	204,278,658	313,777,738
<b>Total non-current liabilities</b>		<b>3,743,340,184</b>	<b>3,795,862,852</b>
<b>Current liabilities</b>			
Trade and other payables	36	511,768,272	547,009,328
Debentures	30	242,276,655	-
Amounts due to related parties	37	788,238	-
Current portion of interest bearing borrowings	29	81,813,568	124,101,268
Lease liabilities	34	-	3,312,477
Bank overdrafts	27	-	53,127,250
<b>Total current liabilities</b>		<b>836,646,733</b>	<b>727,550,323</b>
<b>Total liabilities</b>		<b>4,579,986,917</b>	<b>4,523,413,175</b>
<b>Total equity and liabilities</b>		<b>7,893,755,638</b>	<b>7,406,740,623</b>
Contingencies and commitments	38 & 39		

Figures in brackets indicate deductions.

The material accounting policy information and notes from pages 46 to 95 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

Sgd.

**Mr. T. N. B. Bogahalanda**

Financial Controller

The Board of Directors is responsible for the preparation of these financial statements.

Approved and signed for and on behalf of the Board of Directors of Bogawantalawa Tea Estates PLC.

Sgd.

**Mr. L. J. Ambani**

Co Chairman

Sgd.

**Mr. L.H. Munasinghe**

Executive Director

Colombo  
28th August 2024

NV/cc

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Note	Stated capital Rs.	Fair value reserve of financial assets at FVTOCI* Rs.	Retained earnings** Rs.	Total Rs.
Balance as at 1st April 2022	28	586,250,010	22,875,345	1,001,622,550	1,610,747,905
<b>Comprehensive income for the year</b>					
Profit for the year		-	-	1,227,782,176	1,227,782,176
Other comprehensive income		-	23,221,992	21,575,375	44,797,367
<b>Total comprehensive income for the year</b>		-	23,221,992	1,249,357,551	1,272,579,543
<b>Balance as at 31st March 2023</b>		586,250,010	46,097,337	2,250,980,101	2,883,327,448
<b>Comprehensive income for the year</b>					
Profit for the year		-	-	580,666,168	580,666,168
Other comprehensive income		-	4,197,319	(28,797,214)	(24,599,895)
Dividend paid during the year		-	-	(125,625,000)	(125,625,000)
<b>Total comprehensive income for the year</b>		-	4,197,319	426,243,954	430,441,273
<b>Balance as at 31st March 2024</b>		586,250,010	50,294,656	2,677,224,055	3,313,768,721

\* Fair value reserve of financial assets at fair value through other comprehensive income (FVTOCI) relates to the changes in investment in equity shares.

\*\* Retained earnings are the cumulative net earnings of a company after accounting for dividend payments.

Figures in brackets indicate deductions.

The material accounting policy information and notes from pages 46 to 95 form an integral part of these financial statements.

Colombo  
28th August 2024

# STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	2023/2024 Rs.	2022/2023 Rs.
<b>Cash flows from operating activities</b>			
Net profit before taxation		483,508,751	1,434,139,379
<b>Adjustments for:</b>			
Depreciation/amortisation	12	204,654,199	207,195,702
Interest income	11	(176,955,075)	(101,246,629)
Lease interest	11	297,760	1,012,424
Interest expense	11	120,407,394	176,868,326
Lease interest to JEDB/SLSPC	11	163,290,550	160,574,716
Provision for retirement benefit obligation - gratuity	31.1	198,477,410	179,430,684
Provision for retirement benefit obligation - gratuity for deserters (workers)	36.1	53,666,560	91,469,396
Amortisation of grants and subsidies	32	(9,087,087)	(9,377,389)
Gain on fair value of consumable biological assets	19	(135,931,345)	(99,246,110)
Gain on produce - biological assets - Tea	22	304,579	(15,910,556)
Amortisation of net income from operating rights given to LRL	9	(9,381,311)	(9,381,310)
Bearer biological asset written off	18.1	134,683	431,743
		<b>893,387,068</b>	<b>2,015,960,376</b>
<b>Operating income before working capital changes</b>			
Decrease/(increase) in inventories		69,671,793	(246,733,916)
Increase in trade and other receivables		(88,021,553)	(72,165,567)
Decrease/(increase) in due from related parties		1,048,139	(1,205,637)
(Decrease)/increase in trade and other payables		(38,315,216)	6,720,170
Increase/(decrease) in due to related parties		788,238	(26,905,966)
<b>Cash generated from operations</b>		<b>838,558,469</b>	<b>1,675,669,460</b>
Interest paid	30	(92,722,053)	(156,212,750)
Gratuity paid	31	(182,429,408)	(182,819,830)
Gratuity paid - deserters (workers)	36.1	(50,592,401)	(25,863,394)
<b>Net cash generated from operating activities</b>		<b>512,814,607</b>	<b>1,310,773,486</b>
<b>Cash flows from investment activities</b>			
Investment in bearer biological assets - immature plantations	18	(233,858,075)	(143,774,301)
Growing crop nurseries	18	(3,575,585)	1,638,762
Harvesting of timber plantations	19	49,931,345	13,246,110
Additions to biological assets - nursery	19.1	4,976,456	(11,488,796)
Acquisition of property, plant and equipment	17	(58,881,314)	(22,477,839)
Net capital expenditure incurred	20	409,624	10,260
(Investment)/proceeds in short-term investments	26	(7,057,809)	(405,586,129)
Interest received		176,955,075	101,246,629
<b>Net cash used in investing activities</b>		<b>(71,100,283)</b>	<b>(467,185,304)</b>
<b>Cash flows from financing activities</b>			
Grants received	32	584,000	2,427,500
Payments of lease rentals	34.2.1	(3,610,237)	(7,768,163)
Payments made to lessor of JEDB/SLSPC estates	34.1	(140,322,256)	(135,708,178)
Receipts from interest bearing borrowings	29.1	-	306,158,026
Payments of long-term borrowings		(125,079,586)	(649,204,549)
Dividend payment		(125,625,000)	-
<b>Net cash used in financing activities</b>		<b>(394,053,079)</b>	<b>(484,095,364)</b>
<b>Net increase in cash and cash equivalents</b>		<b>47,661,245</b>	<b>359,492,818</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>117,856,386</b>	<b>(241,636,432)</b>
<b>Cash and cash equivalents at the end of the year (Note A)</b>		<b>165,517,631</b>	<b>117,856,386</b>
<b>Cash and cash equivalents at the end of the year</b>			
Cash and bank balances	27.1	165,517,631	170,983,636
Bank overdrafts	27.2	-	(53,127,250)
		<b>165,517,631</b>	<b>117,856,386</b>

Figures in brackets indicate deductions.

The material accounting policy information and notes from pages 46 to 95 form an integral part of these financial statements.

Colombo  
28th August 2024

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1. Domicile and legal form

Bogawantalawa Tea Estates PLC (BTE PLC) formerly known as Bogawantalawa Plantations Limited (BPL), is a public limited liability company, listed in the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 which later was replaced with the Companies Act No. 07 of 2007, in terms of the provisions of the Conversion of Corporations and Government Owned Business Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is located at No.153, Nawala Road, Narahenpita, Colombo 05, and the plantations are situated in the planting regions of Bogawantalawa and Deraniyagala.

### 1.2. Principal activities and nature of operations

The company is primarily engaged in cultivation, manufacture and sale of tea, rubber, palm oil and forestry.

### 1.3. Name of immediate and ultimate parent enterprise

The Company's immediate parent undertaking is Metropolitan Resource Holdings Limited, and the ultimate parent undertaking is Metrocorp (Pvt) Ltd.

### Management contract

The Company is managed by Metropolitan Resource Holdings Limited. The management agreement which came into effect from 01st January 1996 was initially for a period of five years with a provision to extend by a further period on the mutual consent of both parties.

### 1.4. Date of authorisation for issue

The financial statements of Bogawantalawa Tea Estates PLC, for the year ended 31st March 2024 were authorised for issue by the Board of Directors on 28th August 2024.

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance

The financial statements of the Company have been prepared and presented in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Accounting Standards (LKASs/SLFRs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which are collectively referred to as SLASs and are in compliance with the requirements of the Companies Act No. 07 of 2007 and the amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The Company has not adopted any inappropriate accounting treatments which are not in compliance with the requirements of the SLASs, and regulations governing the preparation and presentation of the financial statements.

### 2.2. Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except for the following material items in the statement of financial position.

Items	Measurements basis	Note No.
Consumable biological assets	Stated at valuation	19
Produce on bearer plants	Stated at valuation	22
Right-of-use of assets	Stated at valuation	16
Retirement benefit obligations	Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	31

### 2.3. Use of estimates and judgments

The preparation of financial statements in conformity with LKASs/SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results form the basis of making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

## 2.4. Comparative information

Previous period's figures and notes have been re-classified wherever necessary to conform to the current year's presentation.

## 2.5. 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 LKAS 1: Presentation of Financial Statements. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

## 2.6. Offsetting

Assets and liabilities, and incomes and expenses, are not offset unless it is required or permitted by SLFRSs/LKASs.

## 2.7. Going concern

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 2.8. Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements of the Company as per the provision of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

## 2.9. Changes in accounting standards and standards issued but not yet effective

### 2.9.1. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but are not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### 2.9.1.1. Amendments to LKAS 1 - Classification of Liabilities as Current or Non-Current

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendments are not expected to have a material impact on the Company.

### 2.9.1.2. Amendments to LKAS 7 and SLFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendments are not expected to have a material impact on the Company.

### 2.9.1.3. Amendment to SLFRS 16 - Lease Liability in a Sale and Leaseback

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendments are not expected to have a material impact on the Company.

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 2.9.1.4. Amendments to LKAS 12 - International Tax Reform-Pillar Two Model Rule

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendments are not expected to have a material impact on the Company.

## 2.9.1.5. Amendments to LKAS 1 - Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants.

The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendments are not expected to have a material impact on the Company.

## 2.10. The following amendments are effective for the period beginning 01st January 2025

Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) - Mandatorily effective for periods beginning on or after 1st January 2025.

Further, the institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning on or after 1st April 2025. Accordingly, the Company has not applied these standards in preparing these financial statements.

- SLFRS S1 - General requirements of Disclosures of Sustainability related Financial Information
- SLFRS S2 - Climate-related Disclosures

## 2.11. Changes in material accounting policies

### 2.11.1. Material accounting policy information

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

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

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022/2023: Significant accounting policies) in certain instances in line with the amendments.

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves.

### 3.1. Foreign currencies

#### 3.1.1. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

#### 3.1.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'net finance income/expenses'.

## 3.2. Property, plant and equipment

### 3.2.1. Measurement

Items of property, plant and equipment other than bare land are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Company elected the exemption to measure land and buildings recognised previously at revalued amounts as deemed cost with effect from 01st April 2011 in accordance with provisions of SLFRS 1. Accordingly, land and buildings are stated at deemed cost less accumulated depreciation.

The cost of property, plant and equipment comprises expenditure directly attributable to the acquisition of the item. These costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling, removing and restoring, and the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

### 3.2.2. Depreciation

Depreciation of assets begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Land is not depreciated.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

#### Freehold assets

Buildings	Over 40 years
Water projects and sanitation	Over 20 years
Plant and machinery	Over 13 1/3 years
Motor vehicles	Over 05 years
Equipment	Over 08 years
Furniture and fittings	Over 10 years

#### Bearer biological assets (replanting and new planting)

Tea	Over 33 1/3 years
Rubber	Over 20 years
Coconut	Over 08 years
Palm oil	Over 30 years

#### Right-of-use assets

Plant and machinery	Over 13 1/3 years
Motor vehicles	Over 05 years
Equipment	Over 08 years

The useful life, residual values and depreciation method of assets are reviewed and adjusted, if required, at the end of each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the statement of comprehensive income.

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Identifiable interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

### 3.2.3. Amortisation of leasehold right

The leasehold rights over assets taken over from JEDB/SLSPC are being amortised in equal amounts over the following years. (Lower of lease period and economic useful life)

Right-of-use asset - Land	Over 22.25 years (remaining lease period)
Buildings	Over 25 years
Plant and machinery	Over 15 years
Water supply scheme	Over 20 years
Mature plantation (both tea and rubber)	Over 30 years

### 3.2.4. Leases

The Company assesses at the 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 a consideration.

#### 3.2.4.1. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of a 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 cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

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 is transferred to the Company at the end of the lease period or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### 3.2.4.2. Lease liabilities

At the commencement date of the lease, the Company recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the

exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease terms reflect the Company 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 Company 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 the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### 3.2.5. Permanent land development costs

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

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

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

### 3.2.6. Repairs and maintenance

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. This cost is depreciated over the remaining useful life of the related asset.

## 3.3. Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale only when the sale is highly probable,

and the asset is available for immediate sale in its present condition. In the statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

### 3.4. Biological assets

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of a 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.

Biological assets are classified into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, palm oil, other plantations and nurseries are classified as biological assets.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), is classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (tea, rubber fields) which come into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter, at fair value at the end of each reporting period.

Biological assets are further classified as bearer biological assets and consumable biological assets.

#### 3.4.1. Bearer biological assets

Bearer biological assets include tea, rubber and palm oil trees that are not intended to be sold or harvested but are grown for harvesting agricultural produce from such biological assets. The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – property, plant and equipment.

#### 3.4.2. Harvestable agricultural produce on bearer biological assets

In accordance with LKAS 41, the Company recognises agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce is recognised in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce are ascertained based on the harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle is considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas.

- Tea – bought leaf rate (current month) less cost of harvesting and transport
- Rubber – latex price (95% of current RSS1 price) less cost of tapping and transport

#### 3.4.3. Consumable biological assets

Consumable biological assets include managed timber trees that are to be sold as biological assets. The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell off consumable biological assets is included in the statement of comprehensive income for the period in which it arises.

Consumable biological assets represent Eucalyptus Grandis timber trees that the Company grows and manages in its plantations. The Eucalyptus Grandis timber tree matures after 17 years and as per best harvesting practices, the trees can be harvested when they are 20 years old.

Eucalyptus Grandis trees at their initial stage (i.e., up to five years from the date of planting) are measured at cost.

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

The fair value of timber trees is measured using the Discounted cash flow (DCF) method taking into consideration the current market prices of timber, applied to expected timber content of trees at maturity by an independent professional valuation surveyor T.M.H. Mutaliph, incorporated valuer A.I.V. (Sri Lanka).

Grandis trees are measured at the directors' assessment of their fair value at each reporting date, after considering and making necessary adjustments to the independent valuer's report to reflect the requirements of the Sri Lanka Accounting Standard with respect to valuation. In the absence of market-based valuation measures, the fair value of biological assets is determined using the net present value of the expected future cash flows (discounted at a risk adjusted rate).

All other assumptions and sensitivity analysis are given in note 19 to the financial statements.

The main variables in the DCF model are:

Variable	Comments
Currency	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of each species in different geographical regions
Economic useful life	Estimate based on the normal life span of each spice by factoring the forestry plan of the Company
Selling price	Estimates based on price quotation extracted from timber corporation net of all the direct expenses, incurred in bringing the trees into saleable condition (Stumpage value)
Discount rate	Discount rate reflecting the possible variations in the cash flows and the risk related to the biological assets

### 3.4.4. Growing crop nurseries

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

### 3.4.5. Infilling cost on bearer biological assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed

standard of performance, the costs are capitalised and depreciated over the useful life at rates applicable to mature plantations. Infilling costs that are not capitalised have been charged to the statement of comprehensive income in the year in which they are incurred.

### 3.5. Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the statement of comprehensive income.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - "Borrowing costs".

### 3.6. Intangible assets

#### 3.6.1. Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives which is 10 years.

#### 3.6.2. Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 02 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These directly attributable costs include the software development and employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 02 years.

Costs relating to development of software are carried in capital work-in-progress until the software is available for use.

Other development expenditures that do not meet the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 3.7. Capital work-in-progress

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

Expenditure incurred on capital work-in-progress of permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

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

### 3.8. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or a company of assets (the "cash generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.9. Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. 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 estimated cost necessary to make the sale.

Inventory element	Valuation method
Input material	At average cost
Growing crop-nurseries	At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads
Agricultural produce harvested from biological assets	Agricultural produce harvested from biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.
Spares and consumables	At average cost

### 3.10. Financial Instruments

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

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 3.10.1. Financial assets

### 3.10.1.1. Initial recognition and measurement

Financial assets are classified, at initial recognition, and 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 Company's business model for managing them. 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 Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, investments and trade and other receivables.

### 3.10.1.2. 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 derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### a) Financial assets at amortised cost (debt instruments)

The Company 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
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial instruments at amortised cost comprise trade receivables, amounts due from related parties, deposits, advances and other receivables.

#### b) 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
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely the 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. The Company does not have any debt instruments at fair value through OCI.

#### c) Financial assets at fair value through OCI

Upon initial recognition, the Company 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 Company 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.

#### d) 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 the 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.

#### 3.10.1.3. Derecognition

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

- the rights to receive cash flows from the asset have expired,
- the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company has retained.

Continuing the 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 Company could be required to repay.

#### 3.10.1.4. Impairment of financial assets

The Company 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 Company 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

#### 3.10.1.5. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 3.11. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

### 3.12. Stated capital

#### 3.12.1. Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

#### 3.12.2. Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 3.12.3. Dividend to shareholders of the Company

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

## 3.13. Financial liabilities

### 3.13.1. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The financial liabilities include trade and other payables, bank overdrafts, debentures and loans and borrowings.

#### 3.13.1.1. Subsequent measurement

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

- (a) Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

- (b) Financial liabilities at amortised cost after initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Profit or loss statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

#### 3.13.1.2. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## 3.14. Debenture

Financial Liabilities at amortised cost financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the income statement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Currently, the Company has recorded debenture issued as financial liabilities at amortised cost.

## 3.15. Employee benefits

### 3.15.1. Defined benefit plan – gratuity

A defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act No. 12 of 1983.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated every year by independent actuaries, Messrs. Actuarial and Management Consultants (Private) Limited using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial valuer.

Past-service costs are recognised immediately in the statement of comprehensive income unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The following assumptions based on which the results of the actuarial valuation was determined, are included in Note No. 31 to the financial statements.

The key assumptions used by the actuary include the following:

a. Average rate of interest		- 13% (Per annum)	(Previous year 18.50% Per annum)
b. Average rate of salary increases	- Worker	- 10.00% (Once in two years)	(Previous year 10.00%)
	- Staff	- 8.00% (Per annum)	(Previous year 11.00%)
c. Average retirement age	- Workers	- 60 years	(Previous year 60 years)
	- Staff	- 60 years	(Previous year 60 years)
d. Daily wage rate		- Rs.1,000/-	(Previous year Rs. 1,000/-)
e. The Company will continue in business as a going concern.			

### 3.15.2. Defined contribution plans

For defined contribution plans, such as Ceylon Plantation Provident Society (CPPS) / Estate Staff Provident Society (ESPS), Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), the Company contributes 12% or 15% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

### 3.15.3. Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

### 3.15.4. Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

### 3.16. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events when it is more probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligation the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a

whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for asset retirement obligations are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision by passage of time is recognised as finance cost.

### 3.17. Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### 3.18. Deferred revenue

#### 3.18.1. Government grants and subsidies

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

on a systematic basis to the costs that are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Company receives non-monetary grants, the asset and the grant are recorded at gross nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance is provided by the government or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as an additional government grant.

Grants related to property, plant and equipment other than grants received for biological assets are initially deferred and allocated to the statement of comprehensive income on a systematic basis over the useful life of the related property, plant and equipment.

Assets are amortised over their useful lives or unexpired lease period, whichever is lower.

Government grant related to the biological assets which are measured at fair value less cost to sell is directly charged to the carrying value of such assets in accordance with the applicable financial framework.

### 3.18.2. Net income from operating rights given

The net income raised on giving up of operating rights to Lalan Rubbers (Pvt) Ltd is recognised as income in the statement of comprehensive income over a period of 42 years respectively, which is the period of operating lease in agreements.

### 3.19. Tax expense

Income tax expense comprises current, deferred tax and other statutory taxes. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in the statement of changes in equity.

#### a) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the Commissioner General of Inland Revenue.

#### b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the statement of comprehensive income.

#### c) Tax on dividends

Dividends distributed out of taxable profit of the local companies are subject to 15% final withholding tax.

#### d) Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax except for the following.

- 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 that 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 other receivables or other payables in the statement of financial position.

#### e) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires the following:

- the Company to determine whether uncertain tax treatments should be considered separately, or together, based on which approach provides better predictions of the resolution;
- the Company to determine if it is probable that the tax authorities will accept the uncertain tax treatment, and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgment in identifying uncertainties over income tax treatments. The Company assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax

compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

### 3.20. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Company is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation produce). Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

#### 3.20.1. Sale of goods

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods is transferred to the customer. Black tea and Rubber produce are sold at the Colombo Tea/Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

#### 3.20.2. Interest income

Interest income is recognised based on the effective interest method.

Interest income on financial assets at FVTPL is recognised as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortised cost is calculated by using the effective interest method and is recognised as finance income.

#### 3.20.3. Rental income

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

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 3.20.4. Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognised within 'other operating income' in the statement of comprehensive income.

## 3.20.5. Amortisation of Government grants received

An unconditional government grant related to a biological asset is recognised in the statement of comprehensive income as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is a reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in the statement of comprehensive income as other income on a systematic basis over the useful life of the asset.

Grants that compensate for expenses incurred are recognised in the statement of comprehensive income as other income on a systematic basis in the same periods in which the expenses are recognised.

## 3.20.6. Gains arising from changes in fair value of biological assets

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs are recognised in the statement of comprehensive income. Gains or losses arising on change in fair value due to subsequent measurements are recognised in the statement of comprehensive income in the period in which they arise.

## 3.20.7. Dividend income

Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payment is established.

## 3.21. Expenditure recognition

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

For the purpose of presenting the statement of comprehensive income, the directors are of the opinion that the function of expenses method presents fairly the elements of the Company's performance, and hence, this presentation method is adopted.

## 3.22. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## 3.23. Comparatives

Where necessary, comparative figures have been adjusted to conform to the changes in presentation of the financial statements for the current year.

## 3.24. Related party disclosures

### 3.24.1. Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

### 3.24.2. Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive directors), personnel holding designation of general manager and above positions and their immediate family members have been classified as key management personnel of the Company.

The immediate family member is defined as the spouse or a dependent. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

## 3.25. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Accordingly, the segment comprises tea, rubber, palm oil and others as described in Note No. 46 to the financial statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly the interest bearing borrowings, finance lease liability to the government and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

### 3.26. Events after the reporting date

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

## 4. FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effect on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which cover the management of these risks.

Market risk consists of:

- **fair value interest rate risk** – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

- **cash flow interest rate risk** – risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- **price risk** – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

**Credit risk** – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

**Liquidity risk (funding risk)** – risk that an entity will encounter difficulty in raising funds to meet the commitments associated with financial instruments.

### 4.1. Cash flow and fair value interest rate risk

The Company has cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Company manages the interest rate risks by actively monitoring the yield curve trend and interest rate movement for the various cash and bank balances.

The Company's borrowings comprise borrowings from financial and non-financial institutions and debentures. The Company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company targets a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The Company analyses the interest rate exposure on a dynamic basis.

### 4.2. Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities. Individual risk limits are set, based on internal or external ratings. The utilisation of credit limits is regularly monitored.

The Company places its cash and cash equivalents with a number of creditworthy financial institutions. The Company's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the Company is approximately their carrying amounts as at the date of the statement of financial position.

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

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

As at 31 March	2024 Rs.	2023 Rs.
Trade receivables	122,644,940	159,896,712
Short-term investments	785,131,369	778,073,560
Amounts due from related parties	2,947,423	3,995,562
Cash and cash equivalents	165,517,631	170,983,636
	<b>1,076,241,363</b>	1,112,949,470

## 4.2.1. Trade and other receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31st March 2024.

As at 31 March 2024	Weighted average loss rate %	Gross carrying amount Rs.	Impairment loss allowance	Credit Impaired
Past due 1 to 30 days	-	122,644,940	-	No
Past due 31 to 180 days	-	-	-	No
Past due more than 180 days	100	-	-	No
		122,644,940		
As at 31 March 2023				
Past due 1 to 30 days	-	159,896,712	-	No
Past due 31 to 180 days	-	-	-	No
Past due more than 180 days	100	-	-	No
		159,896,712		

## 4.2.2. Investments

Credit risks from invested balance are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Company held short term investments of Rs.785 Mn as at 31st March 2024 (2023 - Rs. 778 Mn) which represent the maximum credit exposure on these assets.

## 4.2.3. Amount due from related parties

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each related company and the Company does not require a provision for impairment in respect of the amount due from related companies.

The Company held amounts due from related parties of Rs.2.9 Mn as at 31st March 2024 (2023 - Rs.3.9 Mn) which represent its maximum credit exposure on these balances.

## 4.2.4. Cash and cash equivalents

The Company held cash and cash equivalents of Rs.165 Mn as at 31st March 2024 (2023 - Rs. 171 Mn) which represent its maximum credit exposure on these assets.

The following table shows the credit ratings of the main banks with whom the Company has invested.

Bank	Credit rating
Sampath Bank PLC	A
Hatton National Bank PLC	A
Commercial Bank of Ceylon PLC	A
Bank of Ceylon	A
National Development Bank PLC	A-
Seylan Bank PLC	A-
Nations Trust Bank PLC	A-

### 4.3. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Lease liability and debentures were disclosed as undiscounted cash flows.

As at 31st March 2024	0 - 1 month	2 - 3 Months	4 - 12 months	1 - 5 Years	More than 5 Years	Total
Trade and other payables	139,383,183	234,744,614	137,640,476	-	-	511,768,273
Amount due to related parties	788,238	-	-	-	-	788,238
Interest bearing borrowings	9,114,439	18,228,878	54,463,850	47,795,537	-	129,602,704
Lease liability	-	35,403,560	124,797,549	744,085,365	5,074,683,847	5,978,970,321
Debenture	23,117,005	-	294,865,352	520,668,471	-	838,650,827
<b>Total</b>	<b>172,402,865</b>	<b>288,377,052</b>	<b>611,767,227</b>	<b>1,312,549,373</b>	<b>5,074,683,847</b>	<b>7,459,780,363</b>

As at 31st March 2023	0 - 1 month	2 - 3 Months	4 - 12 months	1 - 5 Years	More than 5 Years	Total
Trade and other payables	315,540,044	96,902,965	134,566,319	-	-	547,009,328
Interest bearing borrowings	15,509,640	21,006,478	87,585,150	130,581,022	-	254,682,290
Bank overdraft	53,127,250	-	-	-	-	53,127,250
Lease liability	646,752	34,104,960	107,880,657	624,085,445	4,315,449,448	5,082,167,262
Debenture	22,862,972	-	69,859,081	838,650,827	-	931,372,880
<b>Total</b>	<b>407,686,658</b>	<b>152,014,403</b>	<b>399,891,207</b>	<b>1,593,317,294</b>	<b>4,315,449,448</b>	<b>6,868,359,010</b>

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## 4.4. Market Risk

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

This is addressed through a policy of geographical diversification of export sales. Separate managers are allocated to the business hubs based on the positioning of the global tea buyers of the Company. Such managers keep in close touch with foreign agents/buyers. Further, the Company operates in domestic markets through local distributors, supermarkets, and the tea shop. Constant and active awareness of changing market conditions is the key to mitigating such risks.

Capital expenditure and working capital expenditure requirements of the Company are financed through internally generated cash flows as well as external financing arrangements. Management has arranged financial facilities with several financial institutions to support future financial requirements.

### 4.4.1. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings. The fluctuation in the Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value.

The Monetary Policy Board of the Central Bank of Sri Lanka, decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 8.50 percent and 9.50 percent, respectively. The Board arrived at this decision after carefully assessing the current and expected macroeconomic developments and possible risks on the domestic and global fronts with a view to maintaining inflation at the targeted level of 5 percent over the medium term while supporting the economy to reach its potential. While the medium term inflation outlook remains compatible with the current level of policy interest rates and inflation expectations are well anchored, the Board observed the need for a further reduction in market lending interest rates in line with policy interest rates and other benchmark interest rates, which is imperative for the easing of domestic monetary conditions and domestic economic recovery.

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

As at 31 March	2024	2023
<b>Financial liabilities</b>		
Interest bearing borrowings	129,602,704	254,682,290
Debenture	681,528,030	656,896,586
Bank overdrafts	-	53,127,250
	<b>811,130,734</b>	964,706,126

### Interest Rate Sensitivity

A reasonably possible change in interest rates as at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. Within all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

Company	Increase/ decrease in Interest rate	Effect on profit before tax
2024	+ 1%	(7,218,447)
	- 1%	7,218,447
2023	+ 1%	(7,292,107)
	- 1%	7,292,107

## 5. CAPITAL MANAGEMENT RISK

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity. Total borrowings include non-current and current interest bearing borrowings and debentures as shown in the statement of financial position. Total equity is calculated as 'total equity' in the statement of financial position.

As at 31 March	2024 Rs.	2023 Rs.	2022 Rs.
Borrowings	811,130,734	911,578,876	1,233,969,823
Total equity	3,313,768,721	2,883,327,448	1,610,747,904
Gearing Ratio	24%	32%	77%

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

### 6.1. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### 6.1.1. Estimated useful lives of property, plant and equipment

The Company reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment's carrying value.

#### 6.1.2. Taxation

##### i. Income taxes

Judgment is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for tax matters based on the estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

# MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

## ii. Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

## iii. IFRIC Interpretation 23 Uncertainty over income tax treatment

The Company applies significant judgment in identifying uncertainties over income tax treatments. The Company assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

### 6.1.3. Fair valuation of consumable biological assets - timber

The fair value of timber trees is measured using the DCF method taking into consideration the available log and tree prices in city centers less point-of-sale-costs applied to expected timber content of a tree at maturity and changes in fair value reflected in the statement of comprehensive income.

### 6.1.4. Fair value of derivatives and other financial instruments

Certain financial instruments such as investments, derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of comprehensive income.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

### 6.1.5. Impairment of non-current assets

The Company tests annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in Note No. 3.8. These calculations require the use of estimates.

### 6.1.6. Defined benefit plan – gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of the defined benefit plan. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company considers the interest yield of long-term government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for the defined benefit plan are based in part on current market conditions (Note No. 3.15.1).

### 6.1.7. Provisions

The Company recognises provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company's current best estimate.

### 6.1.8. Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel on matters related to litigation and other experts both within and outside the Company with respect to matters in the ordinary course of business.

### 6.1.9. Impairment of trade receivables

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. REVENUE

	2023/2024 Rs.	2022/2023 Rs.
<b>7.1 Industry segment</b>		
Tea proceeds - Auction sales	4,808,020,659	5,248,503,294
Palm oil	162,404,348	178,627,148
	<b>4,970,425,007</b>	<b>5,427,130,442</b>

## 8. COST OF SALES

	2023/2024 Rs.	2022/2023 Rs.
Tea proceeds - Auction sales	4,313,630,863	3,739,417,128
Palm oil	104,130,901	92,492,950
	<b>4,417,761,764</b>	<b>3,831,910,078</b>

## 9. OTHER INCOME

	Note	2023/2024 Rs.	2022/2023 Rs.
Income from leasing of bungalows and renting land for communication towers		48,486,708	35,939,732
Revenue share income from Eco Power (Pvt) Ltd		5,504,106	3,321,158
Income from Sapumalkande tea factory		1,050,000	3,825,000
Income received from sale of redundant items		1,221,276	15,628,831
Amortisation of grants	Note 32	9,087,087	9,377,389
Income from operating rights given to LRL	Note 33.1	9,381,311	9,381,310
Income from Noori and Maliboda tea factories		14,492,525	12,480,500
Estimation changes in useful life of machineries		9,779,762	-
Profit on sale of refuse tea		131,105,141	111,314,097
Revenue share of Tea Trails (Pvt) Ltd		2,431,065	-
(Loss)/gain on fair value of produce on bearer plants - Tea	Note 22	(304,579)	15,910,556
Net income from solar project		13,327,501	2,415,206
Other income		16,861,738	9,975,845
Long outstanding payables written back		-	3,321,972
		<b>262,423,641</b>	<b>232,891,596</b>

## 10. MANAGEMENT FEE EXPENSES

	2023/2024 Rs.	2022/2023 Rs.
Previous year's total comprehensive income net of tax	1,272,579,543	200,300,645
Less: Gain on fair value of biological assets	(99,246,110)	(115,327,800)
	<b>1,173,333,433</b>	<b>84,972,845</b>
Management fee to managing agent including applicable taxes	<b>111,333,343</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

As per the agreement entered into with the managing agent Metropolitan Resource Holdings Limited, the management fee is computed based on the total comprehensive income net of tax, less the gain/(loss) on fair valuation as given below.

- 6% of the previous year's total comprehensive income for the year net of tax, less the gain/(loss) on fair valuation, up to Rs.100 Mn.
- 8% of the previous year's total comprehensive income for the year net of tax, less the gain/(loss) on fair valuation slabs over and above Rs.100 Mn up to Rs.200 Mn.
- 10% of the previous year's total comprehensive income for the year, net of tax less the gain/(loss) on fair valuation over Rs.200 Mn and above.

## 11. NET FINANCE EXPENSE

	2023/2024 Rs.	2022/2023 Rs.
<b>Finance income</b>		
Interest income	176,955,075	101,246,629
<b>Finance expenses</b>		
Interest on finance leases	(297,760)	(1,012,424)
Interest on bank overdrafts	(10,375,837)	(20,233,643)
Lease interest to JEDB/SLSPC	(163,290,550)	(160,574,716)
Interest on long-term loans	(29,892,034)	(90,882,318)
Interest on debentures	(89,961,941)	(85,986,008)
<b>Net finance expense</b>	<b>(116,863,047)</b>	<b>(257,442,480)</b>

## 12. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging all expenses including the followings:

	2023/2024 Rs.	2022/2023 Rs.
Directors' emoluments	31,572,883	30,089,160
Auditor's remuneration - Audit services	3,632,578	2,714,943
Depreciation/amortisation on:		
- Right of use assets - land	53,128,010	49,547,840
- motor vehicle	1,628,674	5,619,542
- Immovable (JEDB/SLSPC) estate assets on finance lease (other than right-of-use land)	5,976	5,976
- Property, plant and equipment	47,276,339	49,756,684
- Bearer biological assets	102,615,200	102,665,200
Staff costs		
- Retirement benefit obligations (including provision for bolted workers)	252,143,970	270,900,080
- Salaries and wages	2,093,425,075	1,885,932,405
- EPF and ETF	9,445,400	9,365,911
Bearer biological assets		
- Immature palm oil - write off	-	431,743
ESC write off	-	12,721,319
VAT and WHT written off	-	15,577,703

### 13. INCOME TAX EXPENSES

	Note	2023/2024 Rs.	2022/2023 Rs.
<b>13.1 Current income tax expense</b>			
Current income tax on profit for the year		-	-
		-	-
<b>13.2 Deferred tax expense</b>			
Origination of temporary differences	35	(97,157,417)	206,357,203
		(97,157,417)	206,357,203
<b>Total tax expense</b>		<b>(97,157,417)</b>	<b>206,357,203</b>

### 13.3 Reconciliation of accounting profit to current income tax expense

Numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate disclosing also the basis on which the applicable tax rate is computed are given below:

	2023/2024 Rs.	2022/2023 Rs.
Statutory tax rate	30%	14%/30%
Accounting profit	483,508,751	1,434,139,379
Tax expense on accounting profit @ 14%	33,845,613	100,389,757
Tax expense on accounting profit @ 30%	72,526,313	215,120,907
Add : Tax effect of disallowable expenses in determining taxable income	162,356,642	140,543,479
Less : Tax effect of allowable expenses in determining taxable income	(133,402,569)	(411,268,150)
Add : Tax effect of adjusted loss from trade or business	(104,313,523)	-
Add : Tax on interest income	53,086,523	22,274,258
Less : Tax effect of tax loss set off in determining taxable income	(84,098,998)	(67,060,251)
Current income tax expense charge to the statement of comprehensive income	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 14. EARNINGS PER ORDINARY SHARE

### 14.1 Basic earnings per ordinary share

The calculation of basic earnings per ordinary share has been done based on net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue as at the reporting date and calculated as follows:

	2023/2024 Rs.	2022/2023 Rs.
Net profit attributable to ordinary shareholders (Rs.)	580,666,168	1,227,782,176
Weighted average number of ordinary shares in issue (Nos.)	83,750,001	83,750,001
Basic earnings per ordinary share (Rs.)	6.93	14.66

### 14.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on net profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during the year/previous year. Therefore, basic earnings per share and diluted earnings per share are the same for the current and previous years.

## 15. DIVIDEND PER SHARE

	2023/2024 Rs.	2022/2023 Rs.
Dividend paid (Rs.)	125,625,000	-
No. of ordinary shares in issue (Nos.)	83,750,001	83,750,001
Dividend per ordinary share (Rs.)	1.50	-

## 16. RIGHT-OF-USE ASSETS

	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Right-of-use asset - land	16.1	1,457,168,153	1,215,153,429
Right-of-use asset JEDB/SLSPC estate assets	16.2	87,590	93,566
Right-of-use assets - motor vehicle	16.3	-	1,628,674
Written down value		1,457,255,743	1,216,875,669

## 16.1 Right-of-use asset - land

JEDB/SLSPC estates allocated to the Company have been handed over to, and are being operated by the Company. Lease deeds of all estates have been executed. All leases signed are retroactive to 22nd June 1992, the date of formation of the Company. The leasehold rights to use of bare land on all estates have been taken into the books of the Company on 22nd June 1992 immediately after the formation of the Company in terms of the ruling on this matter obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board decided at its meeting on 08th March 1995 that the values attached to the right-of-use land would be those determined by Valuation Specialist, Mr. D. R. Wickramasinghe, just prior to the formation of the Company. The valuation report referred to above was not subjected to a land survey.

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
<b>Capitalised value</b>		
Revaluation as at 22nd June 1992	1,422,050,066	1,321,594,479
Re-measurement of lease liability	295,142,734	100,455,587
Balance at the end of the year	1,717,192,800	1,422,050,066
<b>Amortisation</b>		
Balance at the beginning of the year	(206,896,637)	(157,348,797)
Amortisation for the year	(53,128,010)	(49,547,840)
Balance at the end of the year	(260,024,647)	(206,896,637)
<b>Written down value</b>	<b>1,457,168,153</b>	1,215,153,429

The leasehold right to use of bare land is being amortised by equal amounts over a 53 year period and the unexpired period of the lease, as at the date of the statement of financial position is, 22.25 years.

## 16.2 Right of use asset JEDB/SLSPC estate assets

As more fully explained in Note 16.1, all JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the UITF of The Institute of Chartered Accountants of Sri Lanka which prevailed at the time of privatisation of plantation estates, all immovable assets in the JEDP/SLSPC estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose, the Board decided at its meeting on 08th March 1995, that these assets be revalued at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of the Company being formed. These assets are taken into the statement of financial position as at 22nd June 1992 and amortised as follows:

### 16.2.1 Capitalised value

	Buildings Rs.	Plant and machinery Rs.	Total Rs.
Revaluation as at 22nd June 1992	64,948,134	13,272,826	78,220,960
Balance as at 31st March 2023	64,948,134	13,272,826	78,220,960
Balance as at 31st March 2024	64,948,134	13,272,826	78,220,960

# NOTES TO THE FINANCIAL STATEMENTS

## 16.2.2 Amortisation

	Buildings Rs.	Plant and machinery Rs.	Total Rs.
Balance at the beginning of the year	(64,854,568)	(13,272,826)	(78,127,394)
Amortisation for the year	(5,976)	-	(5,976)
Balance at the end of the year	(64,860,544)	(13,272,826)	(78,133,370)
<b>16.2.3 Written down value as at 31st March 2024</b>	87,590	-	87,590
<b>16.2.4 Written down value as at 31st March 2023</b>	93,566	-	93,566

## 16.2.5 Assets are amortised in equal annual amounts over the following periods:

Mature plantations/improvements to land (Note 18)	- 30 years
Buildings	- 25 years
Plant and machinery	- 15 years

As per the JEDB/SLSPC lease agreement entered into with the Government in 1992, lease rentals were payable on right-of-use asset - land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to right-of-use asset - land.

## 16.3 Right-of-use assets - motor vehicle

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
<b>Cost</b>		
Balance at the beginning of the year	27,099,745	52,972,230
Transferred to freehold assets	-	(25,872,485)
Balance at the end of the year	27,099,745	27,099,745
<b>Amortisation</b>		
Balance at the beginning of the year	25,471,071	45,886,737
Amortisation for the year	1,628,674	5,270,000
Transferred to freehold assets	-	(25,685,666)
Balance at the end of the year	27,099,745	25,471,071
<b>Written down value</b>	-	1,628,674

**17 TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS**

	Buildings Rs.	Plant and machinery Rs.	Motor vehicles Rs.	Water sanitation Rs.	Equipment Rs.	Furniture and fittings Rs.	Others Rs.	Total Rs.
<b>17.1.1 Cost</b>								
Balance at the beginning of the year	355,179,288	877,982,990	82,530,618	172,001,022	86,928,276	21,454,323	102,396,206	1,698,472,723
Additions during the year	555,430	30,975,380	16,143,860	-	6,835,131	3,193,466	1,178,047	58,881,314
Transferred	-	-	(4,825,500)	-	-	-	-	(4,825,500)
Balance at the end of the year	355,734,718	908,958,370	93,848,978	172,001,022	93,763,407	24,647,789	103,574,253	1,752,528,537
<b>17.1.2 Accumulated depreciation</b>								
Balance at the beginning of the year	131,960,761	683,882,076	82,482,850	133,938,946	70,497,256	8,699,612	99,973,701	1,211,435,202
Charge for the year	8,781,093	15,575,947	7,702,135	6,367,385	5,594,881	818,312	2,436,586	47,276,339
Transferred	-	-	(4,825,500)	-	-	-	-	(4,825,500)
Balance at the end of the year	140,741,854	699,458,023	85,359,485	140,306,331	76,092,137	9,517,924	102,410,287	1,253,886,041
<b>17.1.3 Written down value as at 31st March 2024</b>	214,992,864	209,500,347	8,489,493	31,694,691	17,671,270	15,129,865	1,163,966	498,642,496
<b>17.1.4 Written down value as at 31st March 2023</b>	223,218,527	194,100,914	47,768	38,062,076	16,431,020	12,754,711	2,422,505	487,037,521
<b>17.1.5</b>	The residual values and useful lives of the above assets have been evaluated at the end of the year and changes in any of those estimations have not been recognised. The Company has evaluated both internal and external indicators of impairment of long lived assets and has not identified the presence of any such indicators at the end of the financial year. The management is confident that there is no estimation uncertainty at the date of the statement of financial position that would have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the financial year.							
<b>17.1.6</b>	The assets shown above are those movable and immovable assets vested in the Company by Gazette Notification on the date of formation of the Company (22nd June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Note 16 above.							
<b>17.1.7</b>	Cost of property, plant and equipment of the Company as at the reporting date includes the fully depreciated assets amounting to Rs. 436,431,866.62/-.							

# NOTES TO THE FINANCIAL STATEMENTS

**17.1.8** Information of the freehold building of the Company is disclosed below as required under Rule 7.6 (VIII) of the Colombo Stock Exchange listing rules.

Location/Estate	Square feet	No. of buildings	Cost as at	Net book value as at
			31.03.2024	31.03.2024
			Rs.	Rs.
Kotiyagala	10,422	218	28,923,420	14,262,875
Bogawana	10,201	144	12,655,309	7,128,290
Campion	25,536	192	20,620,777	10,223,478
Norwood	35,689	156	40,279,624	26,269,907
Wanarajah	36,624	218	17,325,487	10,184,291
Lethenty	8,231	188	40,178,649	28,997,868
Bogawantalawa	25,292	139	18,937,314	11,868,723
Fetteresso	3,545	126	11,951,939	7,060,734
Loinorn	31,391	103	11,421,830	6,710,838
Osborne	2,323	128	25,888,044	21,052,685
Poyston	31,203	90	4,194,439	1,696,645

During the year, the company spent Rs. 555,430 on building improvements for the Loinorn Estate. This will lead to a change in the cost of the building, but neither the square footage nor the number of buildings will change.

## 18. BEARER BIOLOGICAL ASSETS

	Immature plantations		Mature plantations				Total	
			Before formation of the Company		After formation of the Company			
	As at 31.03.2024	As at 31.03.2023	As at 31.03.2024	As at 31.03.2023	As at 31.03.2024	As at 31.03.2023	As at 31.03.2024	As at 31.03.2023
Rs.								
<b>18.1 Cost</b>								
Balance at the beginning of the year	507,060,919	906,780,043	555,387,492	555,387,492	2,523,253,564	1,980,191,882	3,585,701,975	3,442,359,417
Additions during the year	233,858,075	143,774,301	-	-	-	-	233,858,075	143,774,301
Less: Reclassification / Written off - Coconut / Palm oil	(134,683)	(431,743)	-	-	-	-	(134,683)	(431,743)
Transfers in/(out)	(215,427,147)	(543,061,682)	-	-	215,427,147	543,061,682	-	-
Balance at the end of the year	525,357,164	507,060,919	555,387,492	555,387,492	2,738,680,711	2,523,253,564	3,819,425,367	3,585,701,975
<b>18.2 Depreciation</b>								
Balance at the beginning of the year	-	-	528,325,011	514,253,851	713,605,809	625,061,769	1,241,930,820	1,139,315,620
Charge for the year	-	-	10,795,162	14,071,160	94,873,934	88,544,040	105,669,096	102,615,200
Balance at the end of the year	-	-	539,120,173	528,325,011	808,479,743	713,605,809	1,347,599,916	1,241,930,820
<b>18.3 Written down value</b>								
Growing crop nurseries	525,357,164	507,060,919	16,267,319	27,062,481	1,930,200,968	1,809,647,755	2,471,825,451	2,343,771,155
Less: Write off - Overgrown palm oil plants	-	-	-	-	-	-	4,676,727	1,101,142
Total written down value	-	-	-	-	-	-	2,476,502,178	2,344,872,297

There are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Note 16. Investment in mature plantations taken over by way of these leases is also shown in the above note.

The Company has decided to measure the bearer biological assets at cost using LKAS 16 - Property, plant and equipment.

- 18.4** Borrowing cost incurred in respect of replanting of tea, runner and other crops amounting to Rs.36,739,846/- (2022/2023-Rs.49,943,075/-) has been capitalised to immature plantation during the year.

**19. CONSUMABLE BIOLOGICAL ASSETS - MANAGED TIMBER PLANTATIONS**

	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year		1,335,529,981	1,249,529,981
Decrease due to harvesting		(49,931,345)	(13,246,110)
Gain on fair valuation		135,931,345	99,246,110
		1,421,529,981	1,335,529,981
Increase due to new planting	19.1	13,760,688	27,045,508
Growing crop nurseries		8,308,364	-
Balance at the end of the year		1,443,599,033	1,362,575,489
<b>19.1 Biological assets at initial stage</b>			
<b>Cost</b>			
Balance at the beginning of the year		27,045,508	11,963,957
Add : Additions during the year		-	15,081,551
Less : Transfers (out) to bearer biological assets immature plantation		(13,284,820)	-
Balance at the end of the year		13,760,688	27,045,508

- 19.2** The biological assets, Eucalyptus Grandis mature and immature timber trees of the Company were inspected and valued by Mr. T.M.H. Mutaliph, independent Valuer as at 31st March 2024. Accordingly, the fair value of these trees has been determined as being Rs.1,624,092,117/- as at 31st March 2024.

The fair value is determined as being the net present value of expected future cash flows (discounted at a risk adjusted rate level 3). Significant assumptions used for the calculation are, as follows:

- a) Trees will reach maturity, 20 years after planting and further 35% of the existing inventory of trees will be thinned out during the next 02 to 05 years with clear fell at 20 years.
- b) Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber sold by popular timber traders in Sri Lanka.
- c) Future cash flows are determined by references to current timber prices without considering the inflationary effect.
- d) The ongoing costs of growing the trees which are deducted in determining the net cash flows are constant in real terms.
- e) A discounting rate of 12.50% per annum is applied to the estimated cash flows. The rate was determined in regard to the following:
  - (i) The weighted average long term bond rate
  - (ii) The adjusted risk premium by considering
    - Specific provision made in the "FMP" and the valuation schedule
    - The illiquid nature of the plantations prior to maturity
    - A lack of market evidence as to the value of biological assets through their life cycle
    - Risk relations to diseases and fire affecting the biological assets
    - Adoption of conservative valuation approach

# NOTES TO THE FINANCIAL STATEMENTS

## f) Biological assets at initial stage

The Company has separately identified biological assets at their initial stage (that is Eucalyptus Grandis below 5 years from the date of planting) and has valued them at cost due to the fact that the fair value of those assets cannot be measured reliably.

## 19.3 Potential risks - timber plantations

The Company is exposed to the following risks in relation to timber plantations.

### a) Supply and demand risk

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

### b) Regulatory and environmental risks

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

### c) Climate and other risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industrial pest and disease surveys. The Company also insures itself against natural disasters such as floods, land slides and hurricanes.

## 19.4 Sensitivity analysis

### 19.4.1 Sensitivity variation on sales price

Net present value of the biological assets as appearing in the statement of financial position are very sensitive to the changes in the average sales prices applied. Simulations made for timber show an increase or decrease by 10% of the estimated future selling price while other variables remained unchanged, and has the following effect on the net present value of biological assets:

	+10% Rs.	0% Rs.	-10% Rs.
Managed timber	1,786,712,296	1,421,529,981	1,461,248,624

### 19.4.2 Sensitivity variation on discount rate

Net present value of the biological assets as appearing in the statement of financial position are very sensitive to changes of the discount rate is applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	13.50% Rs.	12.50% Rs.	11.50% Rs.
Managed timber	1,625,189,644	1,421,529,981	1,631,213,144

## 20. CAPITAL WORK-IN-PROGRESS

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year	13,134,251	13,144,511
Less: Capitalised during the year	(409,624)	(10,260)
Balance at the end of the year	12,724,627	13,134,251

Capital working progress balance shows factory roof improvements cost for solar panel project. As per agreement, the company did not receive ownership of the solar project. Until the operation period, the company will categorize this improvement cost as CWIP.

## 21. INVESTMENTS IN EQUITY SHARES

	Percentage holding	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
<b>Investments in unquoted equity shares</b>	11%		
<b>Tea Trails (Pvt) Ltd</b>			
Balance at the beginning of the year		61,097,337	37,875,345
Changes in fair value recognised in other comprehensive income		4,197,319	23,221,992
Balance at the end of the year		65,294,656	61,097,337

The Company has received 1,500,000 ordinary shares of Rs.10/- each free of charge from Tea Trails (Pvt) Ltd, as promoter shares. A corresponding entry has been credited to the income statement in the year 2005/2006. The Company has measured the fair value using level 3 inputs.

## 22. PRODUCE ON BEARER PLANTS

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year	22,751,456	6,840,900
Changes in fair value less cost to sell	(304,579)	15,910,556
Balance at the end of the year	22,446,877	22,751,456

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

“Tea - Three days crop (50% of 6 days cycle), Oil palm - five days crop (50% of 10 days cycle)

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea commissioner’s formula for bought leaf and the value of unharvested fresh fruit bunches (FFB) of Oil Palm is measured using the actual price used to purchase FFB from outside growers.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. INVENTORIES

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Input materials	236,940,663	133,382,436
Harvested crops	294,032,240	467,262,260
	<b>530,972,903</b>	600,644,696

## 24. TRADE AND OTHER RECEIVABLES

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Trade receivables	122,644,940	159,896,712
Deposits, prepayments and other receivables	217,767,570	119,854,747
Staff advances	64,120,324	45,784,824
Advance company tax recoverable	17,926,245	17,926,245
Withholding tax recoverable	10,261,623	1,236,621
	<b>432,720,702</b>	344,699,149

## 25. AMOUNTS DUE FROM RELATED PARTIES

Name of the related party	Relationship	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Metropolitan Resource Holdings Limited	Immediate parent	-	6,272
Bogawantalawa Tea Ceylon (Pvt) Ltd	Related entity	137,080	3,421,198
Lanka Mother and Child Support Foundation	Related entity	538,503	131,321
Eco Power (Pvt) Ltd	Related entity	1,132,115	-
Office Networks (Pvt) Ltd	Related entity	358,294	365,290
Ceylon Bungalows	Related entity	-	10,453
Metrocorp (Pvt) Ltd	Ultimate parent	781,431	61,028
		<b>2,947,423</b>	3,995,562

## 26. SHORT-TERM INVESTMENTS

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
First Capital Holdings PLC	253,355,862	377,415,271
Metrocorp (Pvt) Ltd (Commercial Papers)	61,618,582	182,466,894
E.B.Creasy & Company PLC	-	32,000,000
LOLC Holdings PLC	470,156,925	186,191,395
	<b>785,131,369</b>	778,073,560

## 27. CASH AND CASH EQUIVALENTS

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
<b>27.1 Favourable balances</b>		
Cash in hand	1,709,533	834,946
Cash at bank	163,808,098	170,148,690
	<b>165,517,631</b>	170,983,636
<b>27.2 Unfavourable balances</b>		
Bank overdrafts	-	(53,127,250)
Cash and cash equivalents for the purpose of cash flow statement	<b>165,517,631</b>	117,856,386

## 28. STATED CAPITAL

	As at 31.03.2024	As at 31.03.2023
<b>28.1 Number of shares</b>		
No. of ordinary shares including one golden share held by the Treasury which has special rights	83,750,001	83,750,001
<b>28.2 Value of shares</b>		
Value of ordinary shares including the value of one golden share held by the Treasury which has special rights (Rs.)	586,250,010	586,250,010

### 28.3 The golden shareholder

The golden share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholders, in terms of the articles of the Company, the following special rights are vested with the golden shareholder.

- The Company shall obtain the written consent of the golden shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the land leased/to be leased to the Company by the JEDB/SLSPC.
- The golden shareholder shall be entitled to call upon the Board of Directors once in three months to meet him or his nominee to discuss matters of the Company to the state.
- The golden shareholder and his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- The Company should submit to the golden shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the golden shareholder and the Company.
- The Company shall submit to the golden shareholder, within 90 days of the end of each fiscal year, information related to the Company in a pre-specified format agreed to by the golden shareholder and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 29. INTEREST BEARING BORROWINGS

	Note	2023/2024				2022/2023					
		Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2024	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2023
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term loans	29.1	81,813,568	47,789,136	-	47,789,136	129,602,704	124,101,268	130,581,022	-	130,581,022	254,682,290
<b>Total</b>		<b>81,813,568</b>	<b>47,789,136</b>	<b>-</b>	<b>47,789,136</b>	<b>129,602,704</b>	<b>124,101,268</b>	<b>130,581,022</b>	<b>-</b>	<b>130,581,022</b>	<b>254,682,290</b>

### 29.1 Term loans

	Note	Balance as at 01.04.2023	New loans obtained	Repayments	Balance as at 31.03.2024
		Rs.	Rs.	Rs.	Rs.
National Development Bank PLC	29.1.1	9,728,000	-	(9,728,000)	-
Commercial Bank of Ceylon PLC	29.1.2	127,056,500	-	(76,674,800)	50,381,700
Hatton National Bank PLC	29.1.3	29,223,000	-	(17,748,000)	11,475,000
Nations Trust Bank PLC	29.1.4	88,674,790	-	(20,928,786)	67,746,004
		254,682,290	-	(125,079,586)	129,602,704

### 29.1.1 National Development Bank PLC

	Interest rate (p.a)	Loan No.	Amount of repayments per month	Total facility	Balance as at 01.04.2023	New loans obtained	Repayments	Balance as at 31.03.2024
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term loan 10	AWPLR+2%	LD1511954549	1,388,800	100,000,000	9,728,000	-	(9,728,000)	-
				100,000,000	9,728,000	-	(9,728,000)	-

	Interest rate (p.a)	Loan No.	Amount of repayments per month Rs.	Total facility Rs.	Balance as at 01.04.2023 Rs.	New loans obtained Rs.	Repayments Rs.	Balance as at 31.03.2024 Rs.
<b>29.1.2 Commercial Bank of Ceylon PLC</b>								
Term loan	AWPLR+2.5%	2376348	200,000,000	109,982,000	66,640,000	-	(40,008,000)	26,632,000
Term loan	AWPLR+1.5%	2843506	95,000,000	87,083,300	55,416,500	-	(31,666,800)	23,749,700
Term loan	AWPLR+2%	2934892	25,000,000	300,000,000	5,000,000	-	(5,000,000)	-
			320,000,000	497,065,300	127,056,500	-	(76,674,800)	50,381,700
<b>29.1.3 Hatton National Bank PLC</b>								
Term loan - Solar project	AWPLR+2.5%	09720/10405	1,630,000	88,650,000	29,223,000	-	(17,748,000)	11,475,000
				88,650,000	29,223,000	-	(17,748,000)	11,475,000
<b>29.1.4 Nations Trust Bank PLC</b>								
NTB short-term loan	AWPLR+2%	30157	-	156,000,000	14,474,790	-	(4,128,786)	10,346,004
Term loan 2	AWPLR+2%	29930	1,400,000	84,000,000	74,200,000	-	(16,800,000)	57,400,000
				240,000,000	88,674,790	-	(20,928,786)	67,746,004

Details of the assets pledged are disclosed in Note No. 45 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. DEBENTURES

The Company has issued 10,000,000 Debentures at Rs. 85 (15% discounted from the par value) and raised Rs.850,000,000/-. Tenure of the debentures will be 5, 6 and 7 years and the purpose of the issue was settlement of high cost debt, field development activities and factory development.

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year	656,896,586	636,241,010
Accrual of interest	117,353,497	113,385,471
	<b>774,250,083</b>	749,626,481
Less: Settlement of interest (Coupon)	<b>(92,722,053)</b>	(92,729,895)
Balance at the end of the year	<b>681,528,030</b>	656,896,586

Type	Tenor	coupon interest rate	Annual effective rate	No of debenture allocated	Face value	Value of issued	Fair Value as at 31.03.2024
Type A	5 years	13%	16.19%	2,407,860	24,078,600	204,668,100	<b>242,276,655</b>
Type B	6 years	13.25%	16.52%	2,296,070	22,960,700	195,165,950	<b>222,616,595</b>
Type C	7 years	13.50%	16.85%	2,296,070	22,960,700	195,165,950	<b>216,634,780</b>
				7,000,000	70,000,000	595,000,000	<b>681,528,030</b>

Financial liabilities at amortised cost and financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the statement of comprehensive income. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Currently, the Company has recorded debentures issued as financial liabilities at amortised cost.

## 31. RETIREMENT BENEFIT OBLIGATIONS

	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year		876,925,900	911,137,009
Provision for the year	31.1	239,616,287	148,608,721
		<b>1,116,542,187</b>	1,059,745,730
Payments made during the year		<b>(182,429,408)</b>	(182,819,830)
Balance at the end of the year		<b>934,112,779</b>	876,925,900

**31.1** Expenses recognised in the statement of comprehensive income and other comprehensive income for the year ended 31st March 2024

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
<b>Recognised in the statement of comprehensive income</b>		
Current service cost	36,246,118	127,559,181
Interest cost	162,231,292	51,871,503
	<b>198,477,410</b>	179,430,684
<b>Recognised in the other comprehensive income</b>		
Actuarial gain	41,138,877	(30,821,963)
Total net defined benefit obligation as at end of the year	<b>239,616,287</b>	148,608,721

**31.2** Provision for gratuity for the financial year 2023/2024 has been determined based on the latest actuarial valuation report issued on 26th June 2024 which was done by Actuarial & Management Consultants (Pvt) Ltd. The provision in respect of gratuity liabilities of existing employees as at 31st March 2024 is Rs. 934,112,779/-. If the Company had provided for gratuity on the basis of fourteen days wages and half month salary for each completed year of service in line with the payment of Gratuities Act No. 12 of 1983, the liability would have been Rs.1,278,018,033/-. Hence, there is a contingent liability of Rs. 343,905,255/- which would crystallise only if the Company ceases to be a going concern.

**31.3** The key assumptions used by the actuary are disclosed in Note No. 3.15.1 to the financial statements.

**31.4 Sensitivity analysis**

In order to illustrate the significance of the salary/wage escalation and discount rate used in the actuarial valuation as at 31st March 2024, the sensitivity analysis has been carried out as follows:

Discount rate	Salary escalation rate	Present value of defined benefit obligation Rs.
1% increase	As given in the report	864,719,488
1% decrease	As given in the report	1,013,249,249
As given in the report	1% increase	1,019,200,240
As given in the report	1% decrease	858,572,127

**32. GRANTS AND SUBSIDIES**

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year	65,953,460	72,903,349
Grants and subsidies received during the year	584,000	2,427,500
Total grants and subsidies available for amortisation	<b>66,537,460</b>	75,330,849
Amortisation for the year	<b>(9,087,087)</b>	(9,377,389)
Balance at the end of the year	<b>57,450,373</b>	65,953,460

# NOTES TO THE FINANCIAL STATEMENTS

## 32.1 The following is a detailed explanation of the above grants and subsidies.

### a) Asian Development Bank - Plantation development project

The funds received are utilised for rehabilitation (tarring and concreting) of internal roads and minor upgrading of tea factories.

### b) Plantation human development project

The funds are utilised for reroofing of worker houses, development of workers welfare facilities and improvement of institutional facilities.

### c) The funds received from the Tea Board are for the construction of CTC tea factory at Wanarajah and Kotiyagala grounds

The amounts spent are capitalised under the relevant classification of property, plant and equipment and the corresponding grant component is reflected under deferred grants and subsidies and is amortised over the useful life span of the asset.

## 33. DEFERRED INCOME

	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Net income from operating rights given to Lalan Rubbers (Pvt) Ltd	33.1	197,007,553	206,388,864
		197,007,553	206,388,864
<b>33.1 Net income from operating rights given to Lalan Rubbers (Pvt) Ltd</b>			
Gross carrying amount at the beginning of the year		206,388,864	215,770,174
Amortisation for the year		(9,381,311)	(9,381,310)
Net carrying amount at the end of the year		197,007,553	206,388,864

## 34. LEASE LIABILITIES

	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Lease liability on right-of-use asset - Land	34.1	1,863,450,310	1,545,339,282
Lease liability on right-of-use asset - Motor vehicles	34.2	-	3,312,477
		1,863,450,310	1,548,651,759
Payable within one year		-	3,312,477
Payable after one year		1,863,450,310	1,545,339,282
<b>34.1 Lease liability on right-of-use asset - Land</b>			
<b>Gross liability</b>			
Balance at the beginning of the year		1,545,339,282	1,420,017,156
Accretion of interest		163,290,550	160,574,716
Less : Repayments during the year		(140,322,256)	(135,708,178)
Remeasurement of lease liability		295,142,734	100,455,588
Balance at the end of the year		1,863,450,310	1,545,339,282

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
<b>34.1.1 Maturity analysis</b>		
<b>Amount payable within one year</b>		
Gross liability	160,201,109	139,022,135
Finance costs allocated to future years	(211,811,952)	(175,301,634)
Accretion of interest	51,610,843	36,279,499
Net liability shown under current liabilities	-	-
<b>Amount payable after one year and within five years</b>		
Gross liability	744,085,365	624,085,445
Finance costs allocated to future years	(895,744,937)	(736,964,763)
Accretion of interest	151,659,572	112,879,318
Net liability	-	-
<b>Amount payable after five years</b>		
Gross liability	5,074,683,847	4,315,449,448
Finance costs allocated to future years	(3,211,233,537)	(2,770,110,166)
Net liability	1,863,450,310	1,545,339,282
<b>Net liability payable after one year shown under non-current liabilities</b>	1,863,450,310	1,545,339,282
<b>Total net liability</b>	1,863,450,310	1,545,339,282

Lease instalment for the year 2023/2024 is less than the interest in the amortisation schedule within the next twelve months. Therefore, no payment would be made out of the ROU liability within the next twelve months. Hence, no current liability is recognised regarding the lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

## 34.2 Lease liability on right-of-use asset - Motor vehicles

	2023/2024				2022/2023				
	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Balance as at 31.03.2024	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Balance as at 31.03.2023	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Liability to make lease payments	-	-	-	-	3,312,477	-	-	-	3,312,477

### 34.2.1 Gross liability

Class of asset	Facility number	Description of asset	Name of lease creditor	Terms of repayment per month	Facility amount	Balance as at 01.04.2023	New Repayments	Balance as at 31.03.2024	Net carrying value
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor vehicles	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	552,634	22,900,000	2,763,177	(2,763,177)	-	-
	V/19/003/34879	04 Motor bikes	Commercial Bank of Ceylon PLC	94,118	3,499,720	847,060	(847,060)	-	-
<b>Total gross liability</b>					26,399,720	3,610,237	(3,610,237)	-	-

### 34.2.2 Finance charges allocated to future years

Class of asset	Facility number	Description of asset	Name of lease creditor	Balance as at 01.04.2023	On new leases obtained	Charge to P & L	Balance as at 31.03.2024
				Rs.	Rs.	Rs.	Rs.
Motor vehicles	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	70,235	-	(70,235)	-
	V/19/003/34879	04 Motor bikes	Commercial Bank of Ceylon PLC	227,525	-	(227,525)	-
<b>Total finance charges allocated to future years</b>				297,760	-	(297,760)	-
<b>Net carrying value of liability to make lease payments</b>				3,312,477	-	(3,312,477)	-

### 35. DEFERRED TAX LIABILITY

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Balance at the beginning of the year	313,777,738	98,173,947
Recognised in the statement of comprehensive income	(97,157,417)	206,357,203
Recognised in the statement of other comprehensive income	(12,341,663)	9,246,588
Balance at the end of the year	204,278,658	313,777,738
On temporary difference of property, plant and equipment	375,073,290	398,736,132
On retirement benefit obligation gratuity	(1,071,753,255)	(1,011,492,217)
On tax loss carried forward	(510,919,487)	(450,030,498)
On biological assets	2,352,173,250	2,503,129,450
On grants	(57,450,373)	(65,953,460)
On net lease liability	(406,194,567)	(328,463,613)
	680,928,859	1,045,925,794
Deferred tax liability	204,278,658	313,777,738

Deferred tax liabilities are measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March 2024 is 30% (2022/23 - 30%).

### 36. TRADE AND OTHER PAYABLES

	Note	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Trade creditors		234,744,614	96,902,965
Payable to deserters workers	36.1	137,640,476	134,566,317
Accruals and other payables		139,383,182	315,540,046
		511,768,272	547,009,328
<b>36.1 Payable to bolted workers</b>			
Balance at the beginning of the year		134,566,317	68,960,315
Provision made during the year		53,666,560	91,469,396
Payment made during the year		(50,592,401)	(25,863,394)
Balance at the end of the year		137,640,476	134,566,317

### 37. AMOUNT DUE TO RELATED PARTIES

Name of the related party	Relationship	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
Ceylon Bungalows	Related entity	11,334	-
Bogawantalawa Tea Ceylon (Pvt) Ltd	Related entity	765,481	-
Bogawantalawa Agro Industries	Related entity	41	-
Ceylon Tea Gardens Limited	Related entity	11,382	-
		788,238	-

# NOTES TO THE FINANCIAL STATEMENTS

## 38. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### 38.1 Contingent liabilities

There were no known contingent liabilities existing as at the reporting date.

### 38.2 Contingent assets

There were no contingent assets as at the reporting date.

## 39. UNRECOGNISED CONTRACTUAL COMMITMENTS

There have been no capital commitments contracted but not provided for, or authorised by the Board but not contracted for, outstanding as at the date of the statement of financial position.

## 40. RELATED PARTY DISCLOSURES

### 40.1 Substantial shareholding and ultimate parent company

The Company is a subsidiary of Metropolitan Resource Holdings Limited, which holds 78.45% of ordinary shares of the Company. In the opinion of the directors, the Company's ultimate parent company as at the date of the statement of financial position is Metrocorp (Pvt) Ltd.

### 40.2 Key management personnel information

The Directors of the Company have interests in the transactions detailed below and some Directors held the post of Director of these related companies during the year. The transactions listed below have been carried out under normal commercial terms.

Mr. D. J. Ambani, Mr. C. M. O. Haglind, Mr. L. J. Ambani and Mr. S. A. S. Jayasundara, the Directors of the Company are also Directors of the following companies and have had transactions as disclosed in the Note No. 40.3.1 below.

### 40.3 Related party transactions

The Company has a related party relationship with its related group of companies as disclosed below. The following transactions have been carried out with related parties during the year ended 31st March 2024 under normal commercial terms.

#### 40.3.1 Transactions with companies in which Directors of the Company hold other directorships

The Company has carried out transactions with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities as detailed below:

##### 40.3.1.1 Transactions with immediate parent company and ultimate parent company

Name of parent Company	Name of directors	Nature of transaction	Amount	
			2023/2024 Rs.	2022/2023 Rs.
<b>Ultimate parent</b>				
Metrocorp (Pvt) Ltd (MPL)	Mr. D. J. Ambani	Expenses incurred by MPL	13,976,179	10,409,749
		Funds received against the expenses incurred by the Company	13,255,776	13,238,629
<b>Immediate parent</b>				
Metropolitan Resource Holdings Limited (MRH)	Mr. D.J. Ambani	Settlements of outstanding by MRH	1,501,440	25,795,411
	Mr. L.J.Ambani			
	Mr. C.M.O.Haglind Mr. S.A.S.Jayasundara	Expenses incurred by the Company on behalf of MRH.	1,507,712	25,783,803

#### 40.3.1.2 Transactions with other related companies

Name of parent Company	Name of directors	Nature of transaction	Amount	
			2023/2024 Rs.	2022/2023 Rs.
Bogawantalawa Tea Ceylon (Pvt) Limited (BTC)	Mr. D. J. Ambani	Funds received as reimbursement of expenses made by the Company	5,919,108	7,672,547
	Mr. C.M.O. Haglind			
	Mr. L. J. Ambani	Expenses incurred by the Company	1,869,509	10,348,991
Office Network (Pvt) Ltd (ONL)	Mr. L. J. Ambani	Expenses incurred by the Company on behalf of ONL	3,411,299	3,592,064
		Settlement made by ONL	3,418,295	3,287,143
Tea Trails (Pvt) Ltd (TTPL)	Mr. D. J. Ambani	Income received for renting out bungalows (including VAT and NBT)	20,355,938	20,801,419
		Revenue share income (including VAT and NBT)	-	-
		Settlements made by TTPL	20,355,938	21,946,685
Eco Power (Pvt) Ltd (EPPL)	Mr. D. J. Ambani	Settlements made by EPPL	5,516,811	3,666,155
	Mr. L. J. Ambani			
		Expenses incurred by the Company on behalf of EPPL	6,648,925	3,321,158
Ceylon Bungalows (CB)	Mr. D. J. Ambani	Expenses incurred by the company on behalf of CB	174,143	388,996
		Settlement made by CB	195,930	493,461
Lanka Mother & Child (LMCF)	Mr. D. J. Ambani	Expenses incurred by the company on behalf of LMCF	407,182	776,829
	Mr. L. J. Ambani			
		Settlement made by LMCF	-	1,007,048
Ceylon Tea Gardens Ltd (CTGL)	Mr. D. J. Ambani Mr. L. J. Ambani	Fund received against the expenses incurred by the Company	-	24,138,113
Lush Agro (Pvt) Ltd	Mr. D. J. Ambani	Expenses incurred by the company on behalf of Lush	1,534,278	776,829
	Mr. L. J. Ambani	Settlement made by Lush	1,534,319	1,007,048
		Purchase and payment from Lush	484,839,531	-

# NOTES TO THE FINANCIAL STATEMENTS

## 40.3.2 Transactions with key management personnel (KMP) of the Company or parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as its related parties, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

### a) Loans to Directors

No loans have been given to the directors of the Company or its parent company.

### b) Compensation to key management personnel

	2023/2024 Rs.	2022/2023 Rs.
Short-term employment benefits	31,572,883	30,089,160

c) The Company has not incurred any amount as termination benefits or post employment benefits on account of the key managerial personnel during the year.

**40.3.3** Amounts receivable and payable to related parties are disclosed in Note Nos. 25 and 37 to the Financial Statements.

## 41. OPERATING AGREEMENT WITH LALAN RUBBERS (PVT) LTD

The Company had entered into an operating agreement (OA) with Lalan Rubbers (Pvt) Ltd., (LRL) effective from 19th March 2003 whereby LRL would operate and manage the rubber division of the Company from 01st April 2003. Consequently, LRL would meet all capital and operating costs of the rubber division from 01st April 2003 and would be entitled to keep all revenues obtained by the division from that date.

As per the terms of the operating agreement, a payment of approximately Rs.278.25 million was made by LRL to Bogawantalawa Tea Estates PLC (BTE PLC) in consideration for the operating rights obtained and of which Rs.120 million was received in the year 2002/2003. Balance payment was received in three instalments of Rs.52.75 million each during the years, 2004, 2005 and 2006 respectively.

LRL also took over the retiring gratuity liability of employees of the rubber division estimated at Rs.46.8 million (at actuarial value), the capital and future interest payments of the long-term loans of Rs.105.3 million payable to the Commercial Bank of Sri Lanka and 48.21 % of the future annual land lease payments that would be required to be made by BTE PLC to Janatha Estate Development Board (JEDB) and Sri Lanka State Plantations Corporation (SLSPC) until the terms of these leases expire. Accordingly, the retiring gratuity liability of Rs.46.8 million and the long-term loans of Rs.105.3 million have been treated as amounts due from LRL and recognised as income during the year 2002/2003 as LRL had agreed to pay these liabilities on behalf of the Company.

The Secretary, Ministry of Plantation Industries (letter Ref. MP1/9/2/6/9 BPL/SL dated 10th February 2010 addressed to the Company) informed the Company that the golden shareholder had granted covering approval to sublease the 13 rubber estates which had been transferred to Lalan Rubbers (Pvt) Ltd under the operating agreement in 2003 without prior approval of the golden shareholder. Accordingly, the Company entered into a sublease agreement with Lalan Rubbers (Pvt) Ltd on 12th February 2010, and a further payment of Rs. 110 million was made by Lalan Rubbers (Pvt) Ltd to the Company. However, all the assets and liabilities pertaining to those estates subleased to Lalan Rubbers (Pvt) Ltd continue to be reflected in the books of the Company (other than gratuity liability) as this is considered an operating lease.

In addition to the above subleasing transaction, the Company entered into a joint venture (JV) transaction with LRL based on a MOU during the financial year of 2012/2013 as described below. However, the approval from the golden shareholder has not yet been received in this regard as at the date of the statement of financial position.

The Company entered into the Memorandum of Understanding (MOU) with Lalan Rubbers (Pvt) Ltd, (LRL) effective from 01st October 2012 to 21st June 2045 whereby LRL would operate and manage a total area of approximately 973 hectares comprising Anhettigama, Miyanawita and Maliboda estates. Consequently, LRL would be responsible for all day to day operations of the properties. However, all the movable assets in the properties would remain the property of BTE PLC.

As per the terms of the MOU, during the initial period of 5 years of this MOU, LRL shall invest a sum equivalent to rupees three hundred and sixty six million (Rs. 366,000,000/-) for the purpose of developing the properties by tea/rubber replanting, tea/rubber new planting and undertaking agricultural programs according to the initial plan. For and in consideration of the rights of use granted to LRL in respect of the properties, LRL shall pay to BTE a sum calculated by reckoning the amount payable in respect of the extent of land comprising the properties as a fraction of the total sum of money payable by BTE in terms of the said Indenture bearing No. 1524, as rental for the entirety of the extent of land leased to the BTE by the lessor viz. nine hundred and seventy three (973) hectares out of sixteen thousand two hundred and twenty (16,220) hectares viz:- 973/16,220;

**A further sum calculated in the following manner shall be paid by LRL to BTE PLC:**

Having deducted the lease rental as aforesaid, if the use of the properties by LRL yields a profit to LRL calculated in accordance with Sri Lanka Accounting Standards and applicable law, a sum equivalent to 45% of the said profit after deducting any previous losses incurred through the use of the properties and a sum equivalent to 25% of the effective tax benefits received by LRL with regard to the capital allowances connected to the project.

## **42. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION**

### **42.1 Revision to the daily wage rate**

On 13th August 2024, the Department of Labour issued an Extraordinary Gazette No. 2397/27 under the wages board ordinance, proposing an amendment to the minimum rate of daily wage. Accordingly, it has been proposed for a daily wage rate of Rs. 1,350/= which include the daily budgetary relief allowance and a productivity based incentive of Rs. 350 for workers in the Tea Growing and Manufacturing Trade and the Rubber Growing & Raw Rubber Manufacturing Trade. Further, objections to the aforesaid proposal will be received by the Chairman of the Board until 12.00 noon on 28th August 2024.

There have been no other material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

### **42.2 Type A debenture settlement**

On 23rd July 2024, the Company settled a debenture issue of LKR 240,786,000/- which was outstanding as at 31st March 2024. The settlement was made in accordance with the terms and conditions of the debenture issue. The debenture was redeemed at par. As a result of this settlement, the Company's long-term borrowings decreased by LKR 240,786,000/-. The impact of this settlement on the Company's financial position and results of operations for the current financial year is not considered material.

## **43. PRICING POLICY**

Sales and purchases of goods and services to/from related parties were made at normal trading terms arms length basis. Management fee provisions were made as per contractual arrangements.

## **44. COMPARATIVE INFORMATION**

Comparative information of the Company has been reclassified wherever necessary to conform with the current year's presentation/ classification.

# NOTES TO THE FINANCIAL STATEMENTS

## 45. ASSETS PLEDGED

The following assets of the Company have been pledged as collaterals for interest bearing loans obtained by the Company to the respective financial institutions concerned.

Name of the financial institution/purpose of facility	Nature of the facility	Facility granted Rs.	Balance outstanding as at 31.03.2024 Rs.	Securities pledged
<b>Commercial Bank of Ceylon PLC</b>				
1) Under plantations sector reform project				
a) For field development and factory modernization	Term loan	200,000,000	<b>26,632,000</b>	Mortgage over the income generated through John Keels Tea broker.
b) To meet working capital requirement of the tea factories	Term loan	95,000,000	<b>23,749,700</b>	Mortgage over property of Norwood Estate.
<b>Hatton National Bank PLC</b>				
a) Solar Project	Term loan	88,650,000	<b>11,475,000</b>	Mortgage over the income generated through solar project.
<b>Nations Trust Bank</b>				
a) To meet working capital requirement	Term Loan	156,000,000	<b>10,346,004</b>	Mortgage over the income generated through Asia Siyaka Tea broker.
b) To meet working capital requirement	Term Loan	84,000,000	<b>57,400,000</b>	

**46. SEGMENTAL ANALYSIS BY PRINCIPAL BUSINESS ACTIVITIES**

	Tea		Rubber		Palm Oil		Unallocated		Total	
	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>46.1.1 Segmental results</b>										
Revenue	4,808,020,659	5,248,503,294	-	-	162,404,348	178,627,148	-	-	4,970,425,007	5,427,130,442
Cost of sales	(4,313,630,863)	(3,739,417,128)	-	-	(104,130,901)	(92,492,950)	-	-	(4,417,761,764)	(3,831,910,078)
Gross profit	494,389,796	1,509,086,166	-	-	58,273,447	86,134,198	-	-	552,663,243	1,595,220,364
Add : Gain on fair value of consumable biological assets	-	-	-	-	-	-	135,931,345	99,246,110	135,931,345	99,246,110
Other income	131,105,141	111,314,097	-	-	-	-	131,318,500	121,577,499	262,423,641	232,891,596
Less: Unallocated expenses	-	-	-	-	-	-	(467,509,480)	(493,218,691)	(467,509,480)	(493,218,691)
Profit before taxation	625,494,937	1,620,400,263	-	-	58,273,447	86,134,198	(200,259,635)	(272,395,082)	483,508,749	1,434,139,379
Less : Taxation	-	-	-	-	-	-	97,157,417	(206,357,203)	97,157,417	(206,357,203)
Net profit for the year	625,494,937	1,620,400,263	-	-	58,273,447	86,134,198	(103,102,218)	(478,752,285)	580,666,166	1,227,782,176
<b>46.1.2 Segmental assets</b>										
Non-current assets	2,755,110,801	2,636,909,667	855,322,273	657,868,408	467,020,506	463,726,997	1,872,367,831	1,727,087,492	5,949,821,411	5,485,592,564
Current assets	760,956,738	852,400,674	-	-	15,975,008	28,072,873	1,162,805,159	1,060,674,513	1,939,736,906	1,921,148,059
	3,516,067,539	3,469,310,341	855,322,273	657,868,408	482,995,514	491,799,870	3,035,172,990	2,787,762,005	7,889,558,317	7,406,740,623
<b>46.1.3 Segmental liabilities</b>										
Non-current liabilities	1,007,256,756	945,733,970	-	-	-	-	3,087,859,161	2,850,128,882	4,095,115,917	3,795,862,852
Current liabilities	240,180,696	283,011,996	-	-	-	-	404,285,608	444,538,328	644,466,304	727,550,324
	1,247,437,452	1,228,745,966	-	-	-	-	3,492,144,769	3,294,667,210	4,739,582,221	4,523,413,176
<b>46.1.4 Segmental expenses</b>										
46.1.4.1 Capital expenditure	16,904,551	69,786,738	22,633,115	-	9,939,307	-	184,246,420	73,555,820	233,723,392	143,342,558
46.1.4.2 Depreciation/ Amortization	124,015,506	124,904,547	52,137,110	29,317,550	15,775,469	12,367,392	15,780,012	40,955,753	207,708,097	207,545,242

# NOTES TO THE FINANCIAL STATEMENTS

## 47. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As at 31st March 2024	Total Carrying Amount Rs.	Level I Rs.	Level II Rs.	Level III Rs.	Total Fair Value Rs.
<b>Financial assets</b>					
Trade and other receivables	432,720,702	-	-	432,720,702	432,720,702
Amounts due from related parties	2,947,423	-	-	2,947,423	2,947,423
Cash and cash equivalents	165,517,631	-	165,517,631	-	165,517,631
	601,185,756	-	165,517,631	435,668,125	601,185,756
<b>Financial liabilities</b>					
Trade and other payables	511,768,272	-	-	511,768,272	511,768,272
Amounts due to related parties	788,238	-	-	788,238	788,238
Interest bearing borrowings	129,602,704	-	129,602,704	-	129,602,704
Debenture	681,528,030	-	681,528,030	-	681,528,030
	1,323,687,244	-	811,130,734	512,556,510	1,323,687,244

As at 31st March 2023	Total Carrying Amount Rs.	Level I Rs.	Level II Rs.	Level III Rs.	Total Fair Value Rs.
<b>Financial assets</b>					
Trade and other receivables	344,699,149	-	-	344,699,149	344,699,149
Amounts due from related parties	3,995,562	-	-	3,995,562	3,995,562
Cash and cash equivalents	170,983,636	-	170,983,636	-	170,983,636
	519,678,347	-	170,983,636	348,694,711	519,678,347
<b>Financial liabilities</b>					
Trade and other payables	547,009,328	-	-	547,009,328	547,009,328
Bank overdrafts	53,127,250	-	53,127,250	-	53,127,250
Interest bearing borrowings	254,682,290	-	254,682,290	-	254,682,290
Debenture	656,896,586	-	656,896,586	-	656,896,586
	1,511,715,454	-	964,706,126	547,009,328	1,511,715,454

# TEN YEAR SUMMARY

Period	2014/15 Rs .000	2015/16 Rs .000	2016/17 Rs .000
<b>Profit &amp; Loss</b>			
Turnover	2,824,297	2,820,868	2,809,814
Gross Profit	(7,460)	(9,711)	158,861
Financing Cost	(67,309)	(73,563)	(113,604)
Profit before interest & tax (PBIT)	186,565	77,127	212,263
Profit before tax	119,255	3,563	94,298
Profit after tax	119,044	3,456	94,163
Profit & (Loss) for the Period / Total Comprehensive income for the year, net of tax	74,983	110,228	207,592
<b>Assets &amp; Liabilities</b>			
Property plant & Equipment	3,126,811	3,298,024	3,522,054
Investment	78,300	78,300	78,300
Current Assets	682,524	692,429	613,277
Creditors - Falling Due within one year	(764,990)	(758,116)	(993,874)
Non Current & Deferred Liabilities	(1,282,707)	(1,382,492)	(1,155,614)
Provision for terminal benefits	(780,411)	(733,660)	(662,201)
Working Capital	(82,466)	(65,687)	(380,597)
<b>Total Assets</b>	<b>3,804,987</b>	<b>3,986,268</b>	<b>4,135,332</b>
<b>Total Liabilities</b>	<b>(2,803,110)</b>	<b>(2,874,269)</b>	<b>(2,811,691)</b>
<b>Equity</b>			
Stated Capital	586,250	586,250	586,250
Retained Earning	415,628	525,749	737,391
Other Reserves			
<b>Total Equity</b>	<b>1,001,878</b>	<b>1,111,999</b>	<b>1,323,641</b>
<b>Operating Ratios</b>			
Operating Profit Margin %	(0.26)	(0.34)	5.65
Return on Share Holders Funds %	7.78	10.43	17.05
Fixed Asset Turnover Ratio	0.93	0.88	0.82
Turnover per Employee (Rs.)	301,644	303,940	328,441
<b>Production ( In '000 Kgs./ Nuts)</b>			
Tea	6,274	6,310	5,207
Palm Oil			
<b>Liquidity ratio</b>			
Current Ratio	0.89	0.91	0.62
Quick Ratio	0.42	0.54	0.25
Fixed Assets to Current Assets (times)	4.58	4.76	5.74
Interest Cover	2.77	1.05	1.87
<b>Investors Ratios</b>			
Earnings per Share	1.42	0.04	1.12
Price Earnings Ratio	7.74	232.65	7.03
Net Asset Value per Share (Rs.)	11.96	13.28	15.80
Equity to Assets %	26.33	27.90	32.01
Market Price	11.00	9.60	7.90
Market Capitalization (Rs. '000)	921,250	804,000	661,625

2017/18 Rs .000	2018/19 Rs .000	2019/20 Rs .000	2020/21 Rs .000	2021/22 Rs .000	2022/23 Rs .000	2023/24 Rs .000
3,436,635	3,055,841	2,979,757	3,525,090	3,377,524	5,427,130	<b>4,970,425</b>
438,082	68,818	(253,122)	302,984	224,715	1,595,220	<b>552,663</b>
(117,965)	(138,390)	(334,275)	(347,592)	(261,548)	(257,442)	<b>(116,863)</b>
484,727	138,237	(170,249)	501,009	304,265	1,691,582	<b>600,372</b>
366,763	(154)	(505,822)	153,417	42,717	1,434,139	<b>483,509</b>
163,564	17,364	(412,668)	124,482	99,715	1,227,782	<b>580,666</b>
220,502	(132,817)	(474,101)	127,813	200,301	1,272,580	<b>556,066</b>
3,798,988	4,128,656	5,635,498	5,140,162	5,269,575	5,424,495	<b>5,888,724</b>
78,300	108,786	204,571	42,941	37,875	61,097	<b>65,295</b>
709,523	782,091	1,187,759	1,153,275	1,059,116	1,921,148	<b>1,939,737</b>
(1,092,337)	(1,301,788)	(1,405,038)	(1,349,787)	(1,153,728)	(727,550)	<b>(836,647)</b>
(1,240,792)	(1,351,227)	(3,203,114)	(2,594,148)	(2,690,953)	(2,918,937)	<b>(2,809,227)</b>
(631,237)	(819,325)	(932,471)	(981,996)	(911,137)	(876,926)	<b>(934,113)</b>
(382,815)	(519,697)	(217,279)	(196,512)	(94,613)	1,193,598	<b>1,103,090</b>
4,565,965	4,982,474	6,823,258	6,336,379	6,366,566	7,406,741	<b>7,893,756</b>
(2,964,367)	(3,472,341)	(5,540,624)	(4,925,931)	(4,755,818)	(4,523,413)	<b>(4,579,987)</b>
586,250	586,250	586,250	586,250	586,250	586,250	<b>586,250</b>
1,015,348	893,396	658,913	796,256	1,001,623	2,250,980	<b>2,677,224</b>
	30,487	37,471	27,941	22,875	46,097	<b>50,295</b>
1,601,598	1,510,133	1,282,634	1,410,447	1,610,748	2,883,327	<b>3,313,769</b>
12.75	2.25	(8.49)	8.60	6.65	29.39	<b>11.12</b>
15.08	(8.54)	(33.95)	9.49	13.26	56.63	<b>17.95</b>
0.94	0.77	0.61	0.65	0.65	1.01	<b>0.88</b>
436,620	378,620	379,732	447,858	437,617	739,089	<b>797,693</b>
5,459	5,172	5,228	5,462	4,920	3,813	<b>4,050</b>
				1,344	1,561	<b>1,971</b>
0.65	0.60	0.85	0.85	0.92	2.64	<b>2.32</b>
0.22	0.26	0.60	0.57	0.61	1.78	<b>1.66</b>
5.35	5.28	4.74	4.46	4.98	2.82	<b>3.04</b>
4.11	1.00	(0.51)	1.44	1.16	6.57	<b>5.14</b>
1.95	0.21	(4.93)	1.49	1.19	14.66	<b>6.93</b>
8.19	52.57	(1.81)	7.94	8.40	3.07	<b>5.34</b>
19.12	18.03	15.32	16.84	19.23	34.43	<b>39.57</b>
35.08	30.31	18.80	22.26	25.30	38.93	<b>41.98</b>
16.00	10.90	8.90	11.80	10.00	45.00	<b>37.00</b>
1,340,000	912,875	745,375	988,250	837,500	3,768,750	<b>3,098,750</b>

# CORPORATE INFORMATION

## **Name of the Company**

Bogawantalawa Tea Estates PLC

## **Date of incorporation**

22nd June 1992

## **Company Registration No.**

PQ 124

## **Legal Form**

Quoted Public Company

## **Stock Exchange Listing**

The ordinary shares of the company are listed on the Stock Exchange in Sri Lanka

## **Directors**

Mr. D J Ambani (Co-Chairman)

Mr L J Ambani (Co-Chairman)

Mr C M O Haglind

Mr L H Munasinghe

Mr D A de Silva Wickramanayake

Mr S A S Jayasundara

Mr G V M Nanayakkara (Resigned on 31st March 2024)

Ms. S H Munasinghe (Appointed on 1st April 2024)

## **Secretaries**

P W Corporate Secretarial (Pvt) Ltd

No 3/17, Kynsey Road, Colombo 08.

Telephone : 4 897 711 / 4 897 722

Fax : 4 740 588 E mail : pwcs@pwcs.lk

## **Registered Office**

No 153, Nawala Road, Narahenpita, Colombo-05,  
Sri Lanka

Telephone : 2 510 100 Fax 2 510 178 E mail : info@bpl.lk

## **Auditors**

BDO Partners

Chartered Accountants

65/2, Sir Chittampalam A Gardiner Mawatha

Colombo 2.

## **Bankers**

Commercial Bank of Ceylon PLC

Hatton National Bank

Nations Trust Bank

Bank of Ceylon

National Development Bank

Sampath Bank

Seylan Bank

Designed & Produced by



# FORM OF PROXY

I/We\* .....  
 (NIC / Passport / Company Reg. No. ....) of.....  
 ..... being a shareholder/s\* of Bogawantalawa  
 Tea Estates PLC hereby appoint .....  
 (NIC/Passport No.....) of..... or failing him/her\*:

Mr. Dinesh Jamnadas Ambani	of Colombo or failing him*
Mr. Lalithkumar Jamnadas Ambani	of Colombo or failing him*
Mr. Carl Michael Oscarsson Haglind	of Sweden or failing him*
Mr. Don Ariyaseela De Silva Wickramanayake	of Colombo or failing him*
Mr. Sudath Ajitha Samaradivakara Jayasundara	of Colombo or failing him*
Mr. Lalith Hemantha Munasinghe	of Colombo or failing him*
Ms. Subhashini Harshi Munasinghe	of Colombo or failing her*

as my/our \* Proxy to vote as indicated hereunder for me/us\* and on my/our\* behalf at the Thirty First Annual General Meeting of the Company to be held on 27th September 2024 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	<b>For</b>	<b>Against</b>
<p><b>Resolution 1</b></p> <p>To re-elect Ms. S H Munasinghe who retires in terms of Article No. 96 of the Articles of Association of the Company, as a Director.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Resolution 2</b></p> <p>To re-elect Mr. S A S Jayasundara who retires by rotation in terms of Article Nos. 89 &amp; 90 of the Articles of Association of the Company, as a Director.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Resolution 3</b></p> <p>To pass the ordinary resolution as set out in the Notice to re-appoint Mr. D J Ambani who is 71 years of age, as a Director of the Company.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Resolution 4</b></p> <p>To pass the ordinary resolution as set out in the Notice to re-appoint Mr. D A de S Wickramanayake who is 74 years of age, as a Director of the Company.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Resolution 5</b></p> <p>To authorize the Directors to determine donations for the ensuing year.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Resolution 6</b></p> <p>To re-appoint Messrs. BDO Partners Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.</p>	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
 Signature of Shareholder/s

\* Please delete the inappropriate words.  
 Instructions as to completion appear on the reverse.

#### **INSTRUCTIONS AS TO COMPLETION**

1. This Form of Proxy must be deposited at No. 153, Nawala Road, Narahenpita, Colombo 5 not less than Thirty Six (36) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd., 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.





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