



# Balangoda

PLANTATIONS PLC

A MEMBER OF MELSTACORP



Annual Report  
**2022**

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## Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the Thirtieth Annual General Meeting of **BALANGODA PLANTATIONS PLC** will be held as a virtual meeting at the Auditorium Melstacorp PLC #110, Norris Canal Road, Colombo 10, Sri Lanka on **Thursday, 29th June 2023 at 12.00 noon** for the following purposes :

- 1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2022 together with the Auditors' Report thereon.
- 2) To appoint Mr. D H S Jayawardena who is above the age of 70 years as a Director by passing the following resolution.  
"That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D H S Jayawardena who has reached the age of 80 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".
- 3) To appoint Mr. C R Jansz who is above the age of 70 years as a Director by passing the following resolution.  
"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. C R Jansz who has reached the age of 70 years at the Annual General Meeting and that he shall accordingly be re-appointed".
- 4) To appoint Dr. A Shakthevale who is above the age of 70 years as a Director by passing the following resolution.  
"That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Dr. A Shakthevale who has reached the age of 80 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".
- 5) To re-elect Mr. M A N Sampath Perera at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.
- 6) To re-elect Mr. K Dayaparan at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.
- 7) To re-elect Mr. D S K Amarasekera who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.
- 8) To authorize the Directors to determine the remuneration of the Auditors, Messrs KPM who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

sgd

By order of the Board  
**Pradeep A. Jayatunga**  
Company Secretary  
30th May 2023  
Colombo

### NOTES

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

#### **i) Attendance of the Chairman and the Board of Directors**

The Chairman/Managing Director, Board of Directors certain Key Management Personnel, the Company Secretary, and the External Auditors will be available on the Virtual Platform on Thursday, 29th June 2023 at 12.00 noon.

#### **ii) Shareholder Participation**

- a. The Shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
- b. The Shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
- c. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxy holder, if any, by perfecting Annexure II to the circular to shareholders and forward same to Company Secretary via [bplmplcompanysecretary@gmail.com](mailto:bplmplcompanysecretary@gmail.com) or by facsimile on +94 11 254033, to reach the Secretary not less than two (02) days before the date of the meeting so that the meeting login information could be forwarded to the email address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.
- d. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to reach the Company Secretary via email [bplmplcompanysecretary@gmail.com](mailto:bplmplcompanysecretary@gmail.com) or facsimile on +94 11 254033 or by post to the Registered Office of the Company, Balangoda Plantations PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka, not less than forty - eight (48) hours before the time fixed for the meeting.

#### **iii) Shareholder's queries**

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via email to [bplmplcompanysecretary@gmail.com](mailto:bplmplcompanysecretary@gmail.com) or facsimile on + 94 11 254033 or by post to the Registered Office of the Company, Balangoda Plantations PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka not less than two (02) days before the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

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

If you wish to receive a printed copy of the Annual Report for the year ended 2022, please complete and forward us the Form of Request attached hereto (Annexure 1) by post to the

registered address of the Company, Balangoda Plantations PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka or email [bplmplcompanysecretary@gmail.com](mailto:bplmplcompanysecretary@gmail.com) or facsimile + 94 11 2540333.

## Our Vision

To achieve excellence in the production & marketing of tea and rubber both locally and internationally

## Our Mission

- To increase productivity.
- To encourage team work and motivation amongst the employees and provide for career development.
- To generate adequate return on capital.
- To achieve excellence in every sphere of activity towards becoming a model in the Private Sector corporate entity.

## Historical Background

The Company was originally incorporated as Balangoda Plantations Ltd on 11th June 1992 by Certificate of Incorporation issued in terms of Section 15 (1) of the Company's Act No. 17 of 1982 read with Section 2 (2) of the Conversion of Public Corporation or Government owned Business Undertakings into Public Company's Act. No.23 of 1987 and the order published in the Gazette Extra Ordinary of the Democratic Socialist Republic of Sri Lanka dated 11th June 1992. The Company was thereafter reregistered under the Company's Act No.07 of 2007 as Company No. PQ 165 and a fresh certificate of incorporation issued under the provision of Section 485 (6) of the Company's Act No.7 of 2007 with the Corporate name changed by operation of law to Balangoda Plantations PLC.

The first tranche of 51% of the issued share capital of the Company was sold by the Secretary to the Treasury through the Colombo Stock Exchange on an "all or nothing" basis and was purchased by Distilleries Company of Sri Lanka Limited (DCSL). The convertible Debentures held by Milford Exports (Ceylon) Limited were converted into 3,636,363 shares.

As per decision of the Government 10% of the Shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were distributed among the eligible employees of the Company.

20% of the Shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were sold to the public through the Colombo Stock Exchange and the balance 19% of the shares belonging to the Secretary to the Treasury were also sold on an "all or nothing" basis through the Colombo Stock Exchange.



## Corporate Information

### Company

Balangoda Plantations PLC

### Legal Form

Quoted Public Company

### Date of Incorporation

11th June 1992

### Company Registration No.

PQ 165

### Registered Office

# 110, Norris Canal Road, Colombo 10  
Sri Lanka.

### Parent Company

Melstacorp PLC  
#110, Norris Canal Road, Colombo 10  
Sri Lanka

### Board of Directors

Mr D H S Jayawardena	-	Chairman/MD
Mr C R Jansz	-	Non Executive Director
Mr D Hasitha S Jayawardena	-	Non Executive Director
Mr.M.A.N.S.Perera	-	Executive Director (Appointed w.e.f. 02nd January 2023)
Mr K Dayaparan	-	Non Executive Director (Appointed w.e.f 15th September 2022)
Dr A Shakthevale	-	Independent Director
Mr D S K Amarasekera	-	Independent Director

### Company Secretary

Mr P A Jayatunga  
833, Sirimavo Bandaranaike Mawatha,  
Colombo 14.  
Telephone : 2524734, 2522871

### Auditors

Messrs KPMG (Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha  
Colombo 03.

### Registrars

Central Depository Systems (Pvt) Ltd  
Registrars Unit  
Ground Floor  
M & M Center, # 341/5 Kotte Road  
Rajagiriya  
Telephone :+0112356446

### Bankers

Hatton National Bank PLC  
City Office,  
16, Janadhipathi Mawatha,  
Colombo 01.

## Management Team

### HEAD OFFICE - RATNAPURA

Chief Executive Officer	Dimuthu Wekunagoda
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### HEAD OFFICE - COLOMBO

Director Operations	Maj. Gen. (Retd.) Dampath Fernando
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### FINANCE DIVISION

General Manager - Finance & Administration	Ravi Kodikara
Accountant	P Hewavitharana

Engineer	S M Sappideen
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### COMPANY SECRETARIAL & LEGAL DIVISION

Company Secretary/Legal Officer	Pradeep Jayatunga
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### ESTATE MANAGERS

<b>Balangoda Region</b>	
Mr A I Vadysinghe	Balangoda Estate
Mr. D A V R Priyadarshana	Cecilton Estate
Mr G K M A Gannoruwa	Meddakande Estate
Mr B Kodagoda	Non Pareil Estate
Mr S S Samarasinge	Pettiagalla Estate
Mr. N M P C Nawaratne	Rasagalla Estate
Mr H D H F Yapa	Rye/Wikiliya Estate
Mr. P C Rajapakse	Walaboda Estate

<b>Badulla Region</b>	
Mr A G D S J S Bandara	Cullen Estate
Mr. M Pilapitiya	Glen Alpin Estate
Mr R M K L Rajapaksha	Gowerakelle Estate
Mr. C Wanigasekara	Spring Valley Estate
Mr T L S Perera	Telbedde Estate
Mr A P S Wishwanath	Ury Estate
Mr. C P de Arthur	Wewesse Estate

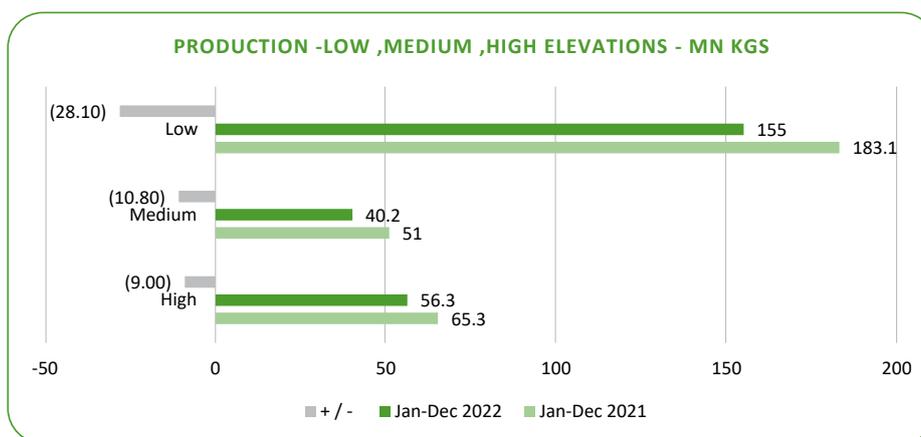
<b>Ratnapura Region</b>	
Mr. R C Jayarathne	Galatura Estate
Mr B A N Nuwan	Mahawale Estate
Mr K M A S Wijeratne	Millawitiya Estate
Mr R A I Ramanayake	Mutwagalla Estate
Mr P K A H Thilakarathne	Palmgarden Estate
Mr B A N Nuwan (Overlooking)	Rambukkande Estate

## Chairman's Review

On behalf of the Board of Directors I am pleased to present a detailed review of operations and the performance of Balangoda Plantations PLC as reflected in the Audited Financial Statements for the year ended 31st December 2022.

### Tea Industry

The year 2022 could be cited as perhaps one of the most challenging years in the history of the country since gaining independence in the year 1948. However the Tea Industry could be recognized as one of the most thriving sectors in the year 2022 with a contribution of 10% of the country's merchandise export earnings for the year.



Sri Lanka's Tea Production			
Year	Production Mn kg	Annual Increase/Decrease Mn kg	Annual Increase/Decrease %
2018	303.84	(3.87)	(1.26)
2019	300.13	(3.71)	(1.22)
2020	278.85	(21.28)	(7.09)
2021	299.34	20.49	7.35
2022	251.50	(47.84)	(15.98)

Sri Lanka's Tea production in the year 2022 recorded as 251.5 Mn/kg in comparison to 299.34 Mn/kg in 2021 reflecting a deficit 47.84 Mn/kg National Sales Average recorded this year perhaps could be mentioned as the highest ever in a given calendar year in the history of trading in the Tea Industry. The sharp increase in auction prices due to the devaluation of Sri Lankan Rupee against the US Dollar coupled with lower production contributed to this scenario. Colombo Auction prices continue to be the highest amongst other Tea Auction Centres in the World.

### Performance of the Company Tea Sector

	2022	2021	2020	2019	2018
Production ('000 kg)	4,482	5,744	5,704	4,744	4,211
Yield kg/ha	859	1,028	975	752	772
Turnover (Rs.Mn)	5,407	3,383	3,244	2,369	2,123
NSA (Rs/kg)	1,180.44	554.14	581.02	492.41	504.32
COP (Rs./kg)	1,095.70	628.46	598.85	674.24	607.40
Profit/(Loss) Rs/Kg	84.74	(74.32)	(17.83)	(181.83)	(103.08)

## Chairman's Review

The overall Tea production of the Company declined by 1.26 Mn/kg with a drop in Estate Leaf by 17% and Bought Leaf by 31%. The entire country's production too had a sharp drop of 47.84 Mn/kg (16%) which was one of the steepest declines seen year on year. The repercussions on the ban of chemical fertilizer coupled with restrictions of importing weedicides severely affected production in line with the National drop. If not for the Agricultural Practices continued and close monitoring and supervision of field activities the drop in production would have been much higher.

The Company NSA witnessed a sharp increase in line with the national average which was mainly due to the depreciation of the Rupee and low crop volumes. However Balangoda Plantations made significant improvements to the product quality to make full use of the market conditions. The NSA achieved by Balangoda Plantations at Rs.1180/44 is the highest ever recorded since privatization

I am pleased to record that Balangoda Plantations achieved the highest ever turnover recorded for Tea Sector Rs. 5.4 Billion surpassing the previous highest of Rs. 3.3 Billion. The Company also made the highest ever profit in the history of Balangoda Plantations by achieving a profit of Rs.1.4 Billions. Tea Sector margins will be constantly pressured by escalating cost of production due to the import restrictions and exorbitant price increases in import materials and economic instability due to the devaluation of the Sri Lankan Rupee. Further the Industry continues to be challenged with constant wage increases, sharp rise in finance cost coupled with the instability in the Middle East countries and the impact of the ongoing Russian-Ukraine War.

### Noteworthy Performance - Tea

The Company has made the highest ever revenue in the history of Balangoda Plantations by achieving a profit of Rs.1.4 Billion in the Tea Sector. At the World Tea Competition held in China in November 2022 Telbedde Estate in the Uva region won the Grand Gold Medal for BOPSP and two Silver Medals for FF1 and BOP1. The following Estates achieved All Time Records. Glen Alpin 10, Balangoda 8, Meddakande 2, Pettigalla 2, Spring Valley 2 Telbedde 7, Ury 1, Wewesse 2.

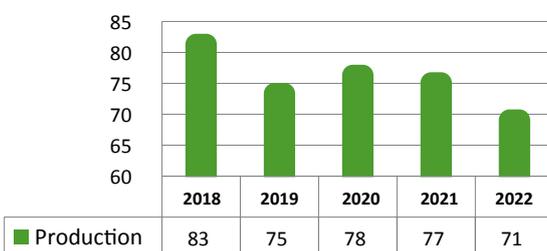
## Rubber Industry

The Rubber Production of the country shows signs of declining trend during the last five years and the National Production has come down from 83 Mn/kg recorded in 2018 to 71 Mn/kg recorded in 2022. The decline of National Production during the last five years has been recorded as 14.20%.

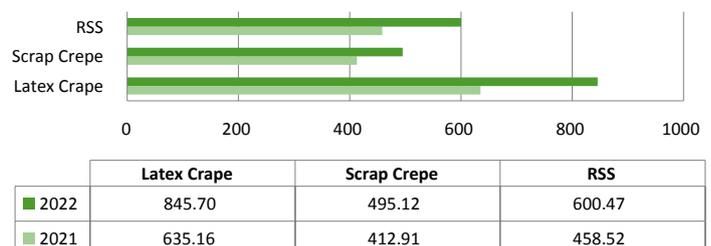
Apart from the drop in cultivated extent, the Rubber production of the country was severely affected by the prevalence of leaf fall disease caused by Pestalotiopsis throughout the Rubber growing Districts of the country during the years 2021/2022.

Prevailed market conditions were favourable for Rubber during the year 2022. The year ended with average Latex Crepe price of Rs.845/70, Scrap Crepe Rs. 495/12 and the RSS with Rs.600/47. There is a price increase of 33.15% on Crepe Rubber in 2022 when compared to the year 2021 even though the prices though dropped to Rs.550/- during the latter part of the year.

Sri Lanka Rubber Production (Mn Kg)



National Average Price - Rubber( Rs.kg)



## Chairman's Review

### Performance of Company's Rubber Sector

	2022	2021	2020	2019	2018
Production ('ooo kg)	883	1,141	1,013	855	917
Yield kg/ha	712	905	847	721	846
Turnover (Rs.Mn)	664	620	329	237	234
NSA (Rs/kg)	755.99	543.47	322.18	277.19	255.59
COP (Rs./kg)	731.90	467.73	427.18	451.51	409.76
Profit/(Loss) (Rs./kg)	24.09	78.74	(105.00)	(174.32)	(154.17)

The Company has recorded a decline of 23% of its Rubber production during the season 2022 mainly due to leaf disease (Pestalotiopsis) and the unfavourable weather condition for harvesting. The Net Sale Average of Rs.748/32 recorded to end December 2022 for Rubber Sector of the Company shows an increase of 37.75% compared to the corresponding period of last season. A sharp increase 56.47% is evident in unit cost of production for Rubber this year compared to the year 2021 as a result of inflation and decline in production and the raw materials. Rubber turnover for year 2022 has recorded Rs. 664M with increase of 7% comparing to previous year.

The due advantage of enhanced Rubber prices was nullified by the decline of production and the soared unit cost of Rubber.

### Noteworthy Performance – Rubber

34 Ha of New Rubber Replanting was completed in 2022 in the Ratnapura Region Rubber Estates. Numerous grades of Rubber obtained top prices as follows. Galatura - 153, Rambukkande - 250, Ury - 1 & Wewila - 2

## Company Performance

Though 2022 proved to be a challenging year with the impact of unfavourable global and domestic economic, political dynamics that impacted negatively the company has ended up with a positive performance. The Turnover for the period under review improved from 4.002 Billion in the year 2021 to Rs 6.071 Billion in the year 2022 mainly due to the increase in Net Sale Averages both in Tea and Rubber Sectors. Dolomite Production at Balangoda Estate has been revived in February 2022 to enable the Dolomite requirement of our plantations and also to other RPCs. The Dolomite Production for the year 2022 was 1.4 Mn/kg.

### Capital Investments

The total capital expenditure on Tea & Rubber Replanting, Diversification (Fuelwood, Timber & Orchard Projects), Machinery, Buildings, Equipment, Vehicles, Furniture & Fittings for the year under review was Rs.132.3 Million Despite adverse external conditions and increased production costs within the Tea and Rubber Sectors, the company has invested Rs.90.8 Million on Field Development during the year under review.

### Prospects for 2023

#### In the Tea Sector:

Global economic activity is experiencing a broad-based and sharper than expected slowdown with inflation slowdown, with inflation higher than seen in several decades. The cost of living crisis, tightening, financial conditions in most regions. Russia's invasion of Ukraine, and the lingering COVID - 19 pandemic all weigh heavily on the outlook.

Global growth in forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID -19 pandemic.

In the national perspective, the year 2023 will be an another challenging year for the Sri Lankan Tea Industry and will experience backlash from economic slow-down due to crisis situation in the country lingering with increasing Electricity, Fertilizer and other materials inclusive of services cost. This situation will further be worsened the recent staff salary hike and impending wage hike to the workers.

## Chairman's Review

It is a concerning factor that it becomes more difficult to predict the changes in weather pattern in the recent past which will impede the quality of leaf and the end product.

Migration of females of low income estate worker families to Middle-East Countries seeking employment opportunities will have considerable impact on crop harvesting. Low and mid country estates are experiencing acute shortage of manual workers as the young generation seeks more employment opportunities outside the plantations.

The effects of chemical fertilizer ban in the recent past and still remaining in tea plantations and bushes are still recovering from the lack of nutrition. The fertilizer ban was lifted in 2022 but supplies were limited amid forex shortages.

It is expected that the Sri Lanka's tea production is likely to pick up from around the second quarter of 2023 as bushes respond to fertilizer applied and ending of agro-chemical ban.

Sri Lanka tea prices rose as much as 4.5 dollars a kilogram, led by Low Growns, which peaked at 4.8 dollars on average by October 2022 and has since fallen to around 4.2 dollars in early 2023.

### In the Rubber Sector:

Fixing of Rainguards will be undertaken for 600 hectares in 2023 which will ensure a consistent crop to the Rubber Factories. 25 hectares scheduled to be replanted in Rubber in the year 2023 using high yielding clones recommended by Rubber Research Institute of Sri Lanka.

Though the trading conditions for Rubber dipped during the latter part of 2022 we are hopeful of a revival so that the Replanting programme will be continued as scheduled.

A further drop in Rubber crop could be expected during the year 2023 due to leaf fall disease (Pestalotiopsis) which is still persistent as no solution has been identified for same.

Notwithstanding the above challenges both the Tea & Rubber Sectors are confident of being resilient during the year 2023 where we hope to continue with same momentum gained in the year 2022 and end up positively.

### Other Crops:

06 Ha of Cinnamon earmarked to be planted in 2023 and the upkeep of 4 Ha newly planted in 2022.

Cardamom extents are 51.59 hectares (Cecilton Estate) & 35.00 hectares (Walaboda Estate) presently and this needs to be supplied with 4000 plants (Cecilton) & 4000 plants (Walaboda) in 2023.

### Dividends

I am pleased to inform you that an interim dividend of Rs.2/- per share was declared for the year 31st December 2022 and the payment had been completed.

### Acknowledgements

On behalf of the Board of Directors I wish to thank our Buyers, Brokers and Suppliers for their patronage. I would also like to place on record the dedication, commitment and loyalty of the Management Team, Executives, Staff and Workers of the Company and take this opportunity to thank each and every one of them. I also express my deep gratitude to all our shareholders who have continued to place their trust and confidence on us.

Sgd.

**D.H. S. Jayawardena**

**Chairman/Managing Director**

Balangoda Plantations PLC

30th May 2023

# Sustainability Report

## ENVIRONMENTAL

- Energy Efficiency
- Land Management
- Water Management
- Bio Diversity

## SOCIAL

- Enhancing the dignity of lives of our employees and inspiring them to overcome challenges

## ECONOMIC

- Increase productivity and innovation
- Value Addition
- International Certifications

Moving towards sustainability is a social challenge and our Company as a corporate entity endeavoured to maintain its responsibility for the sake of wellbeing of the community and the environment together with our stakeholders. The Company is firmly of the view that sustainability is not only improving the quality of human life, but also living within the carrying capacity of supporting eco-systems. Over the years we have invested in material resources, time and capacity to improve the living standards of our workforce and the report reveals the constructive measures taken by Balangoda Plantations PLC in its endeavour to achieve a sustainable business model with all aspects of sustainability in our business practices

### ENVIRONMENT

We have made a conscientious effort to identify key environmental aspects towards environmental responsibility which is focused on land, water, energy and habitat impacts. As a part of its pledge to continually improve the environmental and social sustainability performance we remain committed and comply with all the guidelines laid out by the Central Environmental Authority and are aligned with the code of ethics of the Rain Forest Alliance coupled with many initiatives launched by the Company to protect and conserve the natural environment.

- *Efficient utilization of resources*
- *Effective waste management practices*
- *Promotion of environmental awareness and sensitivity amongst the plantation community*
- *Sustainable agricultural practices*

### SOCIAL

#### Housing & Infrastructure

In our efforts to provide proper living standards to our worker community the Company initiated several projects during the year 2018 as well with the assistance of the Plantation Human Development Trust and the Ministry of Hill Country New Villages Infrastructure & Community Development.

#### Health & Safety

Occupational health and workplace safety is of high priority in our estates. During the year under review the Company conducted a series of Health related activities, awareness programmes and training sessions to provide a healthy and safe working environment for the Estate Community. ISO 22000 and the Rain Forest Alliance Certification obtained by the Company carry features which specifically protect workers from process related risks. Given below are some of the activities continuously undertaken.

- Awareness Programmes on Tobacco & Alcohol Prevention Programme
- Awareness Programmes on increase healthiness and life standard of Estate community
- Special Mobile Clinics on screening of Oral Cancers
- Health Camps, Clinics
- Nutri Bar Awareness programme

### Community Development

The Company encourage a happy work culture and foster relationship with our employees to bring about improvements in the organization towards the achievement of the common goals described in our vision and mission statements. Believing that our employees are our most valuable asset we always make an effort to develop the ability and productivity of our worker community at all levels. Easy payment schemes for facilities such as obtaining goods and equipment, distress loans, death benefit welfare scheme, medical insurance, sports and recreational activities, religious programmes, are some of the welfare measures the Company undertakes.

Easy payment schemes for facilities such as obtaining goods and equipment, distress loans, death benefit welfare scheme, medical insurance, sports and recreational activities, religious programmes, are some of the welfare measures the Company undertakes.

### Employment Opportunities

Whenever an employment opportunity arises on our Estates it is the policy of the Company to give priority to the children of the existing employees before outside recruitments are made.

### Employee Skill Development on Estates

During the period under review the Company conducted a series of training sessions for employees on quality manufacture & agricultural practices, teamwork, career growth and development etc.

## Sustainability Report

- Training Programme on Rubber Grading conducted by M/s Forbes & Walker Commodity Brokers - Rambukkande, Galatura & Mahawela Estates/Mutuwagla Estate - Wevila Division
- Training Programme on improving tapping skills and related work conducted by Rubber Development Department – Ratnapura
- Training on quality Rubber Manufacture by Rubber Research Institute – Rambukkande Estate
- Training session conducted by Indian Technicians to introduce Rubber harvesting with a machine instead of the conventional Rubber tapping knife
- Night tapping operations have been introduced in order to increase the crop intakes continues
- Skirt type Rain Guards have been identified for A & B panels covering over 580 Ha

With a view to encouraging youth to remain on Estates and also discourage premature retirement and residents working outside the Estates, outsourcing has been introduced and presently commenced and working well on Tebedde, Glen Alpin & Spring Valley Estates in the Badulla Region and Balangoda, Cecilton, Meddakande, Pettiagalla, Non Pariel, Rasagalla, Rye/Wikiliya and Walaboda Estates in the Balangoda Region.

### ECONOMIC

Our activities are planned in keeping with our commitment towards economic dimension of sustainability. Amidst threatening global challenges we continue to focus on re-figuring and integrating our dynamic capabilities in order to create a better demand for our produce.

### Value Addition

#### International Certifications and Accreditations

Certifications awarded confirm our commitment to preservation of the environment and our processes pertaining to the quality of the end product. These certifications benchmark our policies, agricultural practices, rejuvenation and protection of the environment with international best standards.

### ISO 22000



Quality Management risks are addressed by this certification.

#### Estates certified

Cecilton Estate  
 Balangoda Estate  
 Meddakande Estate  
 Pettiagalla Estate  
 Palmgarden Estate  
 Glen Alpin Estate  
 Telbedde Estate  
 Ury Estate  
 Wewesse Estate

## Report of the Board of Directors on the affairs of the Company

The Directors of Balangoda Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2022.

### Principal Activities

The principal activity of the Company is the cultivation and processing of Tea and Rubber. The Company has 06 Tea Estates, 12 Tea cum Rubber Estates and 04 Rubber Estates in three Districts - Balangoda, Badulla and Ratnapura. The cultivated land consists of 3,933.29 Ha under Tea and 1,958.64 Ha under Rubber.

### Parent Company

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

### Review of Performance

The review of the Company's performance during the year is given in the Chairman's Review and Management Discussion & Analysis in this Annual Report.

### Development and Diversification

Development and Diversification are covered in the Chairman's Review in this Annual Report.

### Financial Statements

The Financial Statements of the Company are given on pages 29 to 81 of this Annual Report.

### Auditor's Report

The Auditor's Report on the financial statements is given on pages 25 to 28 of this Annual Report.

### Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 33 to 47 of this Annual Report.

### Financial Results

	<b>2022</b>	<b>2021</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Revenue</b>	6,070,594	4,002,689
Profit/(Loss) before Tax	996,622	(58,781)
Income Tax( Expense)/Reversal	(439,695)	57,061
Profit/(Loss) After Tax	556,927	(1,720)
Net Comprehensive Income	(155,750)	(92,140)
Loss Brought Forward	(2,344,665)	(2,739,820)
Transfer to Revaluation Reserves	206,613	(39,284)
Transferred to Timber Reserve	(212,831)	(219,776)
Transferred to Available for sales reserves	(196)	(46)
Available for Appropriation	(2,344,665)	(2,739,820)
Accumulated losses	(2,344,665)	(2,739,820)

	<b>2022</b>	<b>2021</b>
<b>Profitability Ratios</b>		
Gross Profit Ratio	26.28	1.74
Net Profit/(Loss) Ratio	9.17	(0.04)
<b>Asset Ratios</b>		
Current Ratio	2.82	0.50
Acid Ratio	2.18	0.12
<b>Performance Ratios</b>		
Return on Investment	89.73	(8.28)
Return on Share Capital	284.75	(16.79)
<b>Leverage Ratios</b>		
Debt/Equity Ratio	1.04	5.58
Interest Coverage	2.22	0.82
<b>Investor Ratios</b>		
Price Earnings Ratio	3.48	(432.86)

## Report of the Board of Directors on the affairs of the Company

### Number of Buildings, Floor Area Sq.ft & Value

Estates	Floor Area (Sq.ft)	Number of Building	Value (Rs.)
Balangoda	102,313	48	75,999,307
Cecilton	67,151	24	58,993,489
Meddakande	79,985	37	56,816,688
Non Pareil	62,437	34	43,467,054
Pettiagalla	21,340	23	43,744,195
Rasagalla	100,200	45	79,003,520
Rye / Wikiliya	171,072	46	145,556,106
Walaboda	12,309	10	9,292,262
Galatura	91,652	30	70,445,470
Mahawale	89,433	43	74,477,382
Millawitiya	48,151	18	40,564,413
Mutwagalla	84,375	40	66,917,446
Palmgarden	76,698	40	87,838,568
Rambukkande	44,096	28	43,260,777
Cullen	24,480	22	16,517,553
Glen Alpin	129,968	61	102,322,529
Gowerakelle	64,739	23	64,132,722
Spring Valley	193,989	76	146,662,762
Telbedde	151,870	80	106,482,778
Ury	136,174	52	105,888,570
Wewesse	91,390	43	69,141,997
Head office	34,425	2	23,036,557
<b>Total</b>	<b>1,878,247</b>	<b>825</b>	<b>1,530,562,146</b>

#### 1. Dividend

The Company declared an interim dividend of Rs.2/- per share for the year ended 31st December 2022. The Company has satisfied with this section 576 (02) of the Companies Act No. 07 of 2007.

#### 2. Right Issue

Directors recommended a Right issue of 23,636,363 Ordinary Shares at Rs 85/= per share and completed in January 2023.

#### 3. Remuneration and Other Benefits of the Directors

The Directors did not receive any remuneration or other benefit during the accounting period.

#### 4. Donations

The Company did not make any donation during the year.

#### 5. Taxation

Our computation confirms the Deferred Tax Liabilities of Rs.1,140 million is adequate.

#### 6. Capital Expenditure

The Company incurred a capital expenditure of Rs.132.3 million, of which Rs. 90.8 million has been spent on field development.

#### 7. Commitments & Contingencies

Capital commitments and Contingent liabilities are disclosed in the Notes to the Financial Statements Nos 40 & 41.

#### Directorate

The following Directors held office during the year under review :

Mr D H S Jayawardena	- Chairman/MD
Mr C R Jansz	- Non Executive Director
Mr D Hasitha S Jayawardena	- Non Executive Director
Mr K Dayaparan	- Non Executive Director (Appointed w.e.f 15th September 2022)
Mr.A L Gooneratne	- Non Executive Director (Resigned w.e.f. 22nd September 2022)
Dr A Shakthevale	- Independent Director
Mr D S K Amarasekera	- Independent Director

## Report of the Board of Directors on the affairs of the Company

In terms of Article 92 of the Articles of Association Mr. D S K Amarasekera retires by rotation and being eligible offers himself for re-election.

### Directors' Interest in Shares

None of the Directors of the Company, their spouses or dependents held any shares in the Company during the year ended 31st December 2022.

### Directors' Interest in Contracts with the Company

Directors interests in contracts with the Company are disclosed in Note 39 to the Financial Statements and have been declared at a Meeting of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company.

### Shareholder and Investor Information

Distribution of Shareholdings as at 31st December 2022 Analysis Report of Shareholders, Market Statistics of Company's shares and the list of 20 major shareholders are given on pages 82 and 83 of this Annual Report.

### Matters pertaining to the Golden Share

1. The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns 99% or more of the issued share capital.
2. 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 lands set out in Section 3A(1) of the Memorandum of Association.
3. The Articles of the Company as originally framed may from time to time be altered by special resolution, provided that the concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words Golden Share and Golden Shareholder and Articles 2A, 2B, 3(c), 3(c)(i), 3(c)(ii), 25A, 127A, 127B, 127C and 128.
4. The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.
5. The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
6. The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
7. The Company shall submit to the Golden Shareholder on request, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
8. The Company shall submit to the Golden Shareholder on request, within 90 days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.

### Events after reporting date

Details of Events after reporting date have been disclosed in Note 42 to the Financial Statements.

### Auditors

The Financial Statements for the year have been audited by M/s KPMG, Chartered Accountants who offer themselves for re-appointment. Fees paid to the Auditors are disclosed in Note 11 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than as Auditors) with the Company other than those disclosed above. The Auditors do not have any interest in the Company.

Sgd.  
**C R Jansz**  
Director

Sgd.  
**Mr K Dayaparan**  
Director

Sgd.  
**P A Jayatunga**  
Company Secretary

30th May 2023

## Board of Directors

### **MR D H S JAYAWARDENA - CHAIRMAN/MANAGING DIRECTOR**

Mr D H S Jayawardena is one of the most successful and prominent business magnates in Sri Lanka. He was elected Chairman of the DCSL Group in 2006 after serving as its Managing Director for almost two decades. He heads many successful ventures in diversified fields of business. He is the founder Director and the present Chairman/Managing Director of the Stassen Group of Companies.

#### **Chairman**

He is the Chairman of Aitken Spence PLC, Browns Beach Hotel PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Pattipola Livestock Company Ltd., United Dairies Lanka (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC, Periceyl Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Melsta Health (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Madulsima Plantations PLC, Bogo Power (Pvt) Ltd., Bellactive (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd.

#### **Managing Director**

Stassen Real Estate Developers (Pvt) Ltd

#### **Director**

Melsta Gama (Pvt) Ltd., Hospital Management Melsta (Pvt) Ltd., DCSL Brewery (Pvt) Ltd., Aitken Spence Aviation (Private Ltd.

#### **Others**

Mr Jayawardena is the Honorary Consul for Denmark and was honoured with the prestigious “Knight’s Cross of Dannebrog” by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

### **MR C R JANSZ - NON EXECUTIVE DIRECTOR (Appointed w.e.f. 01st January 2022)**

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

Mr Jansz holds a Diploma in Banking and Finance from the London Metropolitan University – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

Mr Jansz specializes in the movement and finance of international trade.

### **MR D HASITHA S JAYAWARDENA - NON EXECUTIVE DIRECTOR**

Mr Hasitha Jayawardena holds a Bachelor’s Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom.

Mr Jayawardena has also worked as an Intern at the Clinton Global Initiative Programme (CGI) in New York in 2007.

#### **Director**

Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., C B D Exports (Pvt) Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., Melsta Gama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Zahra Exports (Pvt) Ltd., Mscen Range (Pvt) Ltd., Milford Developers (Pvt) Ltd., Madulsima Plantations PLC, DCSL Brewery (Pvt) Ltd.

### **MR M A N SAMPATH PERERA - EXECUTIVE DIRECTOR ( Appointed w.e.f. 02nd January 2023)**

Mr Perera has over 20 years of investment and banking experience. He specializes in the areas of financial and investment strategy, risk management and financial technology solutions. He has extensive experience in corporate restructuring, turnaround, and mergers & acquisitions. Mr Perera holds an MBA from the University of Cambridge and is a Fellow of the Institute of Chartered Accountants, Sri Lanka. He is also a Certified Management Accountant and has other qualifications and exposure to investment and financial strategy, risk management and international tax planning.

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

## Board of Directors

### **MR K DAYAPARAN - NON INDEPENDENT -NON EXECUTIVE DIRECTOR (Appointed w.e.f. 15th September 2022)**

Mr K Dayaparan holds a Diploma in Marketing from “The Chartered Institute of Marketing (UK).

Mr Dayaparan is a Per-Pro of Stassen Exports (Pv) Ltd., and he is a Director of Madulsima Plantations PLC.

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

### **MR AMITHA LAL GUNARATNE – NON EXECUTIVE DIRECTOR – ( Resigned w.e.f. 22nd September 2022)**

### **DR A SHAKTHEVALE - NON INDEPENDENT - NON EXECUTIVE DIRECTOR**

Dr A Shakthevale is a retired Additional Secretary (Livestock), Ministry of Agriculture and Livestock in 2002, and served as the Secretary, Ministry of Rehabilitation and Social Services in the Northeast Provincial Council and as a member of the Independent Finance Commission for two terms from July 2004 - July 2009. He works as a freelance Consultant in the field of livestock. He has also worked for FAO, as the National Consultant - Veterinary Production Specialist, UNDP, GTZ UNHABITAT, Land O’Lake Oxform GB and several local livestock organizations.

#### **Director**

Lanka Milk Foods (CWE) PLC, Madulsima Plantations PLC, and United Dairies Lanka (Pvt) Ltd

### **MR D S K AMARASEKERA - NON INDEPENDENT - NON EXECUTIVE DIRECTOR**

Mr Kamantha Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-law of the Supreme Court of Sri Lanka. He also holds a degree in Business Administration from the University of Sri Jayawardenapura and began his career in the year 1998.

Mr Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of M/s Amarasekera & Company, a leading tax consultancy firm in the country. Other key appointments : Director - Kelani Tyres PLC, Lanka Milk Foods (CWE) PLC, Madulsima Plantations PLC, Eden Hotel Lanka PLC, Ceylon Hotels Corporation PLC, Palm Garden Hotels PLC, AgStar PLC, Serendib Hotels PLC, Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Sierra Cables PLC and several other subsidiaries of Browns Investments Group.

## Audit Committee Report

### Composition

With effect from 20th March 2020, the Audit Committee of the parent company comprising of the following commenced to function as the Audit Committee of the Company.

Committee Members	
Chairman	Mr. Reyaz Mihular (Appointed w.e.f. 01st April 2023 )
Member	Dr. A.N.Balasuriya
Member	Mr D Hasitha S Jayawardena
Member	Mr N De S Deva Aditya
Secretary	Ms. N.C. Gunawardana

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

### Meetings

The Audit Committee met Four [ 4 ] times during the year 2022. The Attendance of these members at these meetings is as follows.

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

### Terms of Reference

The Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance rules applicable to listed companies in accordance with the Rules of the CSE and the Code of Best practice on Corporate Governance.

### Activities and Responsibilities for Financial Reporting

The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements with the Management and the External Auditors to ensure reliability of the process and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 7 of 2007.

### Risks and Controls

The Committee obtained and reviewed the major business risks and mitigatory action taken or contemplated for each business sector of the Company. In particular, the Committee deliberated on the financial implications to the Company arising from the world market prices for Tea and Rubber, labour issues, wage increases etc., and appraised the Board as appropriate.

### Internal Audit

The internal audit function of the company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Company can be relied on in the preparation and presentation of the financial statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

### External Audit

The Audit Committee met with the External Auditors to discuss the scope and the audit strategy. The Committee also reviewed and discussed the Report of the Auditors and Management Letters issued by them to ensure that no limitations have been placed on their scope of work and conduct of the audit.

The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG be reappointed as the External Auditors for the financial year ending 31st December 2023.

### Compliance with Laws and Regulations

The Committee reviews the quarterly compliance reports submitted by the compliance officer to ensure that the Company has complied with all statutory requirements.

### Conclusion

The Audit Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company is managed in accordance with stated policies and that the Company's assets are properly accounted for and adequately safeguarded.

Sgd.  
**Reyaz Mihular**  
 Chairman - Audit Committee  
 30th May 2023

## Remuneration Committee Report

### Composition

With effect from 20th March 2020, the Remuneration Committee of the parent company comprising of the following commenced to function as the Remuneration Committee of the Company.

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

### Meetings

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

Director	
Dr. A N.Balasuriya	2/2
Mr. N. de. S. Deva Aditya	1/2
Mr D. Hasitha S Jayawardena	2/2

### Policy

The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the Remuneration Policy of the Key Management Personnel of the Company. The Remuneration Policy of the Company is based on evaluation of individual. An annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individual.

Sgd.

**Dr A N Balasuriya**

Chairman - Remuneration Committee

30th May 2023

## Related Party Transactions Review Committee Report

### Composition

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

Committee Members	
Chairman	Mr. Reyaz Mihular (Appointed w.e.f. 01st April 2023 )
Member	Dr. A.N.Balasuriya
Member	Mr D Hasitha S Jayawardena
Secretary	Ms. N.C. Gunawardana

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

### Purpose of the Committee

The committee's key focus to review all proposed Related Party Transactions prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

### Meetings

The Related Party Transaction Review Committee met Four (4) times during the year 2022. The attendance of the members at these meetings is as follows:

Director	Audit Committee Meeting
Mr R Seevaratnam	4/4
Dr. A.N.Balasuriya	4/4
Mr D Hasitha S Jayawardena	2/4

### Policies and Procedures

The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. In accordance with the RPT Policy, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them.

As per the existing practice, a detailed report on the related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to the shareholders through the Company's financial statements. The RPT Committee reinforces its functions by revisiting the TOR of the Committee and RPT Policy and re-aligning the internal procedures and policies with the requirements thereof.

### Review of the Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2022 and has communicated the comments/observations to the Board of Directors.

### Disclosures

During the year 2022, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Recurrent Related Party Transactions are disclosed in Note No. 39.4

Details of other related party transactions entered into by the Company during the above period is disclosed in Notes 24, 32, 38 and 39 to the financial statements.

### Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 11 to 13 of this annual report.

Sgd.

**Reyaz Mihular**

Chairman -Related Party Transactions Review Committee

30th May 2023

## Management Discussion & Analysis

### Tea

Year 2022 began with a lot of optimism. Monthly auction average prices continuously increased and more sharply from April 2022. However, as expected, the crop shortfall was inevitable due to the fertilizer crisis. As the year progressed, the Sri Lankan tea industry faced numerous challenges. Consequent to the banning of Chemical fertilizer by the Government of Sri Lanka in 2021, tea growers and large plantations, in particular, were forced to only use organic fertilizer which too was not adequately available resulting in a negative impact on the Tea production.

Tea production of Balangoda Plantations PLC decreased to 4,482 MT Made Tea in the year 2022 as against the previous year 5744 MT due to the ban of chemical fertilizer together with restrictions of importing weedicides severely affected the tea production. The Company NSA increased to Rs.1180/44 which is the highest NSA recorded since privatization owing to the devaluation of the rupee and the low crop.

Thirty four All Time records and total of 177 top prices were achieved during the ensuing year by the manufacturing estates in the Company.

The turnover for the Tea Sector of the company was the highest ever achieved since privatization a record of 5.407 Billion in the year 2022.

### Rubber

Sri Lanka Rubber production decreased to 71 Mn kg in 2022 from 77 Mn kg in 2021 mainly due to adverse weather experienced and the Leaf fall disease (Pestalotiopsis) during the most part of the year and thereby reduced the tapping operations.

The Company's rubber production decreased by 258,480 kg against the previous year due to the above mentioned reasons.

Galatura, Rambukkande, Ury & Wewila Estates obtained 406 top prices during the year. Though many challenges faced by the Company during the year the turnover of the Rubber Sector was the highest ever gained since privatization a record 664 Million in the year 2022.

### Future Outlook

Since mid-2022, the economic outlook for the country has declined substantially but it is necessary to remember the resilience of the country and its people as we bounced backed from many challenges in the past from the 30 years civil war. We are hopeful that our nation will be set on a path of recovery, even with the present uncertainty.

Balangoda Plantation Tea Estates will continue to focus as an agribusiness through undernoted key strategies.

1. Increase of Yield - Productivity
2. Cost efficiency
3. Quality improvement
4. Maximization of revenue
5. Training and Awareness Programmes to Staff/Labour
6. Digitalization of its operations
7. Improved risk management system.

We will also continue to use out growers to maximize production with minimum cost of production and to mitigate the outward migration of workers.

The financial year 2022 concluded with an extremely good performance having recorded the highest profit of R.557 million since the inception of the Company which shows an increase of Rs.559 million when compared to the previous financial year.

## Corporate Governance

Corporate Governance is the system by which companies are managed and controlled. Balangoda Plantations PLC is committed to comply with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) & the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. A comprehensive view of the Governance System in the Company is given below.

### The Board of Directors and its Functions

The Company is governed by its Board of Directors who direct, lead and supervise the business and affairs of the Company on behalf of its shareholders. The Board consists of 02 Executive Directors including Chairman/Managing Director & Executive Director 03 non-Executive Directors and 02 Non-Executive Independent Directors. The composition of the Company's Board has been structured in keeping with principles of good governance and long term strategy and the names of the members of Directors and their brief resumes are given on pages 14 & 15.

Although the two Independent Non-Executive Directors do not qualify under Rule 7.10.4 (g) of the Colombo Securities Exchange Listing Rules, the Board of Directors, taking account of all the circumstances, has determined that the two Directors are nevertheless independent as per the Rule 7.10.3 (b).

The Board meets as and when required to take all major decisions. Prior to each meeting the Directors are provided with all relevant management information and Board papers are submitted in advance on new investments, capital projects, company performance and other issues which require specific Board approval.

### The main functions of the Board :

- Conducting the business and facilitating executive responsibility for management of the Company's affairs,
- Formulate short and long term strategies and monitor implementation,
- Identify the principle risks of the business and ensure adequate risk management policies in place.
- Institute effective internal control systems to safeguard the assets of the Company.
- Ensure compliance with rules and regulations
- Approve the financial statements of the Company.

### Executive Committee

The Executive Committee, which consists of the Chairman/Managing Director and the Executive Director is delegated with the responsibility of monitoring the progress and implementing the policies of the Company. The Executive Director reports monthly on the progress of every estate and that of the Company to the Executive Committee.

The Board of Directors has appointed the Remuneration Committee, Audit Committee and Related Party Transaction Committee of the Parent Company, Melstacorp PLC, to function as the Remuneration Committee, Audit Committee and Related Party Transaction Review Committee of Balangoda Plantations PLC, with effect from 20th March 2020 in place of the existing Committees, as provided for under Sections 7.10.5a, 7.10.6a and 9.2.3 respectively, of the Listing Rules of the Colombo Stock Exchange.

### Audit Committee

The Audit Committee as described above assists the Board by overseeing the entity's compliance with financial reporting requirements, Company's internal controls, risk management of the independence and performance of the external auditors. The Company has an Internal Audit Division, which submits its reports on a regular basis to the Audit Committee. The guidelines for the Internal Audit Policy ensure that the assets of the Company are protected against any unauthorized use or misappropriation, proper records are maintained and reliable information is received. Audit Committee Report on page No 16 describes the activities carried out during the financial year.

### Remuneration Committee

The Remuneration Committee as described above makes recommendations to the Board on the Company's framework of remunerating Executive Directors. The Remuneration Committee Report appears on Page No 17.

### Related Party Transactions Review Committee

The composition of the "Related Party Transactions Review Committee" as described above. All Related Party Transactions except for transactions set out in Rule 9.5 of the CSE Listing Rules are reviewed by the Related Party Transactions Review Committee. The Related Party Transactions Review Committee Report appears on page No 18.

## Corporate Governance

Levels of compliance with the CSE Listing Rules on Corporate Governance are as follows.

Rule No.	Applicable Requirement	Compliance Status	Details
7.10.1 (a)	<b>Non-Executive Directors</b> <ul style="list-style-type: none"> <li>At least one-third of the total number of Directors should be Non-Executive Directors</li> </ul>	Complied	Five out of Six Directors are Non-Executive Directors
7.10.2.(a) 7.10.2. (b)	<b>Independent Directors</b> <ul style="list-style-type: none"> <li>Two or one third of Non-Executive Directors whichever is higher should be independent</li> <li>Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format</li> </ul>	Complied Complied	Two out of five Non-executive Directors are independent. Non-executive Directors have submitted these declarations.
7.10.3 (a) 7.10.3 (b) 7.10.3 (c) 7.10.3 (d)	<b>Disclosure Relating to Directors</b> <ul style="list-style-type: none"> <li>Names of Independent Directors should be disclosed in the Annual Report</li> <li>The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.</li> <li>A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise</li> <li>Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the CSE.</li> </ul>	Complied Complied Complied Complied	Refer Page No 14 and 15.  Not applicable
7.10.5 7.10.5 (a) 7.10.5 (b) 7.10.5 (c)	<b>Remuneration Committee</b> <ul style="list-style-type: none"> <li>A listed Company shall have a Remuneration Committee</li> <li><u>Composition of Remuneration Committee</u> Shall comprise Non-Executive Directors a majority of whom will be independent</li> <li><u>Functions of Remuneration Committee</u> The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors</li> <li>Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out :               <ol style="list-style-type: none"> <li>Names of Directors comprising the Remuneration Committee</li> <li>Statement of Remuneration Policy</li> </ol> </li> </ul>	Complied Complied Complied Complied	Refer Page No 17.
7.10.6 7.10.6 (a)	<b>Audit Committee</b> <ul style="list-style-type: none"> <li>The Company shall have an Audit Committee</li> <li><u>Composition of Audit Committee</u> Shall comprise of Non-Executive Directors, a majority of who will be independent.</li> <li>Non-Executive Director shall be appointed as the Chairman of the Committee</li> <li>Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings</li> <li>The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body</li> </ul>	Complied Complied Complied Complied Complied	Refer Page No 16.
9.3.2(a) 9.3.2(b) 9.3.2(c) 9.3.2(d)	<b>Related Party Transactions</b> <ul style="list-style-type: none"> <li>Disclosure – Non-Recurrent Related Party Transactions</li> <li>Disclosure – Recurrent Related Party Transactions</li> <li>Report by the Related Party Transaction Review Committee</li> <li>A declaration by the Board of Directors</li> </ul>	Complied Complied Complied Complied	Refer Page No 18.

## Statement of Directors' Responsibilities

The Directors select the appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained. Further, the Directors are responsible for ensuring that the Company keeps enough accounting records to present, with reasonable accuracy, the financial position of the Company, in a manner that is easily understood by the shareholders. They also ensure that the Financial Statements comply with the Companies' Act and the Sri Lanka Accounting Standards (SLFRS/LKAS). In addition, they are also responsible for taking reasonable steps to safeguard the assets of the Company by the establishment of appropriate systems of internal controls with a view to the prevention and detection of fraud and other irregularities.

The Directors prepare the Financial Statements and provide the External Auditors with every assistance to undertake whatever inspections, they consider to be appropriate for the purpose of enabling them to give their Audit Report in accordance with the Sri Lanka Auditing Standards. The Report of the External Auditors sets out their responsibility in respect of the Financial Statements.

The Directors confirm that, to the best of their knowledge and belief, they have discharged their responsibilities as set out in this statement.

By Order of the Board

**Sgd.**  
**P A Jayatunga**  
Company Secretary

30th May 2023

## Risk Management

Risk is defined as the possibility that an event will occur, which will impact an organization's achievement of objectives. Having a risk management plan is an important part of maintaining a successful, stable and reputed organization. While a variety of different strategies can mitigate or eliminate risk, the process for identifying and managing the risk is fairly standard and consists of five basic steps as follows:

Risk Assessment	Mitigating Strategies	Threat Probability
<b>Business Risk</b>		
Our Principal line of business is cultivation and manufacture of Tea and Rubber. The Company is susceptible to all risks associated with agriculture such as erratic weather, commodity cycle, fluctuations in global supply & demand, inability to recover the actual costs of sales in a regulated system at the auction, political and trade union influence on worker productivity	Close monitoring; Undertake sustainable agricultural practices; adopting prudent policies in infilling and replanting; crop diversification value addition; focus on producing quality tea.	High
<b>Environmental Risk</b>		
An agricultural based business faces enormous challenges due to the variations in atmospheric temperatures, duration of sunshine hours, wind pattern etc which have a direct impact on production and liquidity of the Company often resulting in loss of crop, quality of the harvest and in turn affecting the market share, earnings and profitability.	Improve skill levels of workers, staff and executives to meet the challenging demand of agriculture; Adoption of sustainable agricultural practices; Constant examination and review of soil nutrient contents; Undertake effective soil conservation measures; Reservation of forests and watersheds	High
<b>Operational Risk</b>		
Inadequate or failed internal processes and systems, human error, frauds, accidents, natural disasters etc can interfere with achieving business objectives.	Implement a sound internal control system; Preparation and execution of check-lists, monthly & annual budgets reviewing actual results; A monthly re-evaluation process where performance of each plantation is reviewed by Senior Executives of the Head Office; Appropriate advices conveyed to enforce a high degree of situational awareness among the Planting Executives; Compliance audits and standardization procedures; Obtain comprehensive insurance policies to cover operational risks.	Moderate
<b>Human Resource Risk</b>		
Low productivity, reduction in resident manpower, disruption in work due to highly unionized large working community expose the Company to difficulties in achieving the targeted objectives.	Increase productivity; Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes; Improve employee motivation, commitment, welfare, recognition and appreciation; Abide by the Collective Agreement entered into with the Trade Unions in the Company's capacity	Moderate
<b>Product Quality Risk</b>		
Inability to maintain consistency of the quality production will result in lessening demand thereby eroding the market share and fall in prices.	Conform to well-established ethical and safety standards in providing a consumable product in terms of purity and food safety; Upgrade manufacturing process and factories to cater to the fluctuating market demand; Monitor quality assurance measures	Moderate
<b>Political Risk</b>		
The impact of the political intervention, major industrial relations issues, regulatory changes, ad hoc acquisitions of land etc are constraints faced by the Industry.	Negotiating Collective Agreements with major Plantation Trade Unions; Maintain a closer dialogue with the Trade Union Leaders; Implement human development policies	Moderate

## Risk Management

Risk Assessment	Mitigating Strategies	Threat Probability
<b>Interest Rate Risk</b>		
Fiscal and monetary policy changes have a direct impact on liquidity and production costs with raising the working capital.	Maintain cash flow and budgetary control systems; Diversification; Capital development; Upgrading plant and machinery; Maintenance of biological assets in optimum condition to enhance productivity and turnover.	High
<b>Technical &amp; IT Risk</b>		
Lack of accurate and timely information due to ineffective IT systems can cause disruption in taking management decisions and even lead to financial losses.	Strengthen software development with internal controls including IT security and confidentiality. Implement a sound backup system in case of system failure; Use Licensed Software	Moderate
<b>Investment Risk</b>		
Adequate return on investment heavily depends on global economic trends. The advent of the competitors with high productivity and lower production costs has a considerable impact on future profitability and sustainability. The long gestation period of replanting makes high risks for the Company since the capital invested for same is unaffordable.	Undertake proper evaluation and feasibility process; Continue replanting and infilling with a prudent policy and environmentally viable clones; Work closely with the TRI in developing an economic model to make replanting a viable investment.	Moderate
<b>Inventory</b>		
Liquidity is a major concern as the industry is cyclical with long gestation periods for returns.	Produce stocks are monitored closely for speedy disposal; Input stock levels are controlled to avoid obsolescence and theft; Purchase high cost input stocks such as fertilizer, firewood and packing materials on a need basis.	Moderate
<b>Risk of Competition</b>		
Competition from other major low cost producers such as India, China, Kenya, Vietnam affects demand and prices	Closely monitor market trends; Examine tea samples regularly to maximize market gains; Take remedial measures to ensure quality marks keep up their market leadership; Rationalize manufacture during lean cropping months; Close executive supervision on harvesting leaf with the required quality; Educate the workforce on the importance of their services.	Moderate
<b>Risk of Competition</b>		
Maintenance the loyalty, trustworthiness among stakeholders, compliance of legal and statutory requirements as a highly respected corporate body is considered a major objective of the Company.	Compliance of statutory legal requirements; Adoption of the code of corporate governance by all employees, senior management and Board of Directors; Undertake sustainability initiatives, health & food safety procedures and protection of environment.	Low

## Independent Auditor's Report



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### To the Shareholders of Balangoda Plantations PLC

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

##### Opinion

We have audited the financial statements of Balangoda Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 29 to 81 of the annual report.

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

##### Basis for Opinion

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

##### Key Audit Matters

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

#### 1. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.1.5 and explanatory Notes 19 and 20 of the financial statements.

##### Risk Description

The Company has reported consumable biological assets carried at fair value, amounting to Rs. 2,587 Mn and bearer biological assets amounting to Rs. 1,833 Mn as at 31st December 2022.

The valuation of consumable biological assets requires significant levels of judgments, technical expertise in selecting appropriate valuation models and assumptions. Management engaged an independent external valuation expert to assist in determining the fair value of the consumable biological assets. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber content used for the valuation of consumable biological assets could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date.

Bearer biological assets mainly include mature and immature tea and rubber trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depend on the soil condition, weather patterns and plant breed. Further, bearer biological assets are subject to impairment assessment which involves management judgements in assessing the impairment indicators and in impairment assessment.

We identified the measurement of biological assets as a key audit matter because the valuation of consumable biological assets involved significant assumptions and judgments exercised by the management and the independent valuation expert which could be subjected to significant level of estimation uncertainty and management bias. Further, the impairment assessment for bearer biological assets requires management to exercise their judgment in determining the impairment indicators and in impairment assessment which is based on significant estimates.

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C.P. Jayatilake FCA	T.J.S. Rajakerrier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyrathne FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Surmanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,	Ms. F.R. Ziyad FCMA (UK), FTII	



## Independent Auditor's Report

Our audit procedures for consumable biological assets included;

- Understanding the process of valuation and testing the design and operating effectiveness of the key controls relating to valuation of consumable biological assets.
- Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price, expected timber content at harvest and harvesting plan.
- Obtaining estate wise census books of timber trees and comparing the number of timber trees with the valuation report to ensure the completeness and accuracy of the data and checking the mathematical accuracy of the consumable biological assets valuation.
- On sample basis, physically verifying trees during estate visits to assess the girth and height of the respective trees.
- Assessing the adequacy of the disclosures made in the financial statements in accordance with the relevant accounting standards.

Our audit procedures for bearer biological assets included;

- Testing the design, implementation and operating effectiveness of key internal controls in respect of capitalization of bearer biological assets.
- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amount transferred during the year was consistent with the Company's accounting policy and industry norms.
- Testing the impairment assessment performed by the management, by challenging the impairment indicators identified and the judgements involved in impairment assessment.
- Assessing the adequacy of the disclosures made in the financial statements in accordance with the relevant accounting standards.

### 2. Valuation of Retirement benefit obligation

Refer to the significant accounting policy in Note 3.2.1 and explanatory Note 33 of the financial statements.

#### Risk Description

The Company has recognized retirement benefit obligation of Rs. 903 Mn as at 31st December 2022. The retirement benefit obligation of the Company is significant in the context of the total liabilities of the Company. The valuation of the retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the estimation of the retirement benefit obligation.

We considered the estimation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company.
- Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist.
- Challenging the key assumptions used in the valuation, in particular the discount rate, future salary increases and mortality rates.
- Assessing the adequacy of the disclosures made on the financial statements in accordance with the relevant accounting standards.



## Independent Auditor's Report

### 3. Valuation of Investment Property

Refer to the significant accounting policy in Note 3.1.4 and explanatory Note 18 of the financial statements.

#### Risk Description

The company has recognized Investment property of Rs. 389 Mn and a fair value gain amounting to Rs. 40 Mn as at and for the year ended 31st December 2022.

Management's assessment of the fair value of the Investment Property are based on valuations performed by qualified independent property valuers in accordance with recognized industry standards.

We identified valuation of investment property as a key audit matter due to the use of significant estimates and judgement such as appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. These key assumptions include specialized nature of the assets, the cost of a modern equivalent asset, condition of the existing assets and the age and assessment of remaining useful lives and depreciation method.

Our audit procedures included;

- Assessing the objectivity, independence, competency and qualifications of the external valuer engaged by the Company.
- With the assistance of our own internal valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the Investment Properties. In addition, we have assessed the valuation methodologies with reference to recognized industry standards.
- Assessing the adequacy of disclosures made in relation to the valuation of Investment Properties in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used in the estimates.

#### Other Information

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

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

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

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

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

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

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

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

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

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.



## Independent Auditor's Report

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

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

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

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

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

**Sgd.**  
**Chartered Accountants**  
 Colombo  
 30th May 2023

## Statement of Profit or Loss and other Comprehensive Income

For the Year Ended 31 December	Note	2022 Rs.	2021 Rs.
<b>Revenue</b>	5	6,070,594,060	4,002,688,589
Cost of Sales		(4,475,491,102)	(3,933,110,447)
<b>Gross Profit</b>		1,595,102,958	69,578,142
Other Income	7	153,831,229	152,195,725
Gain on Changes in Fair Value of Biological Assets	8	218,670,486	218,855,585
Administrative Expenses		(123,076,944)	(86,070,723)
Other Expenses	9	(39,710,661)	(91,347,170)
<b>Results from Operating Activities</b>		1,804,817,068	263,211,559
Finance Income		4,699,705	256,453
Finance Costs		(812,895,226)	(322,249,421)
Net Finance Costs	10	(808,195,521)	(321,992,968)
<b>Profit/ (Loss) Before Taxation</b>	11	996,621,547	(58,781,409)
Income Tax (Expense) / Revresal	12	(439,694,589)	57,060,936
<b>Profit/ (Loss) for the Year</b>		556,926,958	(1,720,473)
<b>Other Comprehensive Income/ (Expenses)</b>			
<b>Items that will not be Reclassified to Profit or Loss</b>			
Gain from Fair Valuation - Assets Transferred from PPE to Investment Property		-	2,558,217
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	33	72,941,626	(146,790,686)
Deferred Tax Charge on Revaluation Surplus	12.2	(206,613,285)	36,726,285
Deferred Tax on Actuarial Gain/ (Loss) on Retirement Benefit Obligation	12.2	(21,882,488)	15,413,022
Net Change in Fair Value of Financial Assets Measured at FVOCI		(196,311)	(46,339)
<b>Total Other Comprehensive Expense</b>		(155,750,458)	(92,139,501)
<b>Total Comprehensive Income/ (Expense)</b>		401,176,500	(93,859,974)
<b>Basic Earnings/ (Loss) per Share</b>	13	23.56	(0.07)

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

## Statement of Financial Position

As at 31 December

	Notes	2022 Rs.	2021 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Right of Use Assets	14	267,796,747	257,108,284
Immovable Leased Assets	15	6,819,145	13,503,096
Property, Plant and Equipment	16	1,475,121,457	1,562,006,617
Intangible Assets	17	1,671,768	2,226,322
Investment Property	18	389,051,335	328,880,876
Bearer Biological Assets	19	1,832,870,179	1,864,162,480
Consumable Biological Assets	20	2,586,879,439	2,374,048,113
Financial Assets Measured at FVOCI	21	191,872	388,183
		<u>6,560,401,942</u>	<u>6,402,323,971</u>
<b>Current Assets</b>			
Produce on Bearer Biological Assets	20.2	9,948,094	4,108,934
Inventories	22	675,599,943	435,677,418
Trade and Other Receivables	23	115,583,148	114,271,391
Amounts due from Related Companies	24	26,699,324	15,492,247
Other Financial Assets Measured at Amortised Cost	25	-	454,387
Cash and Cash Equivalents	26	<u>2,178,000,693</u>	<u>7,096,563</u>
		<u>3,005,831,202</u>	<u>577,100,940</u>
		<u>9,566,233,144</u>	<u>6,979,424,911</u>
<b>Total Assets</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	27	350,000,010	350,000,010
Share Application Pending Allotment	28	2,169,642,340	-
Revaluation Reserve	29	741,688,714	948,301,999
Timber Reserves	30	2,363,624,592	2,150,793,266
FVOCI Reserve	31	43,232	239,543
Accumulated Losses		<u>(2,344,665,271)</u>	<u>(2,739,820,041)</u>
<b>Total Equity</b>		<u>3,280,333,617</u>	<u>709,514,777</u>
<b>Non Current Liabilities</b>			
Interest Bearing Loans and Borrowings	32	2,753,826,245	3,302,732,145
Retirement Benefit Obligations	33	903,016,632	927,360,381
Deferred Tax Liability	34	1,140,386,051	472,195,689
Deferred Income	35	121,078,072	130,291,852
Lease Liability	36	<u>301,721,273</u>	<u>281,995,881</u>
		<u>5,220,028,273</u>	<u>5,114,575,948</u>
<b>Current Liabilities</b>			
Interest Bearing Loans and Borrowings	32	575,000,000	191,667,900
Lease Liability	36	2,552,287	2,084,075
Trade and Other Payables	37	413,584,598	482,846,094
Amounts due to Related Companies	38	926,072	7,306,628
Income Tax Payable		-	7,317,704
Bank Overdraft	26	<u>73,808,297</u>	<u>464,111,785</u>
		<u>1,065,871,254</u>	<u>1,155,334,186</u>
		<u>6,285,899,527</u>	<u>6,269,910,134</u>
		<u>9,566,233,144</u>	<u>6,979,424,911</u>
		47	30

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd.

**R T Kodikara**

General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of Board of Directors of Balangoda Plantations PLC.

Sgd.

**C R Jansz**

Director

30th May 2023  
Colombo.

Sgd.

**K Dayaparan**

Director

## Statement of Changes in Equity

Year Ended 31 December

	Stated Capital	Pending Allotment	Revaluation Reserve	Timber Reserve	FVOCI Reserves	Accumulated Losses	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1 January 2021</b>	350,000,010	-	909,017,497	1,931,017,248	285,882	(2,386,945,886)	803,374,751
<b>Total Comprehensive Income for the Year</b>							
Lost for the Year	-	-	-	-	-	(1,720,473)	(1,720,473)
Other Comprehensive Income / (Expense) for the Year- Net of Tax	-	-	39,284,502	-	(46,339)	(131,377,664)	(92,139,501)
Transferred to Timber Reserve	-	-	39,284,502	-	(46,339)	(133,098,137)	(93,859,974)
	-	-	-	219,776,018	-	(219,776,018)	-
<b>Balance as at 31 December 2021</b>	350,000,010	-	948,301,999	2,150,793,266	239,543	(2,739,820,041)	709,514,777
<b>Balance as at 1 January 2022</b>	350,000,010	-	948,301,999	2,150,793,266	239,543	(2,739,820,041)	709,514,777
<b>Total Comprehensive Income/ (Expense) for the Year</b>							
Profit for the Year	-	-	-	-	-	556,926,958	556,926,958
Other Comprehensive Income/ (Expense) for the Year- Net of Tax	-	-	(206,613,285)	-	(196,311)	51,059,138	(155,750,458)
Transferred to Timber Reserve	-	-	(206,613,285)	-	(196,311)	607,986,096	401,176,500
	-	-	-	212,831,326	-	(212,831,326)	-
<b>Transactions with Owners directly recorded in the Equity</b>							
Pending Allotment (Note 28)	-	2,169,642,340	-	-	-	-	2,169,642,340
<b>Balance as at 31 December 2022</b>	350,000,010	2,169,642,340	741,688,714	2,363,624,592	43,232	(2,344,665,271)	3,280,333,617

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

## Statement of Cash Flows

For the Year Ended 31 December

	Note	2022 Rs.	2021 Rs.
<b>Cash Flows From Operating Activities</b>			
Profit/ (Loss) Before Taxation		996,621,547	(58,781,409)
<b>Adjustments for</b>			
Depreciation and Amortization	14-19	223,628,215	226,645,246
Impairment of Immature Plantation- Rubber	19.1.1	20,163,497	6,140,909
Write off of Bearer Biological Assets	9	7,097,140	30,813,913
Provision for/ Write off of Other Receivables	9	12,450,024	15,645,016
Gain on Disposal of Property, Plant and Equipment	7	(10,050,000)	(7,188,000)
Interest Income	10	(4,699,705)	(256,453)
Provision for Retirement Benefit Obligations	33	165,102,221	117,425,352
Amortization of Government Grants	35	(9,213,780)	(9,460,422)
Interest Expenses	10	812,895,226	322,249,421
Provision for VAT Payable	9	-	38,747,332
Change in Fair Value of Investment Properties	18	(40,404,441)	(49,375,763)
Gain on Changes in Fair Value of Biological Assets	8	(218,670,486)	(218,855,585)
<b>Operating Profit before Working Capital Changes</b>		<b>1,954,919,458</b>	<b>413,749,557</b>
<b>Working Capital Changes</b>			
Increase in inventories		(239,922,525)	(18,148,602)
Increase in Trade and Other Receivables		(9,463,704)	(5,560,753)
Increase in Amounts Due From Related Companies		(11,207,077)	(7,132,904)
Increase/ (Decrease) in Trade and Other Payables		(69,261,496)	10,314,815
Increase/ (Decrease) in Amounts Due to Related Companies		(6,380,556)	1,973,826
<b>Cash Generated from Operations</b>		<b>1,618,684,100</b>	<b>395,195,939</b>
Gratuity Paid	33	(116,504,344)	(105,765,236)
Interest Paid		(38,698,722)	(49,980,847)
Tax Paid		(7,317,704)	-
<b>Net Cash Generated from Operating Activities</b>		<b>1,456,163,330</b>	<b>239,449,856</b>
<b>Cash Flows From Investing Activities</b>			
Interest Received		401,628	256,453
Purchase of Property, Plant and Equipment	16	(41,481,806)	(41,830,670)
Acquisition of Intangible Assets	17	(25,000)	-
Acquisition of Investment Property	18	(1,200,000)	-
Investment in Financial Assets		-	(156,589)
Investment in Immature Bearer Biological Assets	19.1	(90,827,413)	(58,796,263)
Proceeds from Disposal of Property, Plant And Equipment		10,050,000	7,188,000
Disposals of Other Financial Assets Measured at Amortised Cost		454,387	-
<b>Net Cash Used In Investing Activities</b>		<b>(122,628,204)</b>	<b>(93,339,069)</b>
<b>Cash Flows from Financing Activities</b>			
Loans and Borrowings Obtained	32	50,000,000	92,076,632
Repayment of Loans and Borrowings		(951,593,327)	(294,924,227)
Repayment of Lease Liabilities	36	(40,376,521)	(37,804,680)
Cash Proceeds from Right Issue		2,169,642,340	-
<b>Net Cash Generated from/ (Used In) Financing Activities</b>		<b>1,227,672,492</b>	<b>(240,652,275)</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>		<b>2,561,207,618</b>	<b>(94,541,488)</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>		<b>(457,015,222)</b>	<b>(362,473,734)</b>
<b>Cash and Cash Equivalents at End of the Year</b>	26	<b>2,104,192,396</b>	<b>(457,015,222)</b>

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

# Notes to the Financial Statements

## 1 REPORTING ENTITY

### 1.1 Domicile and Legal Form

Balangoda Plantations PLC ("the Company") is a Company domiciled in Sri Lanka, incorporated under Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987. The registered office of the Company is located at No 110 Norris Canal Road, Colombo 10, and Plantations are situated in the planting districts of Rathnapura, Balangoda and Badulla.

The ordinary shares of the Company are listed in the Colombo Stock Exchange.

### 1.2 Principal Activities and Nature of Operations

The principal activities of Balangoda Plantations PLC consist of cultivation, production, processing and sale of tea and rubber.

### 1.3 Parent Enterprise

The Company's immediate parent Company is Melstacorp PLC and the ultimate parent Company is Milford Exports (Ceylon) (Private) Limited which are incorporated in Sri Lanka.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and notes to the Financial Statements which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements except information on Cash Flows have been prepared following the accrual basis of accounting.

### 2.2 Basis of Measurement

These financial statements of the Company have been prepared in accordance with the historical cost conversion except for the following material items in the statement of financial position:

- Consumable biological assets are measured at fair value less cost to sell as per LKAS 41 - "Agriculture".
- Liability for Retirement Benefit Obligation is recognised as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19 - "Employee Benefits".
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41 - "Agriculture".
- Buildings under Property, Plant and Equipment are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated any impairment loss as per LKAS 16 "Property, Plant and Equipment".
- Investment Properties are measured at fair value as per LKAS 40- "Investment Properties".
- Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVTOCI) as per SLFRS 9- "Financial Instruments"

### 2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

### 2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard -1 on '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 realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

### 2.5 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

## Notes to the Financial Statements

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

Estimates and underlying assumption are reviewed ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

### (a) Assumptions and estimation uncertainties

Information about the assumptions on the future and other major sources of estimation uncertainties that the management has made at the end of reporting period that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year is included in the following notes.

Financial Statement Area	Note
Measurement of defined benefit obligations: Key actuarial assumptions.	33
Recognition and measurement of provisions for impairment of Bearer Biological Assets.	19
Measurement of fair value of Consumable Biological Assets.	20
Measurement of lease liability to SLSPC/JEDB	36
Revaluation of Buildings under Property, Plant and Equipment	16
Fair Value Measurement of Investment Properties	18
Recognition of Deferred Tax on Accumulated Tax Losses	34
Recognition and Measurement of provisions and contingencies	41

### 2.6 Determination of Fair Values

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

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

Level 3: inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes.

Financial Statement Area	Note
Consumable Biological Assets - Timber	20
Produce on Bearer Biological Assets	20.2
Property, Plant and Equipment- Buildings	16
Investment Properties	18

## Notes to the Financial Statements

### 2.6.1 Fair Value of Non-Financial Assets

The fair value used by the Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Company for the asset or liability.

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

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

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

### 2.7 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has resources to continue in business for the foreseeable future. Furthermore, the 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 of the company continue to be prepared on a going concern basis.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated

### 3.1 Assets and basis of their valuation

Assets classified as current assets in the statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle of the Company's business or within one year from the reporting date whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the date of statement of financial position are classified as non-current assets.

#### 3.1.1 Leased Assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether,

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either;
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflator, the Company shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

#### i) As a Lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

## Notes to the Financial Statements

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payments.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### 3.1.2 Property, Plant and Equipment

#### 3.1.2.1 Recognition and Measurement

At the initial recognition all the items in Property, Plant and Equipment are recognised at cost and subsequently, stated at cost or at fair value in the case of buildings; less accumulated depreciation and accumulated impairment losses.

The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work-in-progress is transferred to the respective asset accounts when the assets are available for use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### 3.1.2.2 Owned Assets

The cost of an item of Property, Plant and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring at the site on which they are located and borrowing cost on qualifying assets.

#### 3.1.2.3 Subsequent Expenditure

The Cost of replacing part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of Property, Plant and Equipment are recognised in Statement of Profit or Loss and Other Comprehensive Income as incurred.

#### 3.1.2.4 Capital Work-in-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work-in-progress transferred to the respective asset accounts at the time of first utilisation or at the time of the asset is commissioned.

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### 3.1.2.5 Borrowing cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - "Borrowing Costs". Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

## Notes to the Financial Statements

### 3.1.2.6 Revaluation

The Company revalues its buildings at least once in five years or at any shorter interval when a significant valuation adjustment becomes evident, which is measured at its fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses. On revaluation of buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it offsets a previous decrease in value of the same asset that was recognised in the profit or loss. A decrease in value is recognised in the profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not considered in arriving at the gain or loss on disposal.

### 3.1.2.7 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Category	Useful Lives (Years)
Land Improvements	40
Buildings	40
Motor Vehicles	5
Furniture and Fittings	10
Equipment and Tools	4
Water Sanitation	20
Plant and Machinery	10

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### 3.1.2.8 Derecognition

An item of Property, Plant and Equipment is de-recognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

### 3.1.3 Immovable Leased Assets

#### 3.1.3.1 Recognition and Measurement

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board decided at its meeting on 8 March 1995, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company.

#### 3.1.3.2 Amortisation

Amortisation is calculated based on the useful life of the asset or the lease period whichever is lower. Amortisation is recognised in the Statement of Profit or Loss on a straight-line basis.

The estimated useful lives for the current and comparative periods are as follows:

Category	Useful Lives (Years)
Unimproved Lease Land	53
Mature Bearer Biological Assets	
Tea	33.3
Rubber	20
Improvement to Land	30
Other Vested Assets	30
Machinery	15

## Notes to the Financial Statements

### 3.1.3.3 Intangible Assets

An intangible asset is recognised if it is probable that economic benefits attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

### 3.1.3.4 Software

Purchased software is recognised as an intangible asset and is amortised on a straight-line basis over its useful life.

The estimated useful life is as follows:

Asset Category	Useful life (Years)
Computer Software	5

### 3.1.4 Investment Property

#### 3.1.4.1 Recognition and Measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change therein recognised in profit or loss.

#### 3.1.4.2 Derecognition

Investment properties are derecognized disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on the retirement or disposal is recognised in the profit or loss in the year of retirement or disposal. Transfers are made to investment property, when there is a change in use.

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognized as other income on a straight - line basis over the term of the lease. Lease incentives granted are recognized as a integral part of the total rental income, over the term of the lease.

### 3.1.5 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

#### 3.1.5.1 Recognition and Measurement

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

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

#### 3.1.5.2 Bearer Plants

The costs of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting, fertilising and so on incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. Biological assets (Tea, Rubber fields) which comes into bearing during the year, is transferred to mature plantations. These immature plantations are shown at direct costs plus attributable overheads including interest attributable to long-term loans used for financing immature plantations.

## Notes to the Financial Statements

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

### 3.1.5.2.1 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower. Infilling costs that are not capitalized have been charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

### 3.1.5.2.2 Depreciation

Mature Plantations (Replanting and New Planting) are depreciated on a straight-line basis over the expected period of their commercial harvesting or the lease period, whichever is less.

The estimated useful lives of significant items of Bearer Biological Assets are as follows:

Category	Useful Lives (Years)
Tea	33.3
Rubber	20
Cinnamon	25

No depreciation is provided for Immature Plantations.

### 3.1.5.3 Biological Assets at Fair Value

Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees of the estates of the Company are measured on initial recognition at cost and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41-“Agriculture”.

The cost of young plants which are below 4 years is treated as an approximation to the fair value as the impact on biological transformation of such plants to price is immaterial.

The fair value of timber trees is measured using discounting cash flows method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

#### 3.1.5.3.1 Non- harvested Produce crop on Barer Biological Assets

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and is measured at fair value less costs to sell. Changes in the fair value of such agricultural produce are recognised in profit or loss at the end of each reporting period.

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows,

Tea-Three days’ crop (50% of 6 days cycle)  
Rubber-One day’s crop (50% of 2 days cycle).

The value of the unharvested green leaves is measured using the Tea Commissioner’s formula for bought leaf and rubber crop is fair valued using RSS prices.

## 3.1.6 Financial Instruments

### 3.1.6.1 Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## Notes to the Financial Statements

### 3.1.6.2 Classification and subsequent measurement

#### 3.1.6.2.1 Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

#### **a) Business model assessment:**

The Company makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

## Notes to the Financial Statements

### b) Subsequent measurement and gains and losses:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### 3.1.6.2 Financial Liabilities

#### (i) Classification, subsequent measurement and gain and loss

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

### 3.1.6.3 Derecognition

#### 3.1.6.3.1 Financial Assets

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

The Company enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets. In these cases, the transferred assets are not derecognised.

#### 3.1.6.3.2 Financial Liabilities

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

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

#### 3.1.6.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 3.1.6.5 Impairment- Financial Assets

#### 3.1.6.5.1 Financial Instruments

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and
- debt investments measured at FVOCI

## Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be higher credit rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

### Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For the debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### Write-off

For individual customers, the Company has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Evidence of impairment included a significant or prolonged decline in its fair value below its cost.

## Notes to the Financial Statements

### 3.1.6.5.2 Impairment of Non-Financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. An assets recoverable amount is the higher of an assets value in use and its fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive income in those expenses' categories consistent with the function of the impaired asset.

### 3.1.7 Inventories

#### 3.1.7.1 Agricultural Produce after further processing

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

#### 3.1.7.2 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

#### 3.1.7.3 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.

### 3.1.8 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise inclusive of provisions for bad and doubtful debts. Other receivables and dues from related parties are recognised at cost less provision for bad and doubtful receivables.

### 3.1.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

## 3.2 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements.

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

### 3.2.1 Employee Benefits

#### 3.2.1.1 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% of gross emoluments of the employees to Employees' Provident Fund (EPF)/Estate Staff Provident Society (ESPS).

## Notes to the Financial Statements

All of the employees are eligible for Employees' Trust Fund to which the Company contributes 3% of gross emoluments of such employees.

### 3.2.1.2 Defined Benefit Plan - Retirement Gratuity

A Defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan. The Company's net obligation in respect of Defined Benefit Pension Plans is calculated annually using the Projected Unit Credit (PUC) Method. The liability recognised in the Statement of Financial Position is the present value of the Defined Benefit Obligation at the reporting date in accordance with the advice of an actuary. Actuarial gains or losses arising are recognised in Other Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19- "Employee Benefits". However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The key assumptions used in determining the Retirement Benefit Obligations are given in note 33.

### 3.2.2 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 recognized 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 recognized 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

### 3.2.3 Deferred Income

#### 3.2.3.1 Government Grants and Subsidies

Government grants are recognised where there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants are related to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Grants related to Property, Plant and Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment. Grants received for forestry are initially deferred and credited to Statement of Profit or Loss and Other Comprehensive Income at once when the related blocks of trees are harvested.

#### 3.2.4 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired on ordinary course of business from Suppliers. Trade and other payables are stated at cost.

### 3.3 Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

### 3.4 Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income the Directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1- "Presentation of Financial Statements".

#### 3.4.1 Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over goods to a customer.

## Notes to the Financial Statements

The Company generates revenue primarily from the sale of tea, rubber, coconut, cinnamon and other agricultural produce. The revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. The Company recognises revenue when it transfers control over good or service to a customer. The Company considers sale of tea, rubber, coconut, cinnamon and other agricultural produce as one performance obligation and recognises revenue when it transfers control to the customer.

### 3.4.1.1 Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's revenue comprises of sale of tea, rubber, and other agricultural produce and no disaggregation is required.

### 3.4.1.2 Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue from sale of goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### 3.4.1.3 Interest Income

Interest Income is recognised as the interest accrued (taking into account the effective yield on the asset) unless collectability is in doubt.

### 3.4.1.4 Rental income

Rental income arising from operating leases is recognised on an accrual basis.

### 3.4.1.5 Gain 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 Profit or Loss.

## 3.4.2 Expenditure Recognition

### 3.4.2.1 Operating Expenses

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Profit or Loss and Other Comprehensive Income in arriving at the profit/(loss) for the year. Provision has also been made for impairment of non-financial assets, slow-moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

### 3.4.2.2 Finance Cost

Finance costs comprise interest expense on external borrowings and related party loans and payments made under lease agreements. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.4.2.3 Income Tax Expense

Income Tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or OCI.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for the under LKAS 37 provision, contingent liabilities, and contingent assets.

#### 3.4.2.3.1 Current Taxes

The provision for income tax based on elements of income and expenditure as reported in the financial statement and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act No.10 of 2021 and Act No.45 of 2022.

#### 3.4.2.3.2 Deferred Taxation

Deferred taxation is recognised using the Balance Sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

## Notes to the Financial Statements

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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, and reflect uncertainty related to income taxes, if there is any.

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 benefit will be realised.

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

### 3.5 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows, interest received and dividends received are classified as investing cash flows while dividend paid and Government grants received are classified as financing cash flows for the purpose of presentation of the Statement of Cash Flows.

### 3.6 Segmental Reporting

Segmental information is provided for the different business segments of the Company. Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards of each type of product.

Revenue and Expenditure directly attributable to each segment are allocated to the respective segments. Revenue and Expenditure not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible. Unallocated items comprise mainly income accrued and expenses incurred at Head office level.

Assets and Liabilities directly attributable to each segment are allocated to the respective segments. Assets and Liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible.

The activities of the segments are described in the note 45 to the Financial Statements.

### 3.7 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - 'Related Party Disclosures'. 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.

According to LKAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the board of directors (including executive and non-executive directors) and their immediate family members have been classified as key management personnel of the Company.

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

### 3.8 Earnings per Share

The Company presents Earnings per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.9 Events after the Reporting Date

All material events after the reporting date have been considered and where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

## Notes to the Financial Statements

### 3.10 Capital Commitments

Capital commitments of the Company have been disclosed in the respective Notes to the Financial Statements

### 4 AMENDMENTS TO ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1 January 2023.

Accordingly, the Company has not applied these amendments in preparing these Financial Statements. The following amendments are not expected to have a significant impact on the Company's Financial Statements.

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

Under existing LKAS 1 requirement, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)**

- **Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2)**

- **Definition of Accounting Estimates (Amendments to LKAS 8)**

## Notes to the Financial Statements

For the Year Ended 31 December

5 Revenue	2022 Rs.	2021 Rs.
<b>5.1 Revenue Streams</b>		
Revenue from Contracts with Customers – Sale of Goods	6,070,594,060	4,002,688,589
Total Revenue	6,070,594,060	4,002,688,589
<b>5.2 Disaggregation of Revenue from Contracts with Customers</b>		
The Company generates its revenue locally and the following is the revenue from contracts with customers disaggregated by the timing of revenue recognition.		
<b>Timing of Revenue Recognition</b>		
Goods transferred at point in time	6,070,594,060	4,002,688,589
Total Revenue	6,070,594,060	4,002,688,589
<b>6 Industry Segment</b>		
<b>6.1 Revenue</b>		
Tea	5,406,571,708	3,382,815,826
Rubber	664,022,352	619,872,763
	6,070,594,060	4,002,688,589
<b>6.2 Cost of Sales</b>		
Tea	(3,947,548,754)	(3,403,860,072)
Rubber	(527,942,348)	(529,250,375)
	(4,475,491,102)	(3,933,110,447)
<b>6.3 Gross Profit</b>		
Tea	1,459,022,954	(21,044,246)
Rubber	136,080,004	90,622,388
	1,595,102,958	69,578,142
<b>7 Other Income</b>		
	2022 Rs.	2021 Rs.
Rent Income	63,403,684	54,208,122
Amortisation of Government Grants (Note 35)	9,213,780	9,460,422
Subsidy Received	2,513,965	4,317,745
Gain on Disposal of Property, Plant and Equipment	10,050,000	7,188,000
Sale of Rubber Trees	19,896,500	9,190,800
Gain from Sundry Projects	8,348,859	18,454,873
Change in Fair Value of Investment Properties (Note 18)	40,404,441	49,375,763
	153,831,229	152,195,725
<b>8 Gain on Changes in Fair Value of Biological Assets</b>		
	2022 Rs.	2021 Rs.
Fair Value (Loss)/ Gain on Produce on Bearer Plants (Note 20.2)	5,839,160	(920,433)
Fair Value Gain on Consumable Biological Assets (Note 20.1)	212,831,326	219,776,018
	218,670,486	218,855,585

## Notes to the Financial Statements

For the year ended 31 December

### 9 Other Expenses

	2022 Rs.	2021 Rs.
Impairment of Immature Plantations - Rubber <b>(Note 19.1.1)</b>	20,163,497	6,140,909
Write-Off of Bearer Biological Assets	7,097,140	30,813,913
Provision for VAT Payable	-	38,747,332
Provision for/ Write-Off of Other Receivables	12,450,024	15,645,016
	39,710,661	91,347,170

### 10 Net Finance Costs

#### Finance Income

	2022 Rs.	2021 Rs.
Interest Income on Fixed Deposit and Saving Deposits	4,621,709	202,329
Interest Income on Distress Loan	77,996	54,124
	4,699,705	256,453

#### Finance Costs

Interest on Loans from Banks	7,942,779	21,958,871
Interest on Loans from Melstacorp PLC	736,019,527	236,281,529
Interest on Loans from Brokers	1,009,300	-
Interest on Bank Overdrafts	29,746,643	28,021,976
Interest on Lease Liability to SLSPC/JEDB <b>(Note 36.1)</b>	38,176,977	35,987,045
	812,895,226	322,249,421

Net Finance Costs	(808,195,521)	(321,992,968)
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### 11 Profit/ (Loss) Before Taxation

Profit/ (Loss) before taxation is stated after charging all the expenses including the followings;

	2022 Rs.	2021 Rs.
Directors' Remunerations	-	-
Auditors' Remunerations		
-Audit Services	4,612,500	4,100,000
-Non- Audit Services	977,927	2,265,215
Depreciation / Amortization		
- Right of Use Assets <b>(Note 14)</b>	11,704,685	10,882,641
- Immovable Leased Assets <b>(Note 15)</b>	6,683,951	6,973,787
- Property, Plant and Equipment <b>(Note 16)</b>	109,800,948	113,942,531
- Intangible Assets <b>(Note 17)</b>	579,554	291,800
- Bearer Biological Assets <b>(Note 19.2)</b>	94,859,077	94,554,487
Personnel Costs		
- Salaries and Wages	1,645,914,289	1,793,797,235
- Defined Benefit Plan Costs - Retiring Gratuity <b>(Note 33)</b>	165,102,221	117,425,352
- Defined Contribution Plan Cost - EPF / CPPS / ESPS and ETF	200,036,430	217,368,748
- Surcharges on EPF / ETF/ ESPS / Gratuity Payable	2,160,895	2,068,152

## Notes to the Financial Statements

For the Year Ended 31 December

### 12 Income Tax Expenses

#### 12.1 Current Tax Expense

Income Tax Charge for the Year (**Note 12.3**)  
 Over Provision with Respect of Previous Years

#### Deferred Tax Expense

Deferred Tax Charge/ (Reversal) Recognised in Profit or Loss (**Note 34**)

#### 12.2 Amounts Recognised in Other Comprehensive Income

Deferred Tax Charge on Revaluation Surplus  
 Deferred Tax on Actuarial Gain/ (Loss) on Retirement Benefit Obligation

	2022 Rs.	2021 Rs.
	-	-
	-	(500,416)
	-	(500,416)
	439,694,589	(56,560,520)
	439,694,589	(56,560,520)
	439,694,589	(57,060,936)
	206,613,285	(36,726,285)
	21,882,488	(15,413,022)
	228,495,773	(52,139,307)

The Inland Revenue (Amendment) Act No.45 of 2022 was certified by the speaker on 19 December 2022. As per the Amendment Act, the Company is liable to pay tax at the rate of 30% on its taxable profits. Prior to 1 July 2022, profits from the business of "Agro Processing" and "Investment Income" are taxed at the rate of 14% and 24% respectively as per the Inland Revenue (Amendment) Act No.10 of 2021.

Profits from the business of "Agro Farming" will continue to be exempt from income tax up to Y/A 2023/24 under the Inland Revenue (Amendment) Act No.45 of 2022.

#### 12.3 Reconciliation of Accounting Profit/ (Loss) to Taxable Income/ (Loss)

Profit/ (Loss) before taxation	996,621,547	(58,781,409)
Less: Income from other sources	(4,699,705)	(256,453)
Add: Disallowable Expenses	960,598,887	481,034,215
Less: Non-Taxable Income	(269,124,927)	(66,024,188)
Less: Allowable Expenses	(281,341,577)	(397,899,764)
Less: Exempt Income	(1,943,791,676)	(24,393,783)
<b>Adjusted Loss for the year</b>	(541,737,451)	(66,321,382)
<b>Business Loss</b>	(541,737,451)	(66,321,382)
<b>Investment Income</b>	4,699,705	256,453
<b>Less: Loss utilized for the year (Note 12.4)</b>	(4,699,705)	(256,453)
<b>Taxable Income</b>	-	-
Income Tax Expense		
Tax at 14%	-	-
Tax at 30%	-	-

#### 12.4 Accumulated Tax Losses

Tax Losses Brought Forward	3,228,072,518	3,297,121,733
Adjustments	(190,817,283)	(135,114,144)
Add: Loss incurred During the Year	541,737,451	66,321,382
Less : Utilization of Tax Losses During the Year	(4,699,705)	(256,453)
Tax Losses Carried Forward	3,574,292,981	3,228,072,518

## Notes to the Financial Statements

As at 31 December

### 13 Basic Earnings/ (Loss) Per Share

The calculation of basic earnings/ (Loss) per share has been based on the profit attributable to ordinary shareholders for the year divided by weighted-average number of ordinary shares outstanding during the year and calculated as follows.

	2022	2021
Profit/ (Loss) attributable to ordinary shareholders (Rs.)	556,926,958	(1,720,473)
Weighted average number of ordinary shares (Nos.)	23,636,364	23,636,364
Earnings/ (Loss) per Share (Rs.)	23.56	(0.07)

#### 13.1 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings per Share is same as Basic Earnings per Share shown above.

### 14 Right of Use Assets

	2022 Rs.	2021 Rs.
Right of Use - Land ( <b>Note 14.1</b> )	267,796,747	257,108,284
	267,796,747	257,108,284

#### 14.1 Right of Use - Land

Capitalised Value : As at 22 June 1992	454,663,475	445,280,527
Remeasurement during the year	22,393,148	9,382,948
Balance as at 31 December	477,056,623	454,663,475
<b>Accumulated Amortisation</b>		
Balance as at 1 January	197,555,191	186,672,550
Amortisation Charge for the Year	11,704,685	10,882,641
Balance as at 31 December	209,259,876	197,555,191
Carrying Amount as at 31 December	267,796,747	257,108,284

The Right of Use - Lands consist of the lease rights on Janatha Estates Development Board/Sri Lanka State Plantations Corporation Estates. Leases have been executed for a period of 53 years. All of these leases are retroactive to 18 June 1992 the date of formation of the Company. The leasehold right to the land on all of these estates have been taken into the books of the Company on 18 June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka.

#### 14.1.1 Leasehold rights to bare land of JEDB / SLSPC estate assets and immovable (JEDB / SLSPC) estate assets of finance lease acquired by the Government of Sri Lanka

The Government of Sri Lanka has initiated actions under provisions of the Land Acquisition Act No.28 of 1964, to acquire lands from lands leased to the Company in Agarsland Estate, Cecilton Estate, Rasagalla Estate, Non Pareil Estate, Rye Wikiliya Estate and Balangoda Estate located in Balangoda region; Mutuwagala Estate, Palmgarden Estate, Millawitiya Estate, Galathura Estate and Rambukkanda Estate located in Ratnapura region, and Glen Alpin Estate, Telebedde Estate, Ury Estate and Wewesse Estate located in Badulla region.

The Government of Sri Lanka has already acquired a total land extent of 196.48 hectares (refer Note A below) and also in the process of acquiring a further total land extent of 2.02 hectares as detailed in Note B below.

## Notes to the Financial Statements

As at 31 December

### 14.1.1 Leasehold rights to bare land of JEDB / SLSPC estate assets and immovable (JEDB / SLSPC) estate assets of finance lease acquired by the Government of Sri Lanka (Continued)

#### (A) List of lands acquired by the Government as at 31 December 2022

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Balangoda	Cecilton Estate	Expansion of an Village	7.21
Balangoda	Non Perial Estate	Construction of R/Non Paeril Tamil Vidyalaya	0.81
Balangoda	Non Perial Estate	Construction of Army camp	36.18
Balangoda	Non Perial Estate	Construction of R/Karagastalawa Maha Vidyalaya	1.21
Balangoda	Non Perial Estate	Widening of Road	0.38
Balangoda	Non Perial Estate	Widening of Road	0.30
Balangoda	Non Perial Estate	Village Alienation	12.09
Balangoda	Agarsland Estate	Construction of R/Wellawala Mukalana Tamil School	0.81
Balangoda	Agarsland Estate	Village Alienation	6.79
Balangoda	Rasagalla Estate	Village Alienation	7.87
Balangoda	Rasagalla Estate	Village Alienation	4.34
Balangoda	Rasagalla Estate	Village Alienation	2.37
Balangoda	Rasagalla Estate	Construction of Estate Hospital – Rasagalla	0.81
Balangoda	Rye Wikiliya Estate	Construction of Balangoda Pinnawala Police Station	1.00
Balangoda	Rye Wikiliya Estate	Village Alienation	2.02
Ratnapura	Mutwagala Estate	Construction of North Karadana Police Post	0.06
Ratnapura	Palmgarden Estate	Construction of an Industrial Estate	34.49
Ratnapura	Palmgarden Estate	Village Alienation	5.26
Badulla	Glen Alpin Estate	Expansion of Uva Wellassa University	10.10
Badulla	Glen Alpin Estate	Construction of an Industrial Zone	9.49
Badulla	Telbedde Estate	Construction of a Lake	1.62
Badulla	Ury Estate	Village Alienation	2.90
Badulla	Wewesse Estate	Expansion of Uva Wellassa University	17.81
Ratnapura	Galathura Estate	Construction of Houses for Flood Victims	1.18
Ratnapura	Millawitiya Estate	Village Alienation	11.86
Ratnapura	Mutuwagala Estate	Village Alienation	4.90
Ratnapura	Rambukkanda Estate	Construction of Houses for Flood Victims	3.49
Ratnapura	Rambukkanda Estate	Construction of Houses for Flood Victims	4.78
Balangoda	Balangoda Estate	Build a Mini Hydro Project	0.66
Badulla	Ury Estate	Construction of Peradeniya Badulla Highway	0.01
Badulla	Wewesse Estate	Construction of Peradeniya Badulla Highway	2.91
Badulla	Telbedde Estate	Construction of a Rural Hospital	0.37
Badulla	Glen Alpin Estate	Relocation of Diyanaglla Tamil School	0.40
			<b>196.48</b>

No adjustments have been made to the financial statements in respect of these lands acquired as the compensation receivable on these acquisitions are not known and the Government Valuation is pending as at 31 December 2022. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31 December 2022.

#### (B) List of lands in the process of being acquired by the Government of Sri Lanka under the Land Acquisition Act as at 31 December 2022

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Ratnapura	Palmgarden Estate	Relocation Rathnapura Tamil Maha Vidyalaya	2.02
			<b>2.02</b>

## Notes to the Financial Statements

As at 31 December

### 15 Immovable Leased Assets

In terms of the ruling of the IJTF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board of Directors of the Company decided, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 18 June, 1992 and amortisation of immovable leased assets to 31 December 2022 are as follows.

	Unimproved	Mature Bearer	Improvement	Other Vested	Machinery	Total
	Lease Land	Biological	to Land	Assets		
Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	899,449	271,224,580	15,701,754	151,815	26,164,471	314,142,069
	-	-	-	-	-	-
	899,449	271,224,580	15,701,754	151,815	26,164,471	314,142,069
	484,578	251,917,119	14,947,203	151,815	26,164,471	293,665,186
	16,971	6,433,424	523,392	-	-	6,973,787
	501,549	258,350,543	15,470,595	151,815	26,164,471	300,638,973
	501,549	258,350,543	15,470,595	151,815	26,164,471	300,638,973
	16,971	6,435,821	231,159	-	-	6,683,951
	518,520	264,786,364	15,701,754	151,815	26,164,471	307,322,924
	397,900	12,874,037	231,159	-	-	13,503,096
	380,929	6,438,216	-	-	-	6,819,145

#### Capitalised Value (18 June 1992)

As at 1 January 2022

Transfer to Property, Plant and Equipment

As at 31 December 2022

#### Accumulated Amortisation

As at 1 January 2021

Amortisation for the year

As at 31 December 2021

As at 1 January 2022

Amortisation for the year

As at 31 December 2022

Carrying Amounts as at 31 December 2021

**Carrying Amounts as at 31 December 2022**

## Notes to the Financial Statements

As at 31 December

	Land Improvements	Buildings	Motor Vehicles	Furniture and Fittings	Equipment and Tools	Water Sanitation	Plant and Machinery	Capital Work in-Progress (A)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/ Revalued Amounts</b>									
Balance as at 1 January 2021	115,846,542	1,278,012,459	250,817,778	11,232,620	93,258,348	60,780,925	668,549,845	23,299,577	2,501,798,094
Additions During the Year	2,388,138	156,480	-	-	4,928,904	-	3,661,526	30,695,622	41,830,670
Disposals During the Year	-	-	(4,003,167)	-	(90,000)	-	-	-	(4,093,167)
Transfers to Investment Property	-	(11,344,597)	-	-	-	-	-	-	(11,344,597)
Transfers During the Year	-	3,892,716	11,368,032	-	3,301,802	-	16,578,837	(35,141,387)	-
Balance as at 31 December 2021	118,234,680	1,270,717,058	258,182,643	11,232,620	101,399,054	60,780,925	688,790,208	18,853,812	2,528,191,000
Balance as at 1 January 2022	118,234,680	1,270,717,058	258,182,643	11,232,620	101,399,054	60,780,925	688,790,208	18,853,812	2,528,191,000
Additions during the Year	513,223	6,643,557	9,039,836	-	5,018,215	9,900	9,111,498	11,145,577	41,481,806
Disposals During the Year	-	-	(12,443,268)	-	-	-	-	-	(12,443,268)
Transfers During the Year	-	9,455,262	2,611,798	-	-	-	-	(12,067,060)	-
Transfers to Investment Property	-	(19,356,763)	-	-	-	-	-	-	(19,356,763)
Balance as at 31 December 2022	118,747,903	1,267,459,114	257,391,009	11,232,620	106,417,269	60,790,825	697,901,706	17,932,329	2,537,872,775
<b>Accumulated Depreciation</b>									
Balance as at 1 January 2021	64,690,896	-	203,963,097	10,815,197	77,785,438	54,937,562	444,615,520	-	856,807,710
Depreciation charge for the Year	3,241,959	53,300,287	14,494,860	72,944	7,364,787	1,422,686	34,045,008	-	113,942,531
Transfers to Investment Property	-	(472,691)	-	-	-	-	-	-	(472,691)
Disposals During the Year	-	-	(4,003,167)	-	(90,000)	-	-	-	(4,093,167)
Balance as at 31 December 2022	67,932,855	52,827,596	214,454,790	10,888,141	85,060,225	56,360,248	478,660,528	-	966,184,383
Balance as at 1 January 2022	67,932,855	52,827,596	214,454,790	10,888,141	85,060,225	56,360,248	478,660,528	-	966,184,383
Depreciation charge for the Year	3,283,405	52,543,459	16,243,461	58,288	7,264,097	1,013,089	29,395,149	-	109,800,948
Disposals During the Year	-	-	(12,443,268)	-	-	-	-	-	(12,443,268)
Transfers to Investment Property	-	(790,745)	-	-	-	-	-	-	(790,745)
Balance as at 31 December 2022	71,216,260	104,580,310	218,254,983	10,946,429	92,324,322	57,373,337	508,055,677	-	1,062,751,318
<b>Carrying Amounts</b>									
As at 31 December 2021	50,301,825	1,217,889,462	43,727,853	344,479	16,338,829	4,420,677	210,129,680	18,853,812	1,562,006,617
As at 31 December 2022	47,531,643	1,162,878,804	39,136,026	286,191	14,092,947	3,417,488	189,846,029	17,932,329	1,475,121,457

(A) The Capital Work in Progress balance as at 31 December 2022 represents the costs incurred by the company on major repairs and renovations of buildings of the Company.

## Notes to the Financial Statements

As at 31 December

### 16 Property, Plant and Equipment (Continued) 16.1 Revaluation of Building under Property, Plant and Equipment

Buildings of the Company are stated based on a valuation performed by Mr. W.M Chandrasena, R.I.C.S (Sri Lanka) an external, independent Chartered Valuer, as at 31 December 2020 using Depreciation Replacement Cost method. This reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost) and discounted for the age, condition, refurbishment level of maintenance etc.

The fair value measurement for all of Buildings has been categorized as level 03 fair value based on the input to the valuation technique used.

The details of which are as follows,

Region	Estate	Location	Valuation of Buildings		No of Buildings	Extent of Buildings (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
			2022 Rs.	2021 Rs.					
Rathnapura	Galatura	Galatura Estate, Kiriella	37,745,247	37,745,247	25	46,592	Estimated replacement cost of a Sq. Ft. adjusted for wear and tear	Rs. 700-8,000	"Positively correlated sensitivity"
Rathnapura	Mahawela	Mahawela Estate, Ratnapura	74,477,370	74,477,370	43	89,433	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 500-7,000	"Positively correlated sensitivity"
Rathnapura	Mutwagalla	Mutwagalla Estate, Kiriella	31,203,470	31,203,470	32	43,819	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-4,000	"Positively correlated sensitivity"
Rathnapura	Millawitiya	Millawitiya Estate, Ratnapura	9,957,537	9,957,537	14	16,686	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-2,700	"Positively correlated sensitivity"
Rathnapura	Palmgarden	Palmgarden Estate, Ratnapura	110,875,107	110,875,107	46	147,912	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,000	"Positively correlated sensitivity"
Rathnapura	Rambukkande	Rambukkande Estate, Ratnapura	43,834,853	43,260,770	27	44,096	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 850-7,500	"Positively correlated sensitivity"
Balangoda	Balangoda	Balangoda Estate, Balangoda	79,218,183	79,218,183	48	102,313	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,500	"Positively correlated sensitivity"
Balangoda	Cecilton	Cecilton Estate, Balangoda	58,993,479	58,993,479	24	67,151	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-3,250	"Positively correlated sensitivity"
Balangoda	Meddakande	Meddakande Estate, Balangoda	56,816,679	56,816,679	37	79,985	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,000	"Positively correlated sensitivity"
Balangoda	Non Pareil	Non Pareil Estate, Belihuloya	43,912,253	53,368,754	35	67,082	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-4,500	"Positively correlated sensitivity"
Balangoda	Pettiagalla	Pettiagalla Estate, Balangoda	43,744,188	43,744,188	22	52,145	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,250	"Positively correlated sensitivity"

## Notes to the Financial Statements

As at 31 December

### 16 Property, Plant and Equipment (Continued)

#### 16.1 Revaluation of Building under Property, Plant and Equipment (Continued)

Region	Estate	Location	Valuation of Buildings		No of Buildings	Extent of Buildings (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
			2022 Rs.	2021 Rs.					
Balangoda	Rasagalla	Rasagalla Estate , Balangoda	79,677,335	79,677,335	45	100,200	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-3,000	"Positively correlated sensitivity"
Balangoda	Rye/Wikiliya	Rye/Wikiliya Estate, Balangoda	20,929,730	20,929,730	27	40,004	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,000	"Positively correlated sensitivity"
Balangoda	Walaboda	Walaboda Estate, Balangoda	9,292,261	9,292,261	10	12,309	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,500	"Positively correlated sensitivity"
Badulla	Cullen	Cullen Estate, Badulla	16,517,550	16,517,550	22	24,480	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-4,500	"Positively correlated sensitivity"
Badulla	Gowerakelle	Gowerakelle Estate, Badulla	14,140,847	14,140,847	20	27,709	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,500-2,500	"Positively correlated sensitivity"
Badulla	Glen Alpin	Glen Alpin Estate, Badulla	106,126,463	102,322,512	61	129,968	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-3,000	"Positively correlated sensitivity"
Badulla	Spring Valley	Spring Valley Estate, Badulla	148,483,262	146,662,739	76	193,989	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 500-3,500	"Positively correlated sensitivity"
Badulla	Telbedde	Telbedde Estate, Badulla	106,482,761	106,482,761	80	151,870	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,000	"Positively correlated sensitivity"
Badulla	Ury	Ury Estate, Badulla	105,888,553	105,888,553	52	136,174	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,500	"Positively correlated sensitivity"
Badulla	Wewesse	Wewesse Estate, Badulla	69,141,986	69,141,986	43	91,390	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 500-3,200	"Positively correlated sensitivity"
<b>Total</b>			1,267,459,114	1,270,717,058	789	1,665,307			

## Notes to the Financial Statements

As at 31 December

### 16 Property, Plant and Equipment (Continued)

16.1.1 The carrying amount of revalued buildings if they were carried at cost less depreciation is Rs. 202,619,477 as at 31 December 2022 (2021: Rs. 221,015,370)

16.1.2 Sensitivity of the Company's buildings stated at valuation are indicated below.

#### Total buildings sensitivity on per square feet

	+5 Rs.	Value as stand Rs.	-5 Rs.
Buildings	1,330,832,070	1,267,459,114	1,204,086,158
	1,330,832,070	1,267,459,114	1,204,086,158

### 16.2 Fully Depreciated Assets

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the reporting date are as follows.

	2022 Rs.	2021 Rs.
Land Improvements	4,728,923	2,000,220
Motor Vehicles	179,819,638	183,822,805
Furniture and Fittings	10,649,745	10,503,161
Equipment and Tools	72,709,302	69,296,155
Water Sanitation	40,534,650	32,237,731
Plant & Machinery	396,366,292	342,884,113
	704,808,550	640,744,185

### 17. Intangible Assets

#### Cost

	Computer Software Rs.	Work in-Progress Rs.	Total Rs.
Balance at 1 January 2021	1,459,000	1,432,522	2,891,522
Additions During the Year	-	-	-
Transfers During the Year	1,432,522	(1,432,522)	-
Balance at 31 December 2021	2,891,522	-	2,891,522
Balance at 1 January 2022	2,891,522	-	2,891,522
Additions During the Year	25,000	-	25,000
Transfers During the Year	-	-	-
Balance at 31 December 2022	2,916,522	-	2,916,522

#### Accumulated Amortization

Balance at 1 January 2021	373,400	-	373,400
Amortisation During the Year	291,800	-	291,800
Balance at 31 December 2021	665,200	-	665,200
Balance at 1 January 2022	665,200	-	665,200
Amortisation During the Year	579,554	-	579,554
Balance at 31 December 2022	1,244,754	-	1,244,754

#### Carrying Amounts

As at 31 December 2021	2,226,322	-	2,226,322
<b>As at 31 December 2022</b>	<b>1,671,768</b>	<b>-</b>	<b>1,671,768</b>

17.1 Intangible assets consist of the cost incurred to acquire and install the accounting system of the company, "Olex" and the costs incurred to acquire a computerised forestry management system.

## Notes to the Financial Statements

As at 31 December

### 18 Investment Properties

#### Cost

#### Building

	2022 Rs.	2021 Rs.
Balance as at 1 January	328,880,876	266,074,991
Transfer from Property Plant and Equipment	18,566,018	10,871,906
Additions During the Year	1,200,000	-
Change in Fair Value	40,404,441	51,933,979
Balance as at 31 December	389,051,335	328,880,876

Investment property reflects the tea factories in Gowerakelle Estate, Galatura Estate, Mutuwagala Estate, Millawitiya Estate, Rye/ Wikiliya Estate and Restaurant in Palmgarden Estate which are leased out to third parties or held to be leased out. Nagrak Bungalow in Non Parieil estate was transferred to Investment Property from property Plant and Equipments during the year.

### 18.1 Income from Investment Properties

Rent Income from Investment Property

	2022 Rs.	2021 Rs.
	35,360,083	33,710,078
	35,360,083	33,710,078

### 18.2 Sensitivity of the Company's buildings stated at valuation are indicated below.

	Total buildings sensitivity on per square feet		
	+5 Rs.	Value as stand Rs.	-5 Rs.
Buildings	408,503,902	389,051,335	369,598,768
	408,503,902	389,051,335	369,598,768

## 18 Investment Properties (Continued)

### 18.2 Valuation of Investment Properties

Investment Properties of the Company are stated at fair value as at 31 December 2022 based on a valuation performed by Mr.W.M Chandrasena, R I C S ( Sri Lanka) an external, independent Chartered Valuer using Depreciation Replacement Cost method. This reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost) and discounted for the age, condition, refurbishment level of maintenance etc.

The fair value measurement for all of Buildings has been categorized as level 03 fair based on the input to the valuation technique used.

The details of which are as follows,

Region	Estate	Location and Property Type	Fair Value 2022 Rs.	Fair Value 2021 Rs.	Extent of Buildings (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Rathnapura	Galatura	Tea Factory- Galatura Estate, Kiriella	45,984,443	39,652,040	45,060	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 3,000-3,600	"Positively correlated sensitivity"
Rathnapura	Mutwagalla	Tea Factory- Mutwagalla Estate, Kiriella	48,634,058	42,214,855	40,556	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,300-3,600	"Positively correlated sensitivity"
Rathnapura	Millawitiya	Tea Factory- Millawitiya Estate, Rathnapura	41,667,034	36,178,133	31,465	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 850-3,600	"Positively correlated sensitivity"
Rathnapura	Palmgarden	Restaurant - Palmgarden Estate, Rathnapura	5,456,122	4,707,572	3,363	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 3,600-3,600	"Positively correlated sensitivity"
Balangoda	Rye/Wikiliya	Tea Factory- Rye/Wikiliya Estate, Balangoda	169,635,388	147,036,564	139,052	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,450-4,200	"Positively correlated sensitivity"
Badulla	Gowerakelle	Tea Factory- Gowerakelle Estate, Badulla	68,254,247	59,091,712	37,030	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 3,600-4,300	"Positively correlated sensitivity"
Balangoda	Non-Periel	Holiday Bungalow - Non-Periel Estate, Balangoda	9,420,043	-	4,465	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 5,500-5,500	"Positively correlated sensitivity"
<b>Total</b>			<b>389,051,335</b>	<b>328,880,876</b>				

## Notes to the Financial Statements

As at 31 December

	2022					2021					
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.			
<b>19 Bearer Biological Assets</b>											
<b>19.1 Immature Plantations Cost</b>											
Balance as at 1 January	36,897,208	1,174,727,483	28,988,758	1,240,613,449	22,858,507	1,523,670,698	45,572,009	1,592,101,214			
Additions During the Year	25,206,269	60,584,166	5,036,978	90,827,413	14,038,701	37,808,418	6,949,144	58,796,263			
Transfers to mature During the Year	-	(197,281,158)	(6,985,575)	(204,266,733)	-	(386,751,633)	-	(386,751,633)			
Write-Off During the Year	-	-	(3,418,088)	(3,418,088)	-	-	(23,532,395)	(23,532,395)			
Provision for Impairment ( <b>Note 19.1.1</b> )	62,103,477	1,038,030,491	23,622,073	1,123,756,041	36,897,208	1,174,727,483	28,988,758	1,240,613,449			
Balance as at 31 December	-	(674,443,484)	-	(674,443,484)	-	(654,279,987)	-	(654,279,987)			
	62,103,477	363,587,007	23,622,073	449,312,557	36,897,208	520,447,496	28,988,758	586,333,462			

### 19.1.1 Provision for Impairment of Immature Plantations

	2022 Rs.	2021 Rs.
Balance as at 1 January	654,279,987	648,139,078
Impairment Charge For the Year	20,163,497	6,140,909
Balance as at 31 December	674,443,484	654,279,987

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

As a result, the Company has recognised an impairment provision of Rs.674,443,484 as at 31 December 2022 (2021: Rs. 654,279,987).

## Notes to the Financial Statements

As at 31 December

### 19 Bearer Biological Assets (Continued)

#### 19.2 Mature Plantations

	2022					2021						
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.
<b>Cost</b>												
Balance as at 1 January	473,094,960	1,441,389,460	71,829,423	1,986,313,843	473,094,960	1,054,637,827	82,393,464	1,610,126,251	473,094,960	1,054,637,827	82,393,464	1,610,126,251
Transfers During the Year	-	197,281,158	6,985,575	204,266,733	-	386,751,633	-	386,751,633	-	-	-	-
Write-off During the Year	-	-	(5,547,376)	(5,547,376)	-	-	(10,564,041)	(10,564,041)	-	-	(10,564,041)	(10,564,041)
Balance as at 31 December	473,094,960	1,638,670,618	73,267,622	2,185,033,200	473,094,960	1,441,389,460	71,829,423	1,986,313,843	473,094,960	1,441,389,460	71,829,423	1,986,313,843
<b>Accumulated Depreciation</b>												
Balance as at 1 January	181,073,840	508,871,834	18,539,151	708,484,825	165,406,293	433,299,479	18,507,089	617,212,861	165,406,293	433,299,479	18,507,089	617,212,861
Depreciation During the Year	15,667,547	75,854,342	3,337,188	94,859,077	15,667,547	75,572,355	3,314,585	94,554,487	15,667,547	75,572,355	3,314,585	94,554,487
Write-off During the Year	-	-	(1,868,324)	(1,868,324)	-	-	(3,282,523)	(3,282,523)	-	-	(3,282,523)	(3,282,523)
Balance as at 31 December	196,741,387	584,726,176	20,008,015	801,475,578	181,073,840	508,871,834	18,539,151	708,484,825	181,073,840	508,871,834	18,539,151	708,484,825
<b>Carrying Amount of Mature Plantations</b>	276,353,573	1,053,944,442	53,259,607	1,383,557,622	292,021,120	932,517,626	53,290,272	1,277,829,018	292,021,120	932,517,626	53,290,272	1,277,829,018
<b>Total Bearer Biological Assets</b>	338,457,050	1,417,531,449	76,881,680	1,832,870,179	328,918,328	1,452,965,122	82,279,030	1,864,162,480	328,918,328	1,452,965,122	82,279,030	1,864,162,480

### 20 Consumable Biological Assets

#### Mature Plantations (Note 20.1)

2022 Rs.	2021 Rs.
2,586,879,439	2,374,048,113
2,586,879,439	2,374,048,113
2,374,048,113	2,154,272,095
-	-
2,374,048,113	2,154,272,095
212,831,326	219,776,018
2,586,879,439	2,374,048,113

### 20.1 Consumable Biological Assets- Mature Plantations

Balance as at 1 January	2,374,048,113
Decrease due to Harvest/Disposal	-
Gain arising from Changes in Fair Value	2,154,272,095
Balance as at 31 December	219,776,018

## Notes to the Financial Statements

As at 31 December

### 20 Consumable Biological Assets (Continued)

#### 20.1.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr Chadrason Weerasinghe, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31 December 2022 has been prepared based on the physically verified timber statistics provided by the Company.

The future cash flows are determined by reference to current timber prices.

The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

#### 20.1.2 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31 December 2022.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Standing Timber</b>	<b>Discounted cash flows</b>	<b>Determination of Timber Content</b>	
Standing timber older than 4 years.	The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .	Timber trees in inter-crop areas and pure crop areas have been identified field-wise and species were identified and harvestable trees were separated, according to their average girth and estimated age.	The estimated fair value would increase (decrease) if;
	Expected cash flows are discounted using a risk-adjusted discount rate of 22.5% (2021: 15%)	Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.	- the estimated timber content were higher/(lower).
		<b>Determination of Price of Timber</b>	- the estimated timber prices per cubic meter were higher/(lower).
		Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of logs sawn timber at the popular timber traders in Sri Lanka.	- the estimated selling related costs were lower/(higher).
		In this exercise, following factors have been taken into consideration.	- the estimated maturity age were (higher)/lower.
		a) Cost of obtaining approval of felling.	- the risk-adjusted discount rate were lower/(higher).
		b) Cost of felling and cutting into logs.	
		c) Cost of transportation.	
		d) Sawing cost.	
		e) Cost of sale	
		f) Exclusion of trees located in restricted area specialized in the circular no 2019/01 dated on 6 November 2019 issued by the Ministry of Plantation Industries.	
		Accordingly, prices falling within the range of Rs. 250 - 1,000 per cubic ft. has been considered in the valuation.	
		<b>Risk-adjusted discount rate.</b>	
		2022 - 22.5% (Risk Premium 3.5%)	
		2021 - 15% (Risk Premium 3.5%)	

## Notes to the Financial Statements

As at 31 December

### 20.1.3 Sensitivity Analysis

#### (a) Sensitivity Variation on Sales prices

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	-10% Rs.	2021 Rs.	+10% Rs.
Timber	2,328,191,495	2,586,879,439	2,845,567,383
<b>Total</b>	<b>2,328,191,495</b>	<b>2,586,879,439</b>	<b>2,845,567,383</b>

#### (b) Sensitivity Variation on Discount Rate

Values as appearing in the statement of financial position are sensitive to changes of the discount rate 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:

	-1% Rs.	2021 Rs.	+1% Rs.
Timber	2,658,268,069	2,586,879,439	2,520,641,280
<b>Total</b>	<b>2,658,268,069</b>	<b>2,586,879,439</b>	<b>2,520,641,280</b>

### 20.1.4 The Company is exposed to the following risks relating to its timber plantation

#### (a) Regulatory and Environmental Risks

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

#### (b) Supply and Demand Risks

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.

#### (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 industry pest and disease surveys.

### 20.2 Produce on Bearer Biological Assets

	2022 Rs.	2021 Rs.
Balance at 1 January	4,108,934	5,029,367
Change in Fair Value less Cost to Sell	5,839,160	(920,433)
Balance at 31 December	<b>9,948,094</b>	<b>4,108,934</b>

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

Tea – Three days crop (50% of 6 days cycle)

Rubber - One Day Crop (50% of 2 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 rubber crop is fair valued using RSS prices.

## Notes to the Financial Statements

As at 31 December

### 21 Financial Assets Measured at FVOCI

	2022		2021	
	No. of Shares	Fair Value Rs.	No. of Shares	Fair Value Rs.
Quoted Equity Investments in Ordinary Shares				
National Development Bank PLC	5,996	191,872	5,634	388,183
	5,996	191,872	5,634	388,183

The Company designated the investment shown above as equity securities at Fair value through other comprehensive income because these equity securities represent investment that the Company intends to hold for medium to long term for strategic purpose.

No strategic investments were disposed during 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

### 22 Inventories

	2022 Rs.	2021 Rs.
Nurseries	162,138	2,366,320
Harvested Crops	460,827,475	388,006,263
Input Stocks, Consumables and Spares	215,331,291	46,025,796
	676,320,904	436,398,379
Less: Provision for Obsolete Slow Moving Inventories ( <b>Note 22.1</b> )	(720,961)	(720,961)
	675,599,943	435,677,418

#### 22.1 Provision For Obsolete and Slow Moving Inventories

Balance at 1 January	720,961	720,961
(Reversal)/ Provision made During the Year	-	-
Balance at 31 December	720,961	720,961

### 23 Trade and Other Receivables

	2022 Rs.	2021 Rs.
Trade Receivables	14,854,100	29,959,189
Employee Related Debtors	49,250,106	39,541,816
ESC Receivable	-	9,988,458
Other Taxes Receivable	7,400,000	7,400,000
Advances and Prepayments	1,338,312	1,962,770
Staff Loans	965,471	1,177,553
Other Receivables	44,943,231	24,948,111
	118,751,220	114,977,897
Less: Provision for Impairment of Other Receivables ( <b>Note 23.1</b> )	(3,168,072)	(706,506)
	115,583,148	114,271,391

#### 23.1 Provision For Impairment of Other Receivables

Balance at 1 January	706,506	706,506
Provision made During the Year	2,461,566	-
Balance at 31 December	3,168,072	706,506

### 24 Amounts Due from Related Companies

	2022 Rs.	2021 Rs.
Madulsima Plantations PLC	22,109,216	12,135,966
Milford Exports (Ceylon) (Private) Limited	3,385,908	3,356,281
Formula World (Private) Limited	1,204,200	-
	26,699,324	15,492,247

## Notes to the Financial Statements

As at 31 December

### 25 Other Financial Assets Measured at Amortised Cost

Investment in Fixed Deposit

2022 Rs.	2021 Rs.
-	454,387
-	454,387

This fixed deposit was matured on 20 October 2022.

### 26 Cash and Cash Equivalents

#### Favourable Balances

Cash at Bank

Cash in Hand

Less: Unfavourable Balances

Bank Overdrafts

Cash and Cash Equivalents for the Purpose of Cash Flows

2022 Rs.	2021 Rs.
2,176,760,502	6,114,540
1,240,191	982,023
2,178,000,693	7,096,563
(73,808,297)	(464,111,785)
2,104,192,396	(457,015,222)

### 27 Stated Capital

23,636,364 Ordinary Shares Including One Golden Share Held by the Treasury

2022 Rs.	2021 Rs.
350,000,010	350,000,010

#### 27.1 Golden Shareholder

The Golden Share has been allotted to the Secretary to the Treasury by capitalization of revaluation reserve on 1 August 1995. Articles of Association of the Company embodies the specific rights assigned to the Golden Shareholder on behalf of the State of Democratic Socialist Republic of Sri Lanka. In addition to the rights of the normal ordinary shareholders, in terms of the Articles of the Company, the Golden Shareholder has the following rights

- i. The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantation Corporation (JEDB/SLSPC).
- ii. The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.
- iii. The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks written notice.
- iv. The Company will be required to submit a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60-days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90-days of the end of the each fiscal year.
- v. The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

## Notes to the Financial Statements

As at 31 December

### 28 Pending Allotment

	2022 Rs.	2021 Rs.
Balance as at 1 January	-	-
Pending Allotment	2,169,642,340	-
Balance as at 31 December	2,169,642,340	-

#### 28.1 Issuing Shares (Pending Allotment) to Share Holders & settlement of Short Term Loan

Pursuant to the right issue announced by the Company on 13 September 2022, a cash consideration of Rs.2.17 Bn was received from existing shareholders as at 31 December 2022. The Company expects to utilize the funds received through the right issue to settle the loans obtained from Melstacorp PLC.

Further, the Company received the approval from the Securities and Exchange Commission on 17 October 2022 to issue 23,636,363 ordinary shares to rank equal and pari pasu with the existing ordinary shares at the proportion of one new ordinary share for every existing share had as at 25 November 2022. The Company is in the process of completing the required formalities to issue the said number of ordinary shares as at the reporting date. Upon completing the required formalities, the shares were issued on 10 January 2023.

### 29 Revaluation Reserve

	2022 Rs.	2021 Rs.
Balance as at 1 January	948,301,999	909,017,497
Surplus on Revaluation	-	2,558,217
Deferred Tax on Revaluation	(206,613,285)	36,726,285
Balance as at 31 December	741,688,714	948,301,999

The revaluation reserve comprise of gain arisen from the revaluation of Buildings. This reserve is realized upon the derecognition of the revalued Buildings.

### 30 Timber Reserves

This represents the unrealized gains arising from the fair valuation of consumable biological assets (Timber plantations) until the assets are derecognized or impaired.

### 31 FVOCI Reserve

This represents the cumulative net change in fair value of financial assets measured at FVOCI until the investments are derecognized or impaired.

### 32 Interest Bearing Loans and Borrowings

	2022 Rs.	2021 Rs.
Balance as at 1 January	3,494,400,045	3,460,966,111
Add :Loans obtained during the year	50,000,000	92,076,632
Add :Interest Charge for the Year	743,962,306	258,240,400
	4,288,362,351	3,811,283,143
Less :Repayments during the year	(959,536,106)	(316,883,098)
Balance as at 31 December	3,328,826,245	3,494,400,045

#### Maturity Analysis

Amount Payable within One Year	575,000,000	191,667,900
Amount Payable after One Year and Less than Five Years	2,014,376,855	2,415,892,144
Amount Payable More than Five Years	739,449,390	886,840,001
	3,328,826,245	3,494,400,045

#### Lender-wise Summary

Hatton National Bank PLC	-	191,667,900
Melstacorp PLC	3,328,826,245	3,302,732,145
	3,328,826,245	3,494,400,045

## Notes to the Financial Statements

As at 31 December

### 32 Interest Bearing Loans and Borrowings (Continued)

#### 32.1 Interest Bearing Loans and Borrowings - Detailed Breakup

Name of the Lender	Nature of the Facility	Facility Obtained	Amount Outstanding		Rate of Interest	Terms of Payment	Securities Pledged
			31 December 2022	31 December 2021			
		Rs.	Rs.	Rs.			
Hatton National Bank PLC	Long term Loan	500,000,000	-	191,667,900	AWPLR + 1%	60 equal monthly instalments after a grace period of 60 Months from the date of 01 disbursement.	Primary Floating Mortgage Bond for Rs. 500.0 Mn over 5 lease hold estates of Balangoda, Galatura, Palm Garden, Meddekanda and Rassagala.
Melstacorp PLC	Working Capital Loan Series	2,413,807,505	3,328,826,245	3,302,732,145	AWPLR + 1.25%	Capital to be repaid after a moratorium of 3 years. Interest payable monthly	N/A
			3,328,826,245	3,494,400,045			

### 33 Retirement Benefit Obligations

Balance as at 1 January

#### Included in Profit or Loss

Interest Cost During the Year

Current Service Cost

Past Service Cost

#### Included in OCI

Actuarial (Gain)/ Loss for the Year

Gratuity Payments During the year

Balance as at 31 December

	2022	2021
	Rs.	Rs.
Balance as at 1 January	927,360,381	768,909,579
Included in Profit or Loss		
Interest Cost During the Year	106,646,444	65,357,314
Current Service Cost	58,455,777	55,801,500
Past Service Cost	-	(3,733,462)
Included in OCI		
Actuarial (Gain)/ Loss for the Year	(72,941,626)	146,790,686
Gratuity Payments During the year	(116,504,344)	(105,765,236)
Balance as at 31 December	903,016,632	927,360,381

## Notes to the Financial Statements

As at 31 December

### 33 Retirement Benefit Obligations (Continued)

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2022 by Messrs. Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 "Employee Benefits".

The key assumptions used by Messrs. Actuarial & Management Consultants (Private) Limited include the following.

	2022	2021
(i) Rate of Interest (per Annum)	18.5%	11.5%
(ii) Rate of Salary Increase		
-Estate Staff (Per Annum)	5%-10%	10%
-Head Office Staff & Executives (Per Annum)	16.5%	7.5%
(iii) Retirement Age		
-Workers	60 years	60 years
-Staff	60 years	60 years
(iv) Daily Wage Rate	Rs.1000/-	Rs.873/-

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

Retirement Benefit Obligations as at 31 December 2022 were adjusted to reflect new legal requirements in the country regarding the wage rate of the workers based on the Extra Ordinary Gazette No 2217/37.

As at 31 December 2022, the weighted-average duration of the defined benefit obligation was 8.8 years (2021: 9.09 years).

### Sensitivity of Assumptions Used

Sensitivity analysis for significant assumptions as at 31 December 2022 is shown below.

	2022		2021	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Impact on Defined Benefit Obligation (Rs.)	(62,724,225)	71,168,671	(58,812,654)	67,748,079

	2022		2021	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Impact on Defined Benefit Obligation (Rs.)	74,929,193	(66,877,672)	70,610,257	(62,219,182)

Maturity Profile of the Defined Benefit Obligation as at 31st December 2022 are as follows.

within the next 12 months	95,315,874
Between 1-5years	291,821,320
Beyond 5 years	515,879,438
Total	903,016,632

## Notes to the Financial Statements

As at 31 December

### 34 Deferred Tax Liability

	2022 Rs.	2021 Rs.
Balance at 1 January	472,195,689	580,895,516
<b>Recognised in Profit or Loss</b>		
Deferred Tax Charged/(Reversal) During the Year	439,694,589	(56,560,520)
<b>Recognised in Other Comprehensive Income</b>		
Deferred Tax Charge/ (Reversals) During the Year	228,495,773	(52,139,307)
Balance at 31 December	1,140,386,051	472,195,689

	2022		2021	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liabilities</b>				
Property, Plant and Equipment	280,078,853	84,023,656	316,894,061	33,273,876
Revaluation Reserve on Buildings	1,059,555,306	317,866,592	1,059,555,306	111,253,307
Investment Property	332,181,059	99,654,318	328,880,876	34,532,492
Bearer Biological Assets	1,832,870,179	549,861,054	1,864,162,480	195,737,060
Consumable Biological Assets	2,586,879,439	776,063,832	2,374,048,113	249,275,052
As at 31 December	6,091,564,836	1,827,469,452	5,943,540,836	624,071,787
<b>Deferred Tax Assets</b>				
Retirement Benefit Obligations	(903,016,632)	(270,904,990)	(927,360,381)	(97,372,840)
Accumulated Tax Losses	(1,350,784,555)	(405,235,367)	(492,106,987)	(51,671,233)
Net Lease Liability	(36,476,813)	(10,943,044)	(26,971,666)	(2,832,025)
As at 31 December	(2,290,278,000)	(687,083,401)	(1,446,439,034)	(151,876,098)
<b>As at 31 December</b>	3,801,286,836	1,140,386,051	4,497,101,802	472,195,689

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2022 is 30%. (2021 - 10.5%).

### 34.1 Amount charged/ (reversed) to profit or loss

	2022 Rs.	2021 Rs.
Due to changes in tax rate	698,945,750	(162,823,830)
Due to changes in temporary differences	(259,251,161)	106,263,310
	439,694,589	(56,560,520)
<b>Amount charged/ (reversed) to Other Comprehensive Income</b>		
Due to changes in tax rate	177,989,101	(37,766,077)
Due to changes in temporary differences	50,506,672	(14,373,230)
	228,495,773	(52,139,307)
<b>Total impact to Financial</b>	668,190,362	(108,699,827)

The deferred tax asset has been recognised in the Financial Statements to the extent of forecasted profit. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31 December 2022. The unutilized tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs.667,052,528/- (2021: Rs. 287,276,381/-) has not been recognised in respect of unutilized tax losses of Rs. 2,223,508,426/- (2021: Rs. 2,735,965,531/-) as at 31 December 2022.

## Notes to the Financial Statements

As at 31 December

### 34. Deferred Tax Liability (Continued)

	2022		2021	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.	Rs.	Rs.	Rs.
On Accumulated Tax Losses	2,223,508,426	667,052,528	2,735,965,531	287,276,381
	2,223,508,426	667,052,528	2,735,965,531	287,276,381

### 35. Deferred Income

#### Cost

Balance at 1 January

Balance at 31 December

#### Accumulated Amortisation

Balance at 1 January

Amortisation During the Year

Balance at 31 December

#### Carrying Amount at 31 December

	2022 Rs.	2021 Rs.
Balance at 1 January	305,710,203	305,710,203
Balance at 31 December	305,710,203	305,710,203
Balance at 1 January	175,418,351	165,957,929
Amortisation During the Year	9,213,780	9,460,422
Balance at 31 December	184,632,131	175,418,351
Carrying Amount at 31 December	121,078,072	130,291,852

The Company has received funding from the Plantation Housing and Social Welfare Trust, and Plantation Development Project (PDP) for the development of workers facilities such as re-roofing of line rooms, latrines, water supply, sanitation and roads etc. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Income. Grants are amortised over the life of the assets for which they are being deployed.

### 36. Lease Liabilities

Lease Liability to SLSPC and JEDB (Note 36.1)

	2022 Rs.	2021 Rs.
Lease Liability to SLSPC and JEDB (Note 36.1)	304,273,560	284,079,956
	304,273,560	284,079,956

	2022			2021		
	Current Liability	Non-Current Liability	Total	Current Liability	Non-Current Liability	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Liability	41,129,352	884,281,074	925,410,426	38,118,028	857,655,630	895,773,658
Less: Interest in suspense	(38,577,065)	(582,559,801)	(621,136,866)	(36,033,953)	(575,659,749)	(611,693,702)
	2,552,287	301,721,273	304,273,560	2,084,075	281,995,881	284,079,956

#### 36.1 Lease Liability to SLSPC and JEDB

Balance at 1 January

Remeasurement of Right-of-Use Asset as at 1 April

Interest Charges for the Year

Less: Lease Payments made during the Year

#### Lease Liability to SLSPC and JEDB

	2022 Rs.	2021 Rs.
Balance at 1 January	284,079,956	276,514,643
Remeasurement of Right-of-Use Asset as at 1 April	22,393,148	9,382,948
Interest Charges for the Year	38,176,977	35,987,045
Less: Lease Payments made during the Year	(40,376,521)	(37,804,680)
Lease Liability to SLSPC and JEDB	304,273,560	284,079,956

The lease of the estates have been amended, with effect from 11 June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs.5.7 million from 11 June 1997. This amount is to be inflated annually by the Gross Domestic product (GDP) deflator, and was in the form of Contingent rental.

## Notes to the Financial Statements

As at 31 December

### 36.2 Maturity Analysis of Contractual Undiscounted Cash Flows

	2022 Rs.	2021 Rs.
Within One Year	41,129,352	38,118,028
2-5 Years	164,517,408	152,472,112
More than 5 Years	719,763,660	705,183,518
Total Undiscounted Lease Liabilities	925,410,420	895,773,658

### 36.3 Amounts Recognised in Profit or Loss

Interest on Lease Liabilities	38,176,977	35,987,045
Depreciation Charged for Right of Use Asset	11,704,685	10,882,641
	49,881,662	46,869,686

### 36.4 Amounts Recognised in Statement of Cash Flows

Total Cash Outflow for Leases	40,376,521	37,804,680
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### 37 Trade and Other Payables

	2022 Rs.	2021 Rs.
Trade Creditors	29,502,328	48,374,994
Employee Related Creditors	197,596,427	219,909,801
Accrued Expenses	34,015,898	27,980,254
Dividends Payable	6,056,596	6,059,388
Sundry Creditors	91,693,458	111,390,434
Prepayments Received	15,347,465	15,244,067
VAT Payable	29,440,134	45,823,953
Other Payables	9,932,292	8,063,203
	413,584,598	482,846,094

### 38 Amounts Due to Related Companies

	2022 Rs.	2021 Rs.
Stassen Exports (Private) Limited	162,000	162,000
Melsta Logistics (Private) Limited	467,552	3,151,678
Melsta Technologies (Private) Limited	179,976	3,789,551
Lanka Bell Limited	116,544	-
Formula World (Private) Limited	-	203,399
	926,072	7,306,628

### 39 Related Party Disclosures

#### 39.1 Substantial Shareholding and Ultimate Parent Company

The Company's immediate parent Company is Melstacorp PLC which owns 58.61% of Balangoda Plantations PLC and the ultimate parent Company is Milford Exports (Ceylon) (Private) Limited which are incorporated in Sri Lanka.

#### 39.2 Transactions with Key Management Personnel (KMP)

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 has been classified as Key Management Personnel of the Company.

## Notes to the Financial Statements

As at 31 December

### 39 Related Party Disclosures (Continued)

#### 39.3 Compensations to KMPs

Short-term Employee Benefits - Directors' remunerations

	2022	2021
	Rs.	Rs.
	-	-

#### 39.4 Transactions with Related Companies

Name of the Company	Nature of Relationship	Name of the Common Directors	Nature of the Transactions	Transaction Amount		Balance as at 31 December	
				2022	2021	2022	2021
				Rs.	Rs.	Rs.	Rs.
Stassen Exports (Private) Limited	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Reimbursement of Expenses Incurred	-	(162,000)	(162,000)	(162,000)
Lanka Bell Limited	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. A.L. Gooneratne	Expenses Incurred	116,544	-	116,544	-
Melsta Logistics (Private) Limited	Subsidiary of Parent Company	Mr. A.L. Gooneratne	Vehicle Repair Charges Reimbursement of Expenses	2,684,126	(747,763)	(467,552)	(3,151,678)
Melsta Technologies (Private) Limited	Subsidiary of Parent Company		Salaries Incurred Software Development charges	-	(1,874,700)	(179,976)	(3,789,551)
Madulsima Plantations PLC	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Reimbursement of Expenses Supply good and service Reimbursement of Expenses	5,928,144 (2,318,570)	-	22,109,216	12,135,966
Milford Export Ceylon (Private) Limited	Ultimate Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Rent Received Sale of Green Leaf Reimbursement of Expenses Settlements Received	3,611,292 25,589,268 29,627 (29,200,560)	(3,404,905) 63,310,692 3,384,505 (59,936,355)	3,385,908	3,356,281
Melstacorp PLC	Intermediate Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena Mr. A.L. Gooneratne Mr. C. R. Jansz	Loans Obtained Interest Charge Repayments during the Year	(50,000,000) (736,019,526) 759,925,426	(92,076,632) (236,281,529) 90,714,653	(3,328,826,545)	(3,494,400,045)
Formula World Private Limited	Subsidiary of Parent Company	Mr. A.L. Gooneratne	Advance Payment	1,407,599	-	1,204,200	(203,398.60)

## Notes to the Financial Statements

As at 31 December

### 40 Capital Commitments

There are no material capital commitments as at the date of the Statement of Financial Position.

### 41 Contingent Liabilities

There are no contingent liabilities as at the reporting date that require adjustments and or disclosures in the financial statements.

### 42 Events Occurring after the Reporting Date

#### 42.1 First interim dividend

The Board of Directors of the Company has approved and paid an interim dividend of Rs. 2.00 per share on 28 April 2023 totaling to Rs. 94 Million.

There were no other events or conditions after the reporting date other than those disclosed above that require adjustments/disclosures in the financial statements.

#### 42.2 Share allotment

As disclosed in the note 28.1 to these financial statements, the Company has completed its formalities relating to the issue of shares subscribed at the rights issue announced on 13 September 2022. Accordingly, a total of 23,636,363 new ordinary shares were issued on 10 January 2023.

Consequent to the issue of shares, the stated capital of the Company has increased to Rs.2,359,090,865.

## Notes to the Financial Statements

As at 31 December

### 43 Financial Risk Management

#### 43.1 Risk Management Framework

The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programs 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 covers the management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company's board of directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Accordingly, the company's activities exposed to variety of financial risks:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

#### 43.1.1 Credit Risk

Credit risk is the risk that a 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 trade receivables).

##### a) Credit Risk Management

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

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, trade and other receivables, the Company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure the counterparties fulfil their obligations.

##### Credit Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following figures shows the maximum risk positions.

##### At 31 December

	2022 Rs.	2021 Rs.
Financial Assets Measured at FVOCI	191,872	388,183
Trade and Other Receivables	110,012,908	95,626,669
Amounts due from Related Companies	26,699,324	15,492,247
Other Financial Assets Measured at Amortised Cost	-	454,387
Cash and Cash Equivalents	2,176,760,502	6,114,540
<b>Total Credit Risk Exposure</b>	<b>2,313,664,606</b>	<b>118,076,026</b>

##### Impairment Losses

The aging of Trade receivables as at the reporting date was;

	2022		2021	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
Not Past Due	14,854,100	-	29,959,189	-
	14,854,100	-	29,959,189	-

#### 43.1.1.1 Amounts Due From Related Parties

The Company's amounts due from related parties mainly consist of balances due from companies under common control and from affiliate companies.

## Notes to the Financial Statements

As at 31 December

### 43 Financial Risk Management (Continued)

#### 43.1 Risk Management Framework (Continued)

##### 43.1.1.2 Cash and Cash Equivalents and Short Term Investments

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Company consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

The cash and cash equivalents are held at Banks, which are rated "A (lka)" based on fitch rating Sri Lanka.

##### 43.1.2 Liquidity Risk

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

The table below summarizes the maturity profile of the Company's financial liabilities as at 31 December 2022 based on contractual undiscounted payments.

At 31 December 2022	Carrying Amount Rs.	Contractual Cash flow Rs.	06 Months or less Rs.	06 - 12 Months Rs.	01 - 02 Years Rs.	02 - 05 Years Rs.	More than 05 Years Rs.
<b>Non-Derivative Financial Liabilities</b>							
Interest Bearing Loans and Borrowings	3,328,826,245	4,910,318,918	575,000,000	-	1,954,377,462	2,263,175,073	117,766,383
Lease Liability	304,273,560	884,281,068	20,564,676	20,564,676	41,129,352	123,388,056	678,634,308
Trade and Other Payables	398,237,133	398,237,133	398,237,133	-	-	-	-
Amounts due to Related Companies	926,072	926,072	926,072	-	-	-	-
Bank Overdraft	73,808,297	73,808,297	73,808,297	-	-	-	-
	4,106,071,307	6,267,571,488	1,068,536,178	20,564,676	1,995,506,814	2,386,563,129	796,400,691
<b>At 31 December 2021</b>							
<b>Non-Derivative Financial Liabilities</b>							
Interest Bearing Loans and Borrowings	3,494,400,045	4,971,033,822	107,853,133	94,183,713	155,775,768	3,064,548,555	1,548,672,653
Lease Liability	284,079,956	895,773,658	19,059,014	19,059,014	38,118,028	114,354,084	705,183,518
Trade and Other Payables	467,602,027	467,602,027	467,602,027	-	-	-	-
Amounts due to Related Companies	7,306,628	7,306,628	7,306,628	-	-	-	-
Bank Overdraft	464,111,785	464,111,785	464,111,785	-	-	-	-
	4,717,500,441	6,805,827,920	1,065,932,587	113,242,727	193,893,796	3,178,902,639	2,253,856,171

## Notes to the Financial Statements

As at 31 December

### 43 Financial Risk Management (Continued)

#### 43.1 Risk Management Framework (Continued)

##### 43.1.3 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 optimizing the return.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

- (a) Interest rate risk
- (b) Currency risk
- (c) Commodity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the deposits and borrowings.

The interest rates have increased significantly after the reporting date and this may lead to substantial negative impact on the future profits of the Company.

##### Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were,

	2022 Rs.	2021 Rs.
<b>Fixed Rate Instruments</b>		
Financial Assets	-	454,387
Financial Liabilities	378,081,857	748,191,741
	<u>378,081,857</u>	<u>748,646,128</u>
<b>Variable Rate Instruments</b>		
Financial Liabilities	(3,328,826,245)	(3,494,400,045)
	<u>(3,328,826,245)</u>	<u>(3,494,400,045)</u>

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit/ (loss) before tax (through the impact on floating rate borrowings)

	2022		2021	
	Increase	Decrease	Increase	Decrease
	8%	8%	8%	8%
Sensitivity to 800 bp- Effect on Profit before Tax	(266,306,100)	266,306,100	(276,877,289)	276,877,289

##### b) Currency Risk

The Company has no any currency risk, since there are no any foreign currency instruments as at the reporting date.

## Notes to the Financial Statements

As at 31 December

### 43 Financial Risk Management (Continued)

#### 43.1 Risk Management Framework (Continued)

##### 43.1.4 Operational risk

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit and also finance team. The results of Internal Audit reviews are discussed with the Management, summaries submitted to the senior Management of the Company.

#### 43.2 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The company manages its capital structure and make adjustments to it in 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 by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position.

The Company's Debt to Equity ratio at the end of the reporting periods is as follows:

	2022	2021
Total Liabilities	6,285,899,527	6,269,910,134
Less: Cash at Bank and Cash in Hand	(2,178,000,693)	(7,096,563)
Net debts	4,107,898,834	6,262,813,571
Total Equity	3,280,333,617	709,514,777
Debt to Equity ratio(Gearing Ratio)	125%	883%

## Notes to the Financial Statements

As at 31 December

### 44 Fair Value Measurement

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

The 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.

#### 44.1 Fair Value versus the Carrying Amounts

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

	2022		2021	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
<b>Assets Carried at Amortised Cost</b>				
Trade and Other Receivables	110,012,908	110,012,908	95,626,669	95,626,669
Amounts due from Related Companies	26,699,324	26,699,324	15,492,247	15,492,247
Other Financial Assets Measured at Amortised Cost	-	-	454,387	454,387
Cash and Cash Equivalents	2,178,000,693	2,178,000,693	7,096,563	7,096,563
<b>Financial Assets Measured at FVOCI</b>				
Quoted Equity Investments in Ordinary Shares	191,872	191,872	388,183	388,183
	<b>2,314,904,797</b>	<b>2,314,904,797</b>	<b>119,058,049</b>	<b>119,058,049</b>
<b>Liabilities Carried at Amortised Cost</b>				
Interest Bearing Loans and Borrowings	3,328,826,245	3,328,826,245	3,494,400,045	3,494,400,045
Lease Liabilities	304,273,560	304,273,560	284,079,956	284,079,956
Trade and Other Payables	398,237,133	398,237,133	467,602,027	467,602,027
Amounts due to Related Companies	926,072	926,072	7,306,628	7,306,628
Bank Overdraft	73,808,297	73,808,297	464,111,785	464,111,785
	<b>4,106,071,307</b>	<b>4,106,071,307</b>	<b>4,717,500,441</b>	<b>4,717,500,441</b>

## Notes to the Financial Statements

As at 31 December

### 44 Fair Value Measurement (Continued)

#### 44.2 Financial Assets and Liabilities by Categories

##### (a) Financial Assets

	2022			2021		
	Amortised Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and Other Receivables	110,012,908	-	-	95,626,669	-	-
Amounts due from Related Companies	26,699,324	-	-	15,492,247	-	-
Other Financial Assets Measured at Amortised Cost	-	-	-	454,387	-	-
Cash and Cash Equivalents	2,178,000,693	-	-	7,096,563	-	-
Financial Assets Measured at FVOCI	-	-	191,872	-	-	388,183
	2,314,712,925	-	191,872	118,669,866	-	388,183

##### (b) Financial Liabilities

	2022		2021	
	Other Financial Liabilities	Fair Value Through Profit or Loss	Other Financial Liabilities	Fair Value Through Profit or Loss
	Rs.	Rs.	Rs.	Rs.
Interest Bearing Loans and Borrowings	3,328,826,245	-	3,494,400,045	-
Lease Liabilities	304,273,560	-	284,079,956	-
Trade and Other Payables	398,237,133	-	467,602,027	-
Amounts due to Related Companies	926,072	-	7,306,628	-
Bank Overdraft	73,808,297	-	464,111,785	-
	4,106,071,307	-	4,717,500,441	-

## Notes to the Financial Statements

As at 31 December

### 44 Fair Value Measurement (Continued)

#### 44.3 Financial Assets and Liabilities by Fair Value Hierarchy

As at 31 December 2022

##### Assets Carried at Amortised Cost

Trade and Other Receivables	-	-	110,012,908
Amounts due from Related Companies	-	-	26,699,324
Cash and Cash Equivalents	-	2,178,000,693	-

##### Financial Assets Measured at FVOCI

Quoted Equity Investments in Ordinary Shares	191,872	-	-
	191,872	2,178,000,693	136,712,232

##### Liabilities Carried at Amortised Cost

Interest Bearing Loans and Borrowings	-	-	3,328,826,245
Lease Liabilities	-	-	304,273,560
Trade and Other Payables	-	-	413,584,598
Amounts due to Related Companies	-	-	926,072
Bank Overdraft	-	73,808,297	-
	-	73,808,297	4,032,263,010

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
	-	-	110,012,908
	-	-	26,699,324
	-	2,178,000,693	-
	191,872	-	-
	191,872	2,178,000,693	136,712,232
	-	-	3,328,826,245
	-	-	304,273,560
	-	-	413,584,598
	-	-	926,072
	-	73,808,297	-
	-	73,808,297	4,032,263,010

As at 31 December 2021

##### Assets Carried at Amortised Cost

Trade and Other Receivables	-	-	95,626,669
Amounts due from Related Companies	-	-	15,492,247
Other Financial Assets Measured at Amortised Cost	-	-	454,387
Cash and Cash Equivalents	-	7,096,563	-

##### Financial Assets Measured at FVOCI

Quoted Equity Investments in Ordinary Shares	388,183	-	-
	388,183	7,096,563	111,573,303

##### Liabilities Carried at Amortised Cost

Interest Bearing Loans and Borrowings	-	-	3,494,400,045
Lease Liabilities	-	-	284,079,956
Trade and Other Payables	-	-	467,602,027
Amounts due to Related Companies	-	-	7,306,628
Bank Overdraft	-	464,111,785	-
	-	464,111,785	4,253,388,656

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
	-	-	95,626,669
	-	-	15,492,247
	-	-	454,387
	-	7,096,563	-
	388,183	-	-
	388,183	7,096,563	111,573,303
	-	-	3,494,400,045
	-	-	284,079,956
	-	-	467,602,027
	-	-	7,306,628
	-	464,111,785	-
	-	464,111,785	4,253,388,656

## Notes to the Financial Statements

As at 31 December

### 45 Operating Segments

	Tea		Rubber		Others		Total	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
<b>Segmental Results</b>								
Revenue	5,406,571,708	3,382,815,826	664,022,352	619,872,763	-	-	6,070,594,060	4,002,688,589
Revenue Expenditure	(3,947,548,754)	(3,403,860,072)	(527,942,348)	(529,250,375)	-	-	(4,475,491,102)	(3,933,110,447)
Gross Profit/ (Loss)	1,459,022,954	(21,044,246)	136,080,002	90,622,388	-	-	1,595,102,958	69,578,142
Gain on Changes in Fair Value of Biological Assets	-	-	-	-	-	-	218,670,486	218,855,585
Other Income	-	-	-	-	-	-	153,831,229	152,195,725
Unallocated Expenses	-	-	-	-	-	-	(162,787,605)	(177,417,893)
Net Finance Cost	-	-	-	-	-	-	(808,195,521)	(321,992,968)
<b>Profit/ (Loss) Before Taxation</b>	-	-	-	-	-	-	996,621,547	(58,781,409)
Less : Taxation	-	-	-	-	-	-	(439,694,589)	57,060,936
<b>Profit/ (Loss) for the Year</b>	-	-	-	-	-	-	556,926,958	(1,720,473)
Other Comprehensive Income (Net of tax)	-	-	-	-	-	-	(155,750,458)	(92,139,501)
<b>Total Comprehensive Income/ (Expense)</b>	-	-	-	-	-	-	401,176,500	(93,859,974)
<b>Segmental Results</b>								
Non Current Assets	2,044,406,984	2,040,261,863	1,850,373,948	1,902,491,296	2,665,621,010	2,459,570,812	6,560,401,942	6,402,323,971
Current Assets	730,420,080	440,566,174	78,353,791	61,916,597	2,197,057,334	74,618,169	3,005,831,205	577,100,940
<b>Total Assets</b>	2,774,827,064	2,480,828,037	1,928,727,740	1,964,407,893	4,862,678,344	2,534,188,981	9,566,233,148	6,979,424,911
<b>Segmental Liabilities</b>								
Non Current Liabilities	1,029,143,865	818,985,076	175,594,041	104,138,154	4,015,290,367	4,191,452,718	5,220,028,273	5,114,575,948
Current Liabilities	315,606,248	374,253,586	80,358,078	105,708,725	669,906,928	675,371,875	1,065,871,254	1,155,334,186
<b>Total Liabilities</b>	1,344,750,113	1,193,238,662	255,952,119	209,846,879	4,685,197,295	4,866,824,593	6,285,899,527	6,269,910,134
<b>Segmental Capital Expenditure</b>								
Field Development	25,206,269	14,038,599	60,584,166	37,808,521	5,036,978	6,949,144	90,827,413	58,796,264
Property, Plant & Equipment	25,164,377	29,863,621	2,105,524	3,852,324	14,211,905	8,114,725	41,481,806	41,830,670
Total Capital Expenditure	50,370,646	43,902,220	62,689,690	41,660,845	19,248,883	15,063,869	132,309,219	100,626,934
<b>Depreciation</b>								
Mature Depreciation	15,667,547	15,663,799	75,854,342	75,572,355	3,337,188	3,318,333	94,859,077	94,554,487
Property, Plant & Equipment	76,357,530	85,785,892	25,097,216	20,848,154	8,346,202	7,308,485	109,800,948	113,942,531
	92,025,077	101,449,691	100,951,558	96,420,509	11,683,390	10,626,818	204,660,025	208,497,018

## Shareholder and Investor Information

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

### Distribution of Shareholdings as at 31 December 2022

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
1 - 1,000	18,150	97.16	2,328,747	9.85
1,001 - 10,000	413	2.21	1,466,181	6.20
10,001 - 100,000	106	0.57	3,235,799	13.69
100,001 - 1,000,000	10	0.05	1,704,198	7.22
1,000,001 & Over	2	0.01	14,901,438	63.04
<b>Grand Total</b>	<b>18,681</b>	<b>100</b>	<b>23,636,363</b>	<b>100</b>

### Analysis Report of Shareholders

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
Individual	18,449	98.76	5,830,710	24.67
Institution	212	1.13	16,596,055	70.21
Foreign Individuals	15	0.08	28,932	0.12
Foreign Institution	5	0.03	1,180,666	5.00
<b>Grand Total</b>	<b>18,681</b>	<b>100.00</b>	<b>23,636,363</b>	<b>100.00</b>

- Public Holding Percentage as at 31 December 2022 - 41.39%
- Number of shareholders representing the above percentage - 18,681 shareholders
- The adjusted market capitalization as at 31 December 2022 – Rs. 802,181,400
- The float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said opposition.

### Market Statistics as at 31st December

	2022	2021
Number of shares	23,636,363	23,636,363
Earning/(Loss) per Share Rs	23.56	(0.07)
Net Asset per Share Rs	46.99	30.00
Dividend per Share Rs	-	-
Highest Share Price Rs	139.00	33.80
Lowest Share Price Rs	13.40	10.00
Last traded Price Rs	82.00	30.30

## Shareholder and Investor Information

No	Name of Shareholder	No. of Shares	%
1	Melstacorp PLC	13,853,663	58.61%
2	Sandwave LTD	1,047,775	4.43%
3	Seylan Bank PLC/ Mohamed Mushtaq Fuad	375,214	1.59%
4	Mr. R.A. Rishard	278,427	1.18%
5	Hatton National Bank PLC / Mushtaq Mohamed Fuad	223,007	0.94%
6	Hatton National Bank PLC / Almas Holdings (private) LTD	134,981	0.57%
7	Sampath Bank PLC / Mr. Gerard Shamil Niranjan Peiris & Mrs. Indrani Roshani Peiris	128,095	0.54%
8	Hatton National Bank PLC- Astrue Alpha Fund	126,370	0.53%
9	Seylan Bank PLC/ Hiline Towers (pvt) Ltd.	120,032	0.51%
10	Mr. A.K. Palliya Guruge don (deceased)	108,000	0.46%
11	Dialog Finance PLC / F.F. Haniffa	106,966	0.45%
12	Mr. M.S.F. Haqqe	103,106	0.44%
13	Mr. K.D.Y. Pathiraja	100,000	0.42%
14	Seylan Bank PLC/Mohamed Subair Fouzal Haqqe	100,000	0.42%
15	Mr. L.D.S. Chandrasiri	100,000	0.42%
16	Dr. A.A.M. Dharmadasa	90,000	0.38%
17	Ventura Crystal (private) Ltd	90,000	0.38%
18	Mr. A. Rajaratnam	88,742	0.38%
19	J. B. Cocoshell (pvt) Ltd	88,192	0.37%
20	Mr. M .M. Fuad	87,971	0.37%

## Shareholder Financial Information

	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Turnover	6,070,594	4,002,689	3,573,075	2,606,317	2,358,252	3,056,067
Profit(Loss)before Taxation	996,622	(58,781)	143,597	(902,576)	(479,489)	100,775
Taxation	(439,695)	57,061	(27,198)	(128,474)	(165,992)	(192,436)
Profit(Loss) after Taxation	556,927	(1,720)	116,399	(1,031,050)	(645,481)	(91,661)
Other Comprehensive Income	(155,750)	(92,140)	927,900	(22,361)	(25,697)	22,395
Profit (Loss) brought forward	(2,739,820)	(2,386,946)	(2,376,156)	(1,146,871)	(385,018)	179,372
Dividend	-	-	-	-	-	-
Transfer from General Reserve	-	-	-	-	-	(1,148)
Transfer to Revaluation Reserves	206,613	(39,284)	(909,017)	-	-	-
Transfer to Timber Reserve	(212,831)	(219,776)	(146,139)	(102,197)	(90,763)	(22,150)
Available for Sales Reserve	196	46	67	5	87	47
Adjustment Due to Initial Application of SLFRS 16	-	-	-	(73,682)	-	109,005
Retained Profit (Loss)	(2,344,665)	(2,739,820)	(2,386,946)	(2,376,156)	(1,146,872)	88,003
Fixed Assets	6,560,402	6,402,324	6,284,118	4,948,043	4,742,306	5,137,726
Current Assets	3,005,831	577,101	561,072	476,444	469,312	429,389
Current Liabilities	1,065,871	1,155,334	2,686,744	1,173,371	1,157,408	1,078,990
Non Current Liabilities	5,220,028	5,114,576	3,355,071	4,492,040	3,168,044	2,457,893
Net Assets	3,280,334	709,515	803,375	(240,924)	886,166	2,030,232
Share Capital	350,000	350,000	350,000	350,000	350,000	350,000
Revaluation Reserves	741,689	948,302	909,017	-	-	-
Timber Reserves	2,363,625	2,150,793	1,931,017	1,784,878	1,682,681	1,591,918
Available for Sales Reserve	43	240	285	353	357	357
Profit & Loss Account	(2,344,665)	(2,739,820)	(2,386,946)	(2,376,155)	(1,146,872)	87,956
Share Application Pending Allotment	2,169,642	-	-	-	-	-
Capital Employed	3,280,334	709,515	803,373	(240,924)	886,166	2,030,231
Number of Shares ('000)	23,636	23,636	23,636	23,636	23,636	23,636
Earning per Share (Rs.)	23.56	(0.07)	4.92	(43.62)	(27.31)	3.88
Dividend per Share (Rs.)	-	-	-	-	-	-
Net Asset per Share (Rs.)	46.99	30.02	33.99	(10.19)	37.49	86
Dividend Payout Ratio (%)	-	-	-	-	-	-

## Statement of Value Addition

	Year ended 31.12.2022 Rs.'000		Year ended 31.12.2021 Rs.'000	
	%	Share	%	Share
<b>REVENUE</b>	94.22	6,070,594	91.52	4,002,689
Other Income	5.78	372,502	8.48	371,051
<b>Total Revenue</b>	100.00	6,443,096	100.00	4,373,740
Cost of Material & Service bought		5,905,287		4,553,500
<b>VALUE ADDED</b>	8.35	537,809	(4.11)	(179,760)
	%	Share	%	Share
<b>DISTRIBUTION OF VALUE ADDED</b>				
A to Employees as Remuneration	343.24	1,845,951	(1,118.81)	2,011,166
B to Government as Taxes				
B1 to Government as Lease Interest	7.10	38,177	(20.02)	35,987
C to Lenders of Capital as Interest	144.05	774,718	(159.25)	286,262
D to Shareholders as Dividends				
<b>E Retained in Business</b>				
E1 Provision of Depreciation	41.58	223,628	(126.08)	226,645
E2 Profit Retained	(436)	(2,344,665)	1524.15	(2,739,820)
	100.00	537,809	100.00	(179,760)

## Performance of Estates 2022 & 2021

Tea Estates	Elevation Category	Year	Extent	Combined Crop	Yield	C. O.P	N.S.A
			( Ha.)	(kg)	Kg/ha	Rs/kg	Rs/kg
Balangoda	Uva Medium	2022	418.95	574,011	1,187	923.09	1,209.32
		2021	418.95	724,349	1,425	556.50	542.94
Cecilton	Uva Medium	2022	170.56	244,752	928	1,152.97	1,137.30
		2021	170.56	314,114	1,133	643.17	540.25
Meddakande	Uva Medium	2022	146.90	184,420	841	1,210.92	1,109.53
		2021	146.90	284,661	1,146	662.44	522.19
Non Pareil	Uva High	2022	226.00	99,938	442	1,299.04	1,044.54
		2021	226.00	125,341	555	934.78	553.75
Pettiagalla	Uva Medium	2022	173.50	198,767	866	1,077.22	1,158.81
		2021	173.50	268,709	1,070	639.21	572.05
Rasagalla	Low	2022	234.81	290,009	846	1,127.04	1,186.87
		2021	234.81	431,630	1,126	621.02	583.83
Rye/Wikiliya	Low	2022	129.80	52,772	407	1,498.91	1,101.82
		2021	134.80	52,919	393	1,130.39	577.14
Walaboda	Uva Medium	2022	102.50	82,972	809	1,043.17	1,124.52
		2021	102.50	95,095	928	644.57	541.63
Mahawale	Low	2022	1.60	853	533	803.37	1,137.05
		2021	1.60	913	571	604.81	585.01
Palmgarden	Low	2022	4.85	198,111	444	1,389.23	1,137.05
		2021	4.85	430,025	848	665.40	586.05
Cullen	Uva Medium	2022	141.90	75,481	532	1,215.44	1,168.35
		2021	141.90	90,885	640	750.13	578.50
Glen Alpin	Uva Medium	2022	283.31	456,854	904	1,164.73	1,197.06
		2021	283.31	652,837	1,050	615.97	538.90
Gowerakelle	Uva Medium	2022	190.35	112,679	577	1,029.07	1,131.59
		2021	190.35	138,149	705	577.75	488.28
Spring Valley	Uva High	2022	452.53	475,817	789	1,097.65	1,183.31
		2021	452.53	557,371	988	632.45	550.72
Telbedde	Uva Medium	2022	520.78	719,136	1,131	983.62	1,153.64
		2021	520.78	797,088	1,288	597.71	551.14
Ury	Uva Medium	2022	304.92	361,865	824	1,008.47	1,245.81
		2021	307.92	402,293	946	581.93	561.69
Wewesse	Uva Medium	2022	235.10	362,489	769	1,212.50	1,268.85
		2021	235.10	378,497	985	629.82	575.08

## Performance of Estates 2022 & 2021

Rubber Estates	Elevation Category	Year	Extent	Combined Crop	Yield	C. O.P	N.S.A
			( Ha.)	(kg)	Kg/ha	Rs/kg	Rs/kg
Galatura	Ratnapura	2022	158.78	131,899	784	782.77	765.94
		2021	179.75	153,482	764	533.42	550.34
Mahawale	Ratnapura	2022	178.51	91,461	508	911.31	758.13
		2021	213.87	143,488	661	518.12	543.73
Millawitiya	Ratnapura	2022	93.12	78,203	821	687.89	789.10
		2021	85.62	97,032	1,098	451.89	551.51
Mutwagalla	Ratnapura	2022	195.60	125,118	631	837.88	757.90
		2021	180.09	156,466	852	535.35	550.97
Palmgarden	Ratnapura	2022	247.41	157,171	629	827.18	767.24
		2021	247.78	223,875	890	492.59	550.80
Rambukkande	Ratnapura	2022	208.32	199,889	950	645.28	780.21
		2021	219.62	266,597	1,213	390.89	565.20
Meddekande	Balangoda	2022	12.62	4,139	328	407.48	644.75
		2021	5.50	4,272	777	298.90	430.52
Rye	Balangoda	2022	48.07	31,006	645	509.85	615.89
		2021	23.59	27,491	1,165	376.80	428.41
Glen Alpin	Badulla	2022	6.97	6,824	979	368.72	626.38
		2021	6.97	7,505	1,077	264.73	441.75
Telbedde	Badulla	2022	8.97	0	0	0.00	0.00
		2021	8.12	1,842	227	496.92	434.46
Ury	Badulla	2022	40.13	28,289	705	339.99	642.33
		2021	38.70	29,548	764	236.90	434.86
Wewassa	Badulla	2022	27.53	28,490	1,035	422.82	684.33
		2021	20.02	28,997	1,448	352.23	451.80



## Form of Proxy

I/We.....of.....  
 .....being a member /members of Balangoda  
 Plantations PLC hereby appoint.....of..... whom failing.

Don Harold Stassen Jayawardena	or failing him
Cedric Royle Jansz	or failing him
Don Hasitha Stassen Jayawardena	or failing him
Mellawatantrige Anton Niroshan Sampath Perera	or failing him
Kumarasamy Dayaparan	or failing him
Arinesarajah Shakthevale	or failing him
Don Soshan Kamantha Amarasekera	or failing him

as my/our proxy to represent me/us and\*..... to vote on my/our behalf at the Thirtieth (30<sup>th</sup>) Annual General Meeting of the Company will be held as a **“Virtual Meeting”** at the Auditorium Melstacorp PLC at **12.00 noon on Thursday, 29<sup>th</sup> June 2023**, and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

• Please delete the inappropriate words	For	Against
1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2022 together with the Auditors’ Report thereon	<input type="checkbox"/>	<input type="checkbox"/>
2) To appoint Mr D H S Jayawardena who is above the age of 70 years as a Director by passing the following resolution.  “That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr D H S Jayawardena who has reached the age of 80 years prior to the Annual General Meeting and that he shall accordingly be re-appointed”.	<input type="checkbox"/>	<input type="checkbox"/>
3) To appoint Mr C R Jansz who is above the age of 70 years as a Director by passing the following resolution.  “That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr C R Jansz who has reached the age of 70 years at the Annual General Meeting and that he shall accordingly be re-appointed”.	<input type="checkbox"/>	<input type="checkbox"/>
4) To appoint Dr A Shakthevale who is above the age of 70 years as a Director by passing the following resolution.  “That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Dr A Shakthevale who has reached the age of 80 years prior to the Annual General Meeting and that he shall accordingly be re-appointed”.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr M A N Sampath Perera at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr K Dayaparan at the Annual General Meeting in terms of Article 98 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-elect Mr D S K Amarasekera who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8) To authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
 Signature/s

## Instructions for Completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
5. Duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to **bplmplcompanysecretary@gmail.com**, or facsimile on +94 11 2540333 or by post to the registered address of the Company, Balangoda Plantations PLC. # 110, Norris Canal Road, Colombo 10, Sri Lanka **not less than forty eight (48) hours before the time fixed for the meeting.**

**Please provide the following details (mandatory):**

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

Folio No : .....

E.mail address of the Shareholder/(s) or proxy holder  
(other than a Director appointed as proxy) : .....

Mobile No : .....

Fixed Line : .....

