



# **Annual Report 2023**



**Balangoda**  
**PLANTATIONS PLC**  
A MEMBER OF MELSTACORP



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## OUR VISION

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

## OUR MISSION

- *To increase productivity,*
- *To encourage teamwork and motivation amongst the employees and provide for career development,*
- *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 re-registered under the Company's Act No. 07 of 2007 as Company No PQ 165 and a fresh Certificate of Incorporation was 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 the 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 employees of the Company.*

*20% pf 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.*

## Notice Of Meeting

**NOTICE IS HEREBY GIVEN** that the Thirty-first (31st) Annual General Meeting of **BALANGODA PLANTATIONS PLC** will be held as a virtual meeting via an online meeting platform conducted from the "Mini Auditorium" Melstacorp PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka on Tuesday, 25th June 2024 at 12.00 noon for the following purposes:

- 1) To receive and consider the Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st December 2023 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 81 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 71 years prior to 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 81 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".
- 5) To re-elect Mr D Hasitha S Jayawardena who retire by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.
- 6) 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.

sgd  
By order of the Board  
**Pradeep A Jayatunga**  
Company Secretary

30th May 2024  
Colombo

## Notice of Meeting (Continued)

### Notes

The thirty – first (31st) Annual General Meeting of Balangoda Plantations PLC will be held by participants joining in person or proxy through audio or audio-visual means in the manner specified below:

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

The Chairman, the Board of Directors, certain Key Management Personnel, the Company Secretary, and the External Auditors will be available on the Virtual Platform on Tuesday, 25th June 2024 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 in 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 posted to the shareholders and forwarding same to Company Secretary via bplmplcompanysecretary@gmail.com or by facsimile on +94 11 254033, to reach the Secretary not less than two (02) working days before the date of the meeting so that the meeting login information could be forwarded to the email address as provided.
- 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 the Company Secretary via e-mail 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 the Company Secretary, via e-mail to bplmplcompanysecretary@gmail.com or facsimile at + 94 11 254033 or by post to the Registered Office of the Company, Madulsima Plantations PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka not less than Two (02) days before the date of the meeting. This is to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that the same could be addressed at the meeting.

#### iv) The Annual Report of the Company for the year 2023 will be available for perusal on the Company website <http://melsta.com/our-core-secotrs/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 2023, please complete and forward us the Form of Request, Annexure I (posted to the shareholders) 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 or facsimile + 94 11 2540333.

# Corporate Information

## Company

Balangoda Plantations PLC

## Legal Form

Public Listed Company

## Date of Incorporation

11th June 1992

## Company Registration No.

P Q 165

## Registered Office

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

## Board of Directors

Mr. D H S Jayawardena	Chairman
Mr. C R Jansz	Non Executive Director
Mr. D Hasitha S Jayawardena	Non Executive Director
Mr. M A N S Perera	Executive Director
Mr. K Dayaparan	Non Executive Director
Dr. A Shakthevale	Independent Non-Executive Director
Mr. D S K Amarasekera	Independent Non-Executive Director

## Secretary

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

## Auditors

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

## Registrars

Central Depository Systems (Pvt) Ltd  
Registrars Unit  
Ground Floor,  
M & M Center, # 341/5 Kotte Road  
Rajagiriya  
Telephone :+011 2356446

## Bankers

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

## Parent Company

Melstacorp PLC  
110, Norris Canal Road  
Colombo 10.

## Management Team

### HEAD OFFICE - RATNAPURA

Chief Executive Officer	Mr. D Wekunagoda
General Manager – Finance	Mr. R Kodikara
Accountant	Mr. P Hewavitharana

### HEAD OFFICE - COLOMBO

Director Operations	Maj. Gen. (Retd). D Fernando
General Manager Finance (Plantations)	Mr. D S Heenatigalage

### COMPANY SECRETARIAL & LEGAL DIVISION

Company Secretary/Legal Officer	Mr. P A Jayatunga
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### ESTATE MANAGERS

#### Balangoda Region

Name of the Estate	Name of the Superindependent
Balangoda Estate	Mr. A I Vadysinghe (Cluster Manager - Balangoda Region)
Cecilton Estate	Mr. D A V R Priyadarshana
Meddakande Estate	Mr. G K M A Gannoruwa
Non Pareil Estate	Mr. S A de Livera (w.e.f. 1st April 2024)
Pettiagalla Estate	Mr. V C Hewage (w.e.f. 2nd January 2024)
Rasagalla Estate	Mr. N M P C Nawaratne
Rye/Wikiliya Estate	Mr. P C Rajapakse (w.e.f. 15th March 2024)
Walaboda Estate	Mr. M Nilumshan (w.e.f. 15th March 2024)

#### Badulla Region

Glen Alpin Estate	Mr. M Pilapitiya (Cluster Manager - Badulla Region)
Cullen Estate	Mr. T L S Perera
Gowerakelle Estate	Mr. M Markandan (w.e.f 15th March 2024)
Spring Valley Estate	Mr. R D K K Pallemulla (w.e.f. 1st December 2023)
Telbedde Estate	Mr. T L S Perera
Ury Estate	Mr. A P S Wishwanath
Wewesse Estate	Mr. C P de Arthur

#### Ratnapura Region

Galatura Estate	Mr. R A I Ramanayake (Overlooking)
Mahawale Estate	Mr. B A N Nuwan (Overlooking w.e.f. 27th March 2024)
Millawitiya Estate	Mr. K M A S Wijeratne
Mutwagalla Estate	Mr. R A I Ramanayake
Palmgarden Estate	Mr. P K A H Thilakarathne
Rambukkande Estate	Mr. B A N Nuwan

## Board of Directors

### MR D H S JAYAWARDENA

#### CHAIRMAN

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 Hotels 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 Holdings (Pvt) Ltd, C B D Exports (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Carden Coir (Pvt) Ltd., Milford Developers (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 (Pvt) Ltd., Melstacorp PLC, Melsta Health (Pvt) Ltd., Madulsima Plantations PLC, Bogo Power (Pvt) Ltd., Bellactive (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd., DCSL Breweries Lanka Limited.

#### 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., McSen Range (Pvt) Limited.

#### 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

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

He has been the Chairman of DFCC Bank and Sri Lanka Shippers Council.

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

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

## Board of Directors (Continued)

### 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., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipolla Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Zahra Exports (Pvt) Ltd., McSen Range (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Madulsima Plantations PLC, Melsta Gama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., DCSL Brewery (Pvt) Ltd., DCSL Breweries Lanka Ltd., Melsta House (Pvt) Ltd., DCSL Group Marketing (Pvt) Limited.

### MR M A N S PERERA

#### EXECUTIVE DIRECTOR

Mr M A N Sampath Perera holds an MBA from the prestigious 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 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.

During the last two decades, Mr. Perera worked in the investment, banking, and fintech sectors in London. He started his UK chapter with PwC-London and was involved in several strategic projects with global top-tier banks including JP Morgan, ING, Bank of Montreal, National Australia Bank, and BNP Paribas. He was pivotal in setting up two London-based international investment banks and a FinTech banking platform. He served these institutions in various leadership capacities including Finance Director, Chief Financial Officer, Head of Strategy, and part-time CRO. Mr. Perera has led strategic and economic research initiatives at a corporate level. He has over 25 years of international experience spanning Europe, Asia, the Americas, the Middle East, and Southern Africa.

#### Managing Director

Mr. M.A.N.S. Perera is the Managing Director of Melstacorp PLC.

#### Director

Distilleries Company of Sri Lanka PLC, Melsta Logistics (Pvt) Ltd, Melsta Tower (Pvt) Ltd., Bellvantage (Pvt) Ltd., Melsta Pharmaceuticals (Pvt) Ltd., Melsta Labs (Pvt) Ltd., Melsta Healthcare Colombo (Pvt) Ltd., Formula World (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Periceyl (Pvt) Ltd, Madulsima Plantations PLC, Lanka Bell Ltd, Bellactive (Pvt) Ltd, Bell Solutions (Pvt) Ltd, Browns Beach Hotels, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Amethyst Leisure Ltd., Paradise Resort Pasikudah (Pvt) Ltd., DCSL Breweries Lanka Ltd., Melsta House (Pvt) Ltd.

## Board of Directors (Continued)

### MR K DAYAPARAN

#### NON EXECUTIVE DIRECTOR

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

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

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

### DR A SHAKTHEVALE

#### 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, of the 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 UN-HABITAT, Land O'Lake Oxfom 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 AMRASEKERA

#### 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 Tyers 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.

## Chairman's Review

On behalf of the Board of Directors I am pleased to present the Annual Report and the Audited Financial Statements of Balangoda Plantations PLC for the year ended 31st December 2023.

In 2023, Balangoda Plantations encountered various challenges, including adverse weather conditions and shifts in the global and domestic economic and political landscapes. Nevertheless, amidst these challenges, the company achieved an operational profit of Rs. 678 Mn and a profit before tax of Rs. 355 Mn. Despite the macro-challenges, the Tea sector managed to secure an operational profit of Rs. 572 Mn (compared to Rs. 1,459 Mn in 2022), demonstrating remarkable resilience and adaptability. While the Rubber sector faced some setbacks, it's vital to recognize the company's proactive efforts in navigating these challenges. Balangoda Plantations remains steadfast in its commitment to overcoming hurdles and striving for positive outcomes, laying a strong foundation for future growth and success.

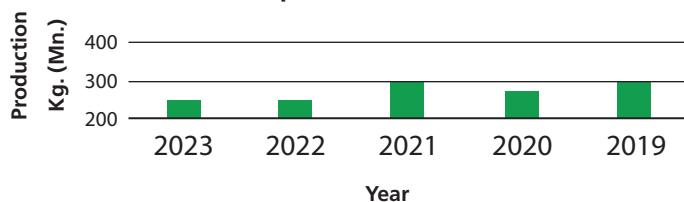
### Tea

#### Sri Lanka Tea Production

In Kg. Mn.	2023	2022	2021	2020	2019
Production	256	252	299	279	300
Annual Increase/ (Decrease)	4	(48)	20	(21)	(4)
Annual Increase/ (Decrease) %	2%	(16%)	7%	(7%)	(1%)

Source: Sri Lanka Tea Board

#### Sri Lanka Tea production from 2019 to 2023



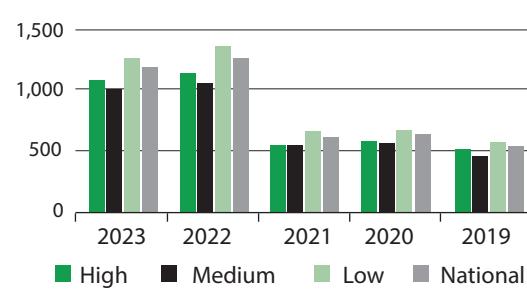
Sri Lanka's tea production experienced a marginal improvement of 2% in 2023, highlighting the ongoing struggle for recovery following detrimental policy decisions by the Government and changes in climate and weather patterns. Despite this, tea export volumes saw a decline of 4% compared to the previous year. However, there was a positive trend in tea export prices, which increased by 8% in USD terms, rising from \$5.03 to \$5.41 per kg, despite the contrary movement of the exchange rate. Consequently, this led to a 6% reduction in the national average price in LKR terms, amounting to Rs. 80 per kilogram, decreasing from Rs. 1,279 to Rs. 1,199. The primary factor contributing to this decline is the appreciation of the Sri Lankan rupee, which exerted downward pressure on tea prices in the international market. The LKR appreciated against the US dollar, moving from Rs. 360 during the second half of 2022 to Rs. 320 since April 2023, marking an increase of 11%.

#### Elevation Average (Rs. per Kg)

	2023	2022	2021	2020	2019
High	1,093	1,144	570	594	513
Medium	1,022	1,069	560	562	469
Low	1,278	1,380	655	683	577
National	1,199	1,279	629	645	546

Source: Sri Lanka Tea Board

#### Elevation Average From 2019 to 2023



## Chairman's Review (Continued)

### Company Performance

	2023	2022	2021	2020	2019
Production (000' kg)	3,548	4,482	5,744	5,704	4,744
Yield (kg/Hectare)	807	859	1,028	975	752
Turnover (Rs.Mn)	3,783	5,407	3,383	3,244	2,369
NSA (Rs/kg)	995	1,180	554	581	492
COP (Rs/kg)	907	898	594	558	581
Gross Profit/(Loss) (Rs/kg)	88	282	(40)	23	(89)

The Company's overall tea production witnessed a notable decrease of 21% compared to the previous year. This decline can be primarily attributed to a 59% decrease in 'bought crop' (with a 6% decrease in 'estate crop'), largely influenced by the dry weather conditions experienced in the Balangoda and Badulla Regions. Particularly, the drought in the Balangoda region severely impacted Balangoda Plantations PLC, resulting in a significant drop in crop yield across the Balangoda Region Estates. Additionally, the smallholders supplying bought leaf were heavily affected by the rise in fertilizer rates since the previous year.

In terms of financial performance, the tea segment recorded a turnover of Rs. 3.8 billion in 2023, marking a decrease of Rs. 1.6 billion (30%) compared to the previous year. This decline is attributed to the decrease in auction prices and tea volume throughout the year. Despite the considerable drop in production, and increase in prices of electricity, fertilizer, etc., the cost of production stood at Rs. 907 per kilogram, marginally higher than the previous year. This is a testament to the stringent cost control by the company.

### Noteworthy Performance - Tea

- Telbedde Estate won the Gold Medal for OP1 Grade and Spring Valley Estate won the Silver Medal for Pekoe Grade at the 8th Asia Pacific Tea Competition 2023 held in Beijing, China.
- Glen Alpin, Balangoda, Meddakande, Rasagalla, Pettigalla, Spring Valley, Telbedde & Wewesse Estates manufactured & sold 196 kgs of Silver Tips and Pettigalla & Ury Estates sold 10 kgs of Golden Tips as specialty Teas in the year 2023.
- The following Estates achieved Top Prices during the year 2023.  
Balangoda 42, Spring Valley 36, Telbedde 35, Glen Alpin 20, Ury 15, Wewesse 14, Cecilton 1 and Meddakande 1.

## Chairman's Review (Continued)

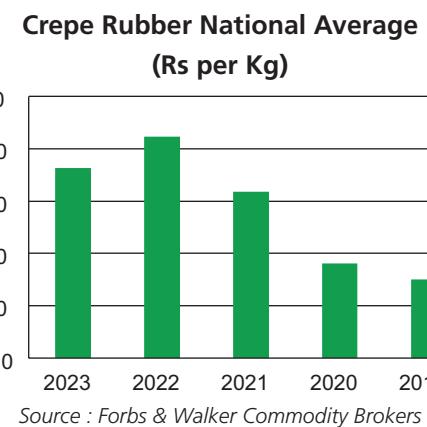
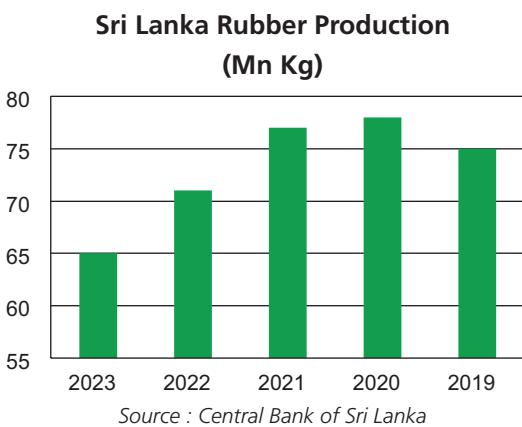
### Rubber

#### Industry Performance

Sri Lanka Rubber production decreased to 65 Mn kg in 2023 from 71 Mn kg in 2022 mainly due to adverse weather which prevailed throughout the year. Approximately 55% of Sri Lanka's rubber trees are over 25 years old and in need of replacement/replanting with vigorous disease resistant clones.

Over 80% of Rubber Plantations in Sri Lanka were affected by the Circular Leaf Spot Disease (CLSD) since year 2020. High humidity favors the spread of the disease, causing defoliation and a considerable yield loss and ultimately the death of the tree. This decrease has been one of the main causes of the year on year drop in national production.

The year ended with average Latex Crepe price at Rs.726, Scrap Crepe at Rs. 462 and the RSS at Rs.567, recording over 14% decrease in Crepe Rubber price in 2023 compared to the year 2022.



#### Company Performance

	2023	2022	2021	2020	2019
Production (000' kg)	603	883	1141	1,013	855
Yield kg/ha	490	712	905	847	721
Turnover (Rs. Mn)	347	664	620	329	237
NSA (Rs/kg)	564	756	543	322	277
COP (Rs/kg)	796	593	465	317	372
Gross Profit/(Loss) (Rs/kg)	(232)	163	78	5	(95)

Company's Rubber production volume has declined by 32% during the year 2023 mainly due to weather being unfavorable to undertake tapping and Circular Leaf Spot Disease (CLSD).

Net Sale Average decreased by 25% to Rs. 564 compared with last year due to the decline in Rubber auction prices. The cost of production (COP) increased by 34% due to the increase in input material prices, electricity cost and the low crop production.

## Chairman's Review (Continued)

### Noteworthy Performance Rubber

- 17.90 Ha of New Rubber Replanting was completed in 2023 in Ratnapura Region.
- Number of Rubber invoices achieved top prices during the year as follows: Galatura – 59, Rambukkande – 56, Mutwagalla (Wewila) - 1

### Other projects

- Dolomite Production of 1.3 Mn kgs for the year 2023 (2022: 1.4Mn kgs).
- Income generated from the Quartz Project at Meddakande Estate increased by 100% from Rs. 5 Mn in 2022 to Rs. 9.9 Mn.
- The Rasagalla Tea Factory was upgraded for ISO 22000:2018 Certification during the year
- The Nagrak Holiday Bungalow of Non Pareil Estate in Belihuloya was renovated and opened in February 2023 and has now become a much sorted location praised by visitors and generating a noteworthy return on investment of renovation.

### Prospects for 2024

Slow Global growth is predicted for the year 2024, the third consecutive year of such deceleration reflecting the ongoing effects of tight monetary policies, high inflation, restrictive credit conditions and weak global trade and investment.

The country will have to contend with unsettled weather, inability to source cost effective weedicides, disruption to regular agricultural practices and high cost of fertilizer. Wage increase for the employees of the Regional Plantation Companies is expected in 2024.

Despite these challenges, Balangoda Plantations remained resilient, adapting to evolving conditions while continuing to drive production growth. By leveraging strategic initiatives and operational efficiencies, the company effectively capitalized on opportunities for expansion, contributing to the overall positive trajectory of Sri Lanka's tea industry.

Balangoda Plantations PLC remains steadfast in its commitment to sustainable growth and operational excellence. We recognize the importance of agility and adaptability in navigating dynamic market conditions and regulatory changes. By leveraging our experience, expertise, and collective determination, we are well-positioned to overcome future challenges and capitalize on emerging opportunities in the dynamic landscape of the plantation industry.

Moreover, in line with our commitment to continuous improvement and innovation, we have launched an integrated agriculture and productivity improvement plan. This strategic initiative involves crafting and executing a thorough, tailored long-term to medium-term strategy for our estates. This approach is supported by the ongoing preparation of a corporate plan.

Central to this plan is the integration of advanced agricultural practices and mechanization techniques aimed at streamlining operations and maximizing yield potential. By leveraging technology and mechanization and best agricultural practices, we aim to unlock new levels of efficiency and productivity within our estates. Additionally, a key focus of the plan is on talent development and capacity building, ensuring that our workforce is equipped with the requisite skills and knowledge to drive operational excellence.

## Chairman's Review (Continued)

Furthermore, the productivity improvement plan emphasizes a holistic approach to performance enhancement, encompassing various facets of estate management, including soil health management, crop diversification, and resource optimization. By adopting a proactive and strategic approach, we aim to not only enhance tea production but also promote sustainable agriculture practices and environmental stewardship.

As we embark on this journey of transformation and growth, we remain firmly committed to our core values of integrity, sustainability, and excellence. Through collaborative efforts and a relentless pursuit of innovation, we are confident in our ability to unlock the full potential of our plantations and deliver long-term value for our stakeholders.

### Dividends

The Directors are not recommending a dividend for the year ended 31st December 2023.

### Acknowledgements

On behalf of the Board of Directors I would like to express our gratitude to the 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 our shareholders who have continued to place their trust and confidence on us.

Sgd.

**D.H. S. Jayawardena**

Chairman

Balangoda Plantations PLC

30th May 2024

## Management Discussion & Analysis

### Tea

The Sri Lanka tea industry has been disrupted by the fertilizer ban, climate change, high inflation, and rising input costs, as well as political issues. Internationally, the Russian-Ukrainian conflict, Iranian sanctions, and global inflation affected the exports. Although the weakening of the Sri Lanka Rupee against the US Dollar was expected to make Sri Lanka tea prices attractive, similar weakening of currencies of buyer countries against the US Dollar dampened that expectation.

Tea production of Balangoda Plantations PLC decreased to 3.6 Mn kg in the year 2023 when compared to 4.5Mn kg in the previous year. The ban on chemical fertilizer together with the drought weather conditions experienced and the overall drop in bought leaf intake adversely affected production.

The turnover for the Tea Sector of the company dropped to Rs.3.783 Billion compared to Rs. 5.407 Billion in the previous year. A total of 164 top prices were achieved during the ensuing year by the manufacturing estates of the Company.

### Rubber

Sri Lanka Rubber production decreased to 65 Mn kg in 2023 from 71 Mn kg in 2022 mainly due to rainy weather conditions and the Circular Leaf Spot Disease (CLSD) during the year thereby reducing the budgeted tapping operations. Due to a lack of Agro chemicals and pesticides, the spread of the disease has escalated in the fields which resulted in severe propagation in the rubber plantation sector. As a result the Company's rubber production in the year 2023 decreased to 603 Mn kg against the previous year's 883 Mn kg.

Galatura, Rambukkande, Mutwagalla & Wewila Estates obtained 116 top prices during the year.

### Future Outlook

Sri Lanka's tea industry is one of the most important economic sectors in the country, providing employment to people and contributing to a significant portion of the export revenue. The future outlook for the industry is varied, with both opportunities and challenges ahead.

2024 will be a challenging year for the Rubber Industry mainly due to the spread of Circular Leaf Spot Disease which is predicted to reduce production. Rubber growers tend to give up planting rubber due to various reasons such as inadequate infrastructure, adverse climatic changes, Circular Leaf Spot Disease, the cost of fertilizers, lack of skilled tappers, and unavailability of high-yielding clones.

Our good agricultural practices have prepared the ground for sustainable productivity with our diversification strategy investing in training and development and conforming to international quality and accreditation standards.

# Sustainability Report

Balangoda Plantations PLC is deeply committed to its responsibility for the wellbeing of both the community and the environment, in close collaboration with our valued stakeholders. We firmly believe that sustainability involves not only enriching the quality of human life but also operating within the nurturing limits of the ecosystems that sustain us. Throughout our journey, we have allocated substantial material resources, time, and expertise towards elevating the living standards of our workforce. This report serves as a testament to the proactive measures embraced by Balangoda Plantations PLC as we pursue a business model founded on sustainability principles. It encapsulates our unwavering dedication to integrating all dimensions of sustainability into our day-to-day business operations, reflecting our enduring commitment to fostering positive change in our communities and preserving the natural environment for generations to come.

## ENVIRONMENTAL

- Energy Efficiency
- Land Management
- Water Management
  - Biodiversity

## SOCIAL

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

## ECONOMIC

- Increase productivity and innovation
- Value Addition
- International Certifications

## ENVIRONMENT

We have made a conscientious effort to identify key aspects of environmental sustainability 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 with the assistance of the Plantation Human Development Trust, the Government Ministries and agencies.

### Health & Safety

Occupational health and workplace safety are of high priority in our estates. During the year under review, the Company conducted a series of Health and Safety 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 that specifically protect workers from process related risks. Given below are some of the activities continuously undertaken.

- Awareness programmes on tobacco & alcohol prevention
- Awareness programmes on increase healthiness and life standard of estate community
- Special mobile clinics for screening of oral cancers
- Health camps and clinics
- Nutrition awareness programmes

## Community Development

The Company encourage a happy work culture and foster relationships 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

## Sustainability Report (Continued)

of our worker community at all levels. Easy payment schemes for facilities such as obtaining goods and equipment, distress loans, the death benefit welfare scheme medical insurance, sport and recreational activities, and 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 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 manufacturing and agricultural practices, teamwork, career growth and development etc.,

#### Tea

- Regular trainings sessions for the Tea field and factory workers conducted by the Tea Research Institute.
- Training for mechanized harvesting operation
- A meeting with Tea Brokering companies, Asia Siyaka Commodities PLC, John Keells PLC, Ceylon Tea Brokers, Mercantile Produce Brokers (Pvt) Ltd and Forbes & Walker Tea Brokers (Pvt) Ltd held in Uva Management Training Centre, Passara to all superintendents, assistant superintendents & factory officers. Key objectives of the meeting are as follow:
  - Surpass Category Elevation Averages
  - Achieve Targeted Gross Sales Average (GSA) for each Processing Unit
  - Achieve excellence in Tea Production Management
  - Pioneering business expansion by exploring innovative avenues, seeking new markets and diversifying our products

#### Rubber

- Training Programme on Rubber Grading conducted by M/s Forbes & Walker Commodity Brokers in Rambukkande, Galatura, Mutuwagala and Mahawela Estates.
- Training programme on improving tapping skills and related work conducted by Rubber Development Department.
- Training on quality Rubber Manufacture by Rubber Research Institute in Rambukkanda Estate
- Night tapping operations have been introduced in order to increase the crop intakes continues

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

### ECONOMIC

Our activities are planned in keeping with our commitment to the economic dimension of sustainability. Amidst threatening global challenges, we continue to focus on refiguring 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 the preservation of the environment and our process 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.

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

The Board of Directors of Balangoda Plantations PLC have the pleasure in presenting their Annual Report together with the Audited Financial Statement of the Company for the year ended 31st December 2023.

## Principle Activities

The Company's principal activities, which remained unchanged during the year were: the cultivation, and processing of tea, rubber, forestry products, and other crops.

The Company has 6 Tea Estates, 11 Tea cum Rubber Estates and 4 Rubber Estates in three regions 8 estates in Balangoda, 7 estates in Badulla and 6 in Ratnapura consisting 3,952 hectares of Tea and 1,938 hectares of Rubber.

## Parent Company

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

## Review of Performance

The review of the Company's performance during the year 2023 is given in the Chairman's Review in pages 10 to 14 and Management Discussion & Analysis in page 15 of the Annual Report.

## Development and Diversification

Development and Diversification are covered in the Chairman's Review on pages 10 to 14 in this Annual Report.

## Financial Statements

The Financial Statements of the Company are given in the pages 41 to 103 of this Annual Report.

## Auditors' Report

The Auditors' Report on the financial statements is given in pages 35 to 40 of this Annual Report.

## Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given in pages 45 to 64.

## Remuneration and other Benefits of Directors

The directors did not receive any remuneration or other benefits during the year.

## Donations

The company did not make any donations during the year.

## Report of the Board of Directors on the Affairs of the Company (Continued)

### Financial Results

	<b>2023</b>	<b>2022</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Revenue	4,129,862	6,070,594
Profit before Tax	354,851	996,622
Income Tax Expense	(285,782)	(439,695)
Profit after Tax	69,069	556,927
Net Comprehensive Income	43,655	(155,750)
Loss Brought Forward	(2,344,665)	(2,739,820)
Transferred to Revaluation Reserve	-	206,613
Transferred to Timber Reserve	(405,689)	(212,831)
Transferred to Available for Sales Reserves	217	(196)
Loss Carried Forward	(2,750,712)	(2,344,665)

### Ratios

	<b>2023</b>	<b>2022</b>
<b>Profitability Ratios</b>		
Gross Profit Ratio (%)	9.13	26.28
Net Profit Ratio (%)	1.67	9.17
<b>Asset Ratios</b>		
Current Ratio (times)	0.57	2.82
Acid Ratio (times)	0.14	2.18
<b>Performance Ratios</b>		
Return on Investment (%)	11.31	89.73
Return on Share Capital (%)	15.04	284.75
<b>Leverage Ratios</b>		
Debt/Equity Ratio (times)	0.43	1.04
Interest Coverage (times)	2.08	2.22
<b>Investor Ratios</b>		
Price Earnings Ratio (times)	34.29	3.48

### Appropriation and dividend

The directors have not recommended a dividend payment for the year ended 31st December 2023 (2022: Rs. 2 per share).

### Capital Expenditure

The company incurred a capital expenditure of Rs.159.2 Mn (2022: Rs.132.2 Mn) of which Rs.100 Mn (2022: Rs. 90.8 Mn) has been invested on field development and Rs.59.2 Mn (2022: Rs. 41.4 Mn) has been invested on upgrading factories, machinery, motor vehicles, and other capital assets.

## Report of the Board of Directors on the Affairs of the Company (Continued)

### Buildings & Investment Properties

The valuations, floor area and the number of buildings of the company are as follows;

#### Number of Buildings, Floor area & Value

Estate	Floor Area Sq.ft	Number of Buildings	Value (Rs.)
Balangoda	102,313	48	79,218,182
Cecilton	67,151	24	58,993,479
Meddekande	79,985	37	56,816,678
Non Pareil	62,437	34	57,367,437
Pettiagalla	21,340	23	44,430,087
Rasagalla	100,200	45	87,844,898
Rye / Wikiliya	171,072	46	206,329,730
Walaboda	12,309	10	9,292,260
Galatura	91,652	30	83,729,689
Mahawale	89,433	43	74,477,369
Millawitiya	48,151	18	55,657,536
Mutwagalla	84,375	40	84,503,470
Palmgarden	76,698	40	114,425,163
Rambukkande	44,096	28	43,834,853
Cullen	24,480	22	16,517,550
Glen Alpin	129,968	61	106,926,462
Gowerekelle	64,739	23	89,040,847
Spring Valley	193,989	76	148,483,467
Telbedde	151,870	80	106,482,761
Ury	136,174	52	105,888,552
Wewesse	91,390	43	69,141,986
Head office	34,425	2	25,826,479
<b>Total</b>	<b>1,878,247</b>	<b>825</b>	<b>1,725,228,946</b>

### Capital Commitments & Contingents Liabilities

Capital commitments and contingent liabilities are disclosed in Notes 39 & 40 to the Financial Statements.

### Directorate

The following Directors held office during the year under review.

Mr. D. H. S. Jayawardena	- Chairman
Mr. C. R. Jansz	- Non-Executive Director
Mr. D. Hasitha S. Jayawardena	- Non-Executive Director
Mr. M A N S Perera	- Executive Director
Mr. K Dayaparan	- Non-Executive Director
Dr. A. Shakthevale	- Independent Non-Executive Director
Mr. D. S. K. Amarasekara	- Independent Non-Executive Director

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

In compliance with the revised Corporate Governance Rule No 9.6.1 of the Colombo Stock Exchange, the Company has resolved that Mr. D.H.S. Jayawardena Chairman of the company who functioned as the Chairman/Managing Director will remain a non-executive capacity with effect from 27th October 2023.

In terms of Article, 92 of the Articles of Association Mr. D. Hasitha S. Jayawardena retires by rotation and is eligible to offer himself for re-election.

### Directors' Interests in Shares

No shares of the Company were held by the Directors of the Company, their spouses, or dependents at the beginning and the end of the financial year.

### Interest Register

Directors' interests in the Company are disclosed in Note 38 to the Financial Statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the company.

### Shareholders and Investor Information

Distribution of Shareholdings as at 31st December 2023, Analysis Report of Shareholders, Market Statistics of Company's share and the list of 20 major shareholders are given on pages 104 and 105 of this Annual Report.

### Events Occurring after the Date of the Statement of Financial Position

Please refer to Note 41 for events occurring after the date of the Statement of Financial Position, which would require disclosure in the Financial Statements.

### Matters Pertaining to the Golden Share

The Golden Share shall only be held by the Secretary to the Treasury in his/her official capacity and not in his/her name, for and on behalf 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.

The Company shall obtain the written consent of the Golden Shareholders prior to sub-leasing, ceding, or assigning its rights in parts or all of the lands set out in Section 3C (1) of the Memorandum of Association.

The Articles of the Company as originally framed may from time to time be altered by special resolution, provided that the concurrence of 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)(1), 3(C)(2), 25A, 127A, 127B, 127C and 128

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.

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

The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once every three months 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.

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.

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.

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 the pre-specified format agreed to by the Golden Shareholder and the Company.

### Auditors

The Financial Statements for the year have been audited by M/s KPMG, Chartered Accountants who offer themselves for reappointment. Fees paid to Auditors are disclosed on in Note 11 on page 66 in the Financial Statements.

As far as the Directors are aware, the auditors do not have any relationship (Other than that of an Auditor) with the company other than those disclosed above. The auditors do not have any interest in the Company.

Sgd.

**C.R. Jansz**

Director

Sgd.

**M.A.N.S. Perera**

Director

Sgd.

**P.A. Jayatunga**

Secretary

30th May 2024

# Audit Committee Report

## Composition

The Audit Committee of the parent company, Melstacorp PLC commenced to function as the Audit Committee of the Company w.e.f. 20th March 2020 comprising the following members:

### Committee Members

Chairman	Mr. M.R. Mihular
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, Dr. A.N. Balasuriya was appointed as pro-term chairman for the Audit Committee (19/01/2023 to 31/03/2023)

Mr. M.R. Mihular was appointed to the Board of Directors of Melstacorp PLC and as the Chairman of the Audit Committee w.e.f. 01st April 2023.

## Meetings

The Audit Committee met Five [05] times during the year 2023. The Attendance of the members at these meetings is as follows:

Mr. M.R. Mihular	5/5
Dr. A.N. Balasuriya	5/5
Mr. D. Hasitha S. Jayawardena	5/5
Mr. N. De S Deva Aditya	3/5

The Managing Director of Melstacorp PLC and Group Financial Controller also attend these meetings by invitation when needed.

## 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 the highest compliance with the Corporate Governance rules applicable to Listed Companies in accordance with the Rules of the Colombo Stock Exchange (CSE) and the Code of Best practice on Corporate Governance.

## Role of the Audit Committee

The Audit Committee in its role assists the Board in fulfilling their responsibility with regard to:

- Ensuring the integrity of the statements of the Company and that good financial reporting systems are in place and are managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance with the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No: 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange.

## Audit Committee Report (Continued)

- Assessing the independence and monitoring the performance of external auditors.
- Ensuring the Company's internal control and risk management process operates efficiently and effectively.
- Ensure compliance with applicable laws, regulations and policies of Melstacorp Group and Company.
- Assess the Company's ability to continue as a going concern in the foreseeable future.

### 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, labor 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 2024.

### Compliance with Laws and Regulations

The Committee reviews the quarterly compliance reports submitted by the relevant officers 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 are managed in accordance with Company policies and that the Company's assets are properly accounted for and adequately safeguarded.

Sgd.

**M.R. Mihular**

Chairman - Audit Committee

30th May 2024

# Remuneration Committee Report

## Composition

The Remuneration Committee of the parent company, Melstacorp PLC, commenced to function as the Remuneration Committee of the Company, with effect from 20th March 2020, comprising of the following members:

### 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 Four (04) times during the year 2023. The attendance of the members at these meetings are as follows.

Dr. A.N. Balasuriya	4/4
Mr. N. de. S. Deva Aditya	3/4
Mr. D. Hasitha S. Jayawardena	4/4

The Managing Director of Melstacorp PLC and the Director Operations – Plantations (BPL/MPL) & GM – HR & Administration also attend these meetings by invitation when needed.

## 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 the evaluation of individual performance. 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 2024

# Related Party Transactions Review Committee Report

## Composition

The Related Party Transactions Review Committee of the parent company, Melstacorp PLC, commenced to function as the Related Party Transactions Review Committee of the Company w.e.f. 20th March 2020, comprising the following members:

## Committee Members

Chairman	Mr. M. R. Mihular
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, Dr. A.N. Balasuriya was appointed as proterm chairman for the Audit Committee (19/01/2023 to 31/03/2023)

Mr. M.R. Mihular was appointed to the Board of Directors of Melstacorp PLC and as the chairman of the Related Party Transaction Review Committee w.e.f. 01st April 2023.

## Purpose of the Committee

The Committee's key focus is to review all proposed related party transactions prior to entering into or completing 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 (04) times during the year 2023. The attendance of the members at these meetings is as follows:

Mr. M.R. Mihular	4/4
Dr. A.N. Balasuriya	4/4
Mr. D. Hasitha S. Jayawardena	4/4

The Managing Director of Melstacorp PLC and Group Financial Controller also attend these meetings by invitation when needed.

## Review of the Related Party Transactions

The Committee has reviewed all related party transactions of the Company for the financial year 2023 and communicated the activities of the Committee to the Board of Directors every quarter.

## Related Party Transactions Review Committee Report (Continued)

### Disclosures

During the year 2023, 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. 38.4.

Details of other related party transactions entered into by the Company during the year is disclosed in Notes 24, 31 and 38 of the financial statements.

Sgd.

**M.R. Mihular**

Chairman - Related Party Transactions Review Committee

30th May 2024

## Corporate Governance Statement

Corporate Governance is the system by which companies are managed and controlled. Balangoda Plantations PLC is committed to complying with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) & 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 the Non-Executive Chairman, an Executive Director, three Non-Executive Directors, and two Independent Directors. The composition of the Company's Board has been structured following the principles of good governance and long-term strategy. Names of the members of the Board of Directors and their brief resumes are given on pages 7 to 9.

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 Rule 7.10.3 (b).

The Board meets when required to make 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 that require specific Board approval.

### The main functions of the Board:

- Conducting the business and facilitating executive responsibility for the management of the Company's affairs,
- Formulate short and long term strategies and monitor implementation,
- Identify the principal 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.

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

### Chairman and Chief Executive Officer

In compliance with the revised Corporate Governance Rule No 9.6.1 of the Colombo Stock Exchange, the Company has resolved that Mr. D.H.S. Jayawardena Chairman of the company who functioned as the Chairman/Managing Director will remain a non-executive capacity with effect from 27th October 2023.

Mr. Dimuthu Wekunagoda continues to function as the Chief Executive Officer of the Company oversees the day-to-day management affairs of the Company and is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company. CEO has oversight into the overall strategy formulation of the company, setting and executing the organization's strategy by driving the KPI's for delivery of sustainable returns.

## Corporate Governance Statement (Continued)

### Audit Committee

The Audit Committee assists the Board by overseeing the entity's compliance with financial reporting requirements, the 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 regularly to the Audit Committee. The guidelines for the Internal Audit ensure that the assets of the Company are protected against any unauthorized use or misappropriation, proper records are maintained and reliable information is received. The Audit Committee Report on pages 23 to 24 describes the activities carried out during the financial year.

### Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the Company's framework of remunerating the key management personnel of the company. The Remuneration Committee Report appears on page 25.

### Related Party Transactions Review Committee

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 pages 26 to 27.

### Plantations Executive Committee

Plantations Executive Committee, which consists of the CEOs and senior management of plantations sector of the parent company Melstacorp PLC, is delegated with the responsibility of monitoring the progress and implementing the policies of the Company under the preview of the Executive Director. The Chief Executive Officer reports monthly on the progress of every estate and that of the Company to the Board of Directors.

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> * At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Six out of seven Directors are Non-Executive Directors
7.10.2(a)	<b>Independent Directors</b> * Two or one-third of Non-Executive Directors whichever is higher should be independent	Complied	Two out of six Non-Executive Directors are Independent.
7.10.2(b)	* Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations.
7.10.3(a)	<b>Disclosure Relating to Directors</b> * Names of Independent Directors should be disclosed in the Annual Report.	Complied	Refer Pages 18 - 21
7.10.3(b)	* The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Complied	Refer Pages 28 -30

## Corporate Governance Statement (Continued)

Rule No	Applicable Requirement	Compliance Status	Details
7.10.3(c)	* A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Refer Pages 7 - 9
7.10.3(d)	* Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a) and (c) to the CSE	Complied	Not applicable
7.10.5	<b>Remuneration Committee</b> * A listed Company shall have a Remuneration Committee	Complied	
7.10.5(a)	<b>Composition of the Remuneration Committee</b> Shall comprise Non-Executive Directors a majority of who shall be independent.	Complied	Refer page 25
7.10.5(b)	<b>Functions of the Remuneration Committee</b> The Remuneration Committee shall recommend the remuneration of the key management personnel.	Complied	
7.10.5(c)	* Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out : (a) Names of Directors comprising the Remuneration Committee (b) Statement of Remuneration Policy	Complied Complied Complied	Refer page 25
7.10 & 7.10.6(a)	<b>Audit Committee</b> * The Company shall have an Audit Committee Composition of Audit Committee * Shall comprise of Non-Executive Directors, a majority of who will be independent. * A non-Executive Director shall be appointed as the Chairman of the Committee * The Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings * The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body * Audit Committee Functions * Disclosure in the Annual Report relating to Audit Committee	Complied Complied Complied Complied	Refer Pages 23 -24
7.10.6(b) 7.106(c)	- Names of the Directors comprising the Audit Committee - Basis for determining the independence of the Auditors - Report of the Audit Committee in the prescribed manner		
7.13.1(a)	Minimum Public Holdings	Not Complied	Refer Page 105
9.2	<b>Related Party Transaction Review Committee</b> Disclosure – Non-Recurrent Related Party Transactions Disclosure – Recurrent Related Party Transactions Report by the Related Party Transaction Review Committee A declaration by the Board of Directors	Complied	Refer Pages 26 - 27

## Risk Management

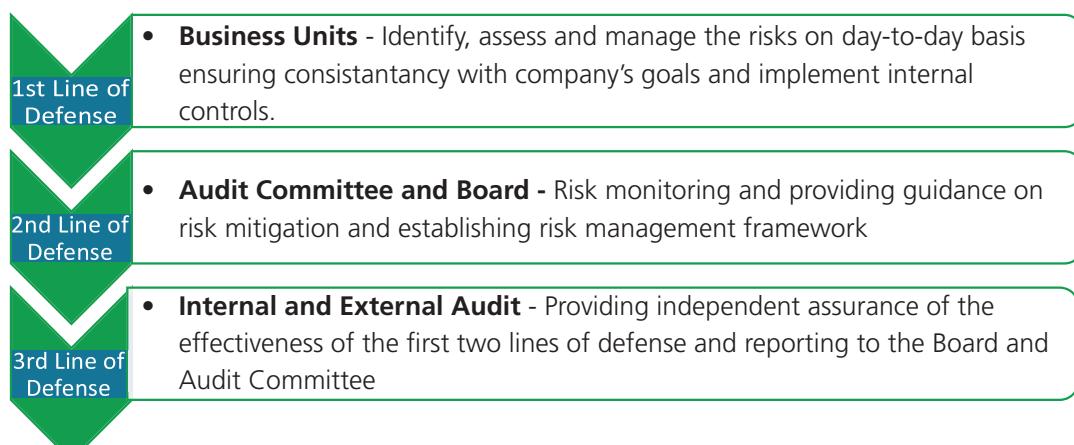
The Company operates in an evolving environment which exposes it to different types of risks especially being in the Agricultural Sector which is very sensitive to weather patterns. An effective risk management system is an important area of business management that would enable the company to proactively identify and address key risks to achieve an optimum balance between minimizing the risks and maximizing shareholder value. The Risk Management Process is designed to ensure the identification of any circumstances that would adversely affect the goals of the Company. Our Risk Management Process ensures that we accept or manage unavoidable risks and that uncertainties are minimized.

Risk Management Process



The Board of Directors holds responsibility for the risk management function of the company, assisted by the group audit committee which has oversight responsibility for matters relating to risks and internal control.

The Company has identified the importance of having a proactive approach in managing risk while maintaining a comprehensive system of internal controls to track and monitor the subsequent effects of each risk on Company's performance. The Company has adopted 'Three Lines of Defense Model' in managing its risks.



## Risk Management (Continued)

Following are the key risks that the company is exposed to while carrying out its business activities and mitigation measures implemented.

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Environmental Risk	<p>The variability of weather conditions influences crop outcomes. Adverse weather, shifts in ambient temperature, and natural calamities can all disrupt crop growth and development. These factors impact the quantity, quality, market positioning, and financial performance of agricultural products.</p>	<ul style="list-style-type: none"> <li>• Monitoring weather patterns and their impact on crop harvests.</li> <li>• Adoption of sustainable agricultural practices.</li> <li>• Constant examination and review of soil nutrient contents</li> <li>• Undertaking effective soil conservation measures.</li> <li>• Reservation of forests and watersheds</li> </ul>	High
Human Resource	<p>Low productivity, reduction in resident manpower, disruptions in achieving the targeted objectives.</p>	<ul style="list-style-type: none"> <li>• Providing welfare facilities and introducing participative housing projects to retain workers on plantations and improve their productivity.</li> <li>• Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes.</li> <li>• Improve employee motivation, commitment, welfare, recognition and appreciation.</li> </ul>	Moderate
Product Quality Risk	<p>Inconsistency in quality of end products and its negative impact on prices and market share.</p>	<ul style="list-style-type: none"> <li>• Ensure safety and ethical standards in providing a quality consumable product.</li> <li>• Upgrade manufacturing process and factories to cater to the fluctuating market demand.</li> <li>• Monitor quality assurance measures</li> </ul>	Moderate
Political Risk	<p>The impact of political intervention, major industrial relations issues, regulatory changes, ad-hoc acquisitions of land etc. are constraints faced by the plantations industry.</p>	<ul style="list-style-type: none"> <li>• Maintaining a close engagement with the employees and other stakeholders.</li> <li>• Implementing human development policies</li> </ul>	High
Inflationary pressures	<p>Cost of Production escalations from various factors, including government imposed import restrictions, currency devaluation, wages and other macroeconomic measures enacted to navigate economic crises.</p>	<ul style="list-style-type: none"> <li>• Ongoing measures to improve cost efficiencies</li> <li>• Reducing reliance on high priced imported agrochemicals and nutrients</li> <li>• Crop diversification and value addition to improve margins</li> </ul>	Moderate

## Risk Management (Continued)

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Interest Rate Risk	Fiscal and monetary policy changes have a direct impact on liquidity and production costs.	<ul style="list-style-type: none"> <li>• Close monitoring of interest rate developments and negotiating with funding partners</li> <li>• Capital development</li> <li>• Maintenance of biological assets in optimum condition to enhance productivity, turnover and cash-flows.</li> </ul>	Moderate
Technology & IT Risk	Lack of accurate and timely information due to ineffective IT systems. Increase in digitization of operations pose a threat of loss of data and hacking.	<ul style="list-style-type: none"> <li>• Strengthen software development with internal controls and IT security.</li> <li>• Overlooking by the group IT Division of the parent company, Melstacorp PLC</li> <li>• Implement a sound backup system</li> <li>• Use Licensed Software</li> </ul>	Moderate
Inventory cycle	Liquidity is impacted as the industry is cyclical with long gestation periods.	<ul style="list-style-type: none"> <li>• Produce stocks are monitored closely for speedy disposal.</li> <li>• Input stock levels are controlled to avoid obsolescence and theft.</li> <li>• High value input stocks such as fertilizer, firewood and packing materials are purchased on a need basis.</li> </ul>	Moderate
Risk of Competition	Competition from other major low cost producers.	<ul style="list-style-type: none"> <li>• Monitoring market trends and fluctuations in supply and demand closely.</li> <li>• Regular check of tea samples to maximize market gains,</li> <li>• Adopting appropriate remedial measures to ensure market leadership of quality marks.</li> <li>• Rationalize manufacture during lean cropping months.</li> <li>• Close executive supervision on quality of leaf harvested.</li> <li>• Educating employees on the importance of their services</li> </ul>	Moderate
Company Reputation Risk	The reputation of the company could be damaged by noncompliance, unethical behavior, and inconsistent product quality.	<ul style="list-style-type: none"> <li>• Compliance with statutory requirements</li> <li>• Compliance with the code of corporate governance by all employees</li> <li>• Protection of the environment and adoption of sustainability initiatives</li> <li>• Employee health and safety and food safety procedures.</li> </ul>	Moderate

## 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 enabling them to give their Audit Report following 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 of Directors

Sgd.

**P.A. Jayatunga**

Secretary

30th May 2024

## 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 31<sup>st</sup> December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information set out on pages 41 to 103 of the annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

#### Key Audit Matters

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

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C. P. Jayatilake FCA  
Ms. S. Joseph FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

T. J. S. Rajakarier FCA  
W. K. D. C. Abeyratne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R.W.M.O.W.D.B. Rathnadiwakara FCA

W. W. J. C. Perera FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT  
K. Somasundaram ACMA(UK)



## Independent Auditor's Report (Continued)

### 1. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.2.5 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. 2,995 Mn and bearer biological assets amounting to Rs. 1,740 Mn as at 31<sup>st</sup> December 2023.

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, the transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point at which commercial harvesting could start depends on the soil conditions, 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 levels 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.

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 the 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, and 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.



## Independent Auditor's Report (Continued)

- On a sample basis, physically verify 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 with respect to the capitalisation of bearer biological assets.
- Obtaining schedules of costs incurred and capitalised under immature plantations as well as costs transferred to mature plantations by each estate and reconciling those balances to the general ledger on a sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Testing immature to mature cost transfer worksheets 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 3.3.1 and explanatory Note 32 of the financial statements.

#### Risk Description

The Company has recognised a retirement benefit obligation of Rs. 903 Mn as at 31<sup>st</sup> December 2023. 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 the 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 the 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 performing 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.



## Independent Auditor's Report (Continued)

- Assessing the adequacy of the disclosures made on the financial statements in accordance with the relevant accounting standards.

### 3. Valuation of Investment Property

Refer to the significant accounting policy in Note 3.2.4 and explanatory Note 18 of the financial statements.

#### Risk Description

The Company has recognised Investment property of Rs. 453 Mn and a fair value gain amounting to Rs. 36 Mn as at 31<sup>st</sup> December 2023.

Management's assessment of the fair value of the Investment Properties is based on valuations performed by qualified independent property valuer in accordance with recognised industry standards.

We identified the 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 the specialised nature of the assets, what would be the cost of a modern equivalent asset, the 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 will 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 identified above when it becomes available 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.



## Independent Auditor's Report (Continued)

### **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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material



## Independent Auditor's Report (Continued)

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of 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, Sri Lanka

30<sup>th</sup> May 2024

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December	Notes	2023 Rs.	2022 Rs.
<b>Revenue</b>	5	4,129,861,890	6,070,594,060
Cost of Sales		(3,752,618,846)	(4,475,491,102)
<b>Gross Profit</b>		377,243,044	1,595,102,958
Other Income	7	157,077,414	153,831,229
Gain on Changes in Fair Value of Biological Assets	8	401,037,660	218,670,486
Administrative Expenses		(157,828,194)	(123,076,944)
Other Expenses	9	(99,638,091)	(39,710,661)
<b>Profit from Operations</b>		677,891,833	1,804,817,068
Finance Income		5,193,576	4,699,705
Finance Costs		(328,234,479)	(812,895,226)
Net Finance Costs	10	(323,040,903)	(808,195,521)
<b>Profit before Taxation</b>	11	354,850.930	996,621,547
Income Tax Expense	12	(285,781,698)	(439,694,589)
<b>Profit for the Year</b>		69,069,232	556,926,958
<b>Other Comprehensive Income/(Expenses)</b>			
<b>Items that will not be Reclassified to Profit or Loss</b>			
Gain on Revaluation - Assets transferred from PPE to Investment Property	16	26,169,988	-
Actuarial Gain on Retirement Benefit Obligations	32	35,884,259	72,941,626
Deferred Tax Charge on Revaluation Surplus	12.2	(7,850,996)	(206,613,285)
Deferred Tax on Actuarial Gain on Retirement Benefit Obligations	12.2	(10,765,278)	(21,882,488)
Net Change in the Fair Value of Financial Assets Measured at FVOCI		217,063	(196,311)
<b>Total Other Comprehensive Income/(Expense)</b>		43,655,036	(155,750,458)
<b>Total Comprehensive Income</b>		112,724,268	401,176,500
<b>Basic Earnings per Share</b>	13	1.48	23.56

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 45 to 103 form an integral part of the Financial Statements.

## Statement of Financial Position

As at 31 December	Notes	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Right of Use Assets	14	398,965,728	267,796,747
Immovable Leased Assets	15	366,356	6,819,145
Property, Plant and Equipment	16	1,425,087,290	1,475,121,457
Intangible Assets	17	1,255,866	1,671,768
Investment Property	18	452,755,391	389,051,335
Bearer Biological Assets	19	1,740,190,231	1,832,870,179
Consumable Biological Assets	20	2,995,452,585	2,586,879,439
Financial Assets Measured at FVOCI	21	408,935	191,872
		7,014,482,382	6,560,401,942
<b>Current Assets</b>			
Produce on Bearer Biological Assets	20.2	5,296,369	9,948,094
Inventories	22	549,719,713	675,599,943
Trade and Other Receivables	23	128,366,373	115,583,148
Amounts due from Related Companies	24	30,103,004	26,699,324
Cash and Cash Equivalents	25	23,864,993	2,178,000,693
		737,350,452	3,005,831,202
<b>Total Assets</b>		7,751,832,834	9,566,233,144
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	26	2,359,090,865	350,000,010
Share Application Pending Allotment	27	-	2,169,642,340
Revaluation Reserve	28	760,007,706	741,688,714
Timber Reserve	29	2,769,313,977	2,363,624,592
FVOCI Reserve	30	260,295	43,232
Accumulated Losses		(2,750,711,895)	(2,344,665,271)
<b>Total Equity</b>		3,137,960,948	3,280,333,617
<b>Non Current Liabilities</b>			
Interest Bearing Loans and Borrowings	31	415,034,241	2,753,826,245
Retirement Benefit Obligations	32	903,264,034	903,016,632
Deferred Tax Liability	33	1,444,784,023	1,140,386,051
Deferred Income	34	111,864,391	121,078,072
Lease Liability	35	444,827,562	301,721,273
		3,319,774,251	5,220,028,273
<b>Current Liabilities</b>			
Interest Bearing Loans and Borrowings	31	575,000,000	575,000,000
Lease Liability	35	4,133,684	2,552,287
Trade and Other Payables	36	361,477,492	413,584,598
Amounts due to Related Companies	37	949,004	926,072
Bank Overdraft	25	352,537,455	73,808,297
		1,294,097,635	1,065,871,254
<b>Total Liabilities</b>		4,613,871,886	6,285,899,527
<b>Total Equity and Liabilities</b>		7,751,832,834	9,566,233,144
<b>Net Assets per Share</b>		66	47

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 45 to 103 form an integral part of the Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd.

**D.S. Heenatigalage**

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 the Board of Directors of Balangoda Plantations PLC.

Sgd.

**C.R. Jansz**

Director

30<sup>th</sup> May 2024  
 Colombo

Sgd.

**M.A.N.S. Perera**

Director

## Statement of Changes in Equity

For the Year Ended 31 December

	Stated Capital Rs.	Pending Allotment Rs.	Revaluation Reserve Rs.	Timber Reserve Rs.	FVOCI Reserves Rs.	Accumulated Losses Rs.	Total Equity Rs.
<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 for the Year</b>							
Profit for the Year	-	-	-	-	-	556,926,958	556,926,958
Other Comprehensive Income 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
<b>Transactions with Owners directly recorded in the Equity</b>							
Pending Allotment ( <b>Note 27</b> )	-	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
<b>Balance as at 1 January 2023</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
<b>Total Comprehensive Income for the Year</b>							
Profit for the Year	-	-	-	-	-	69,069,232	69,069,232
Other Comprehensive Income for the Year- Net of Tax	-	-	18,318,992	-	217,063	25,118,981	43,655,036
Transferred to Timber Reserve	-	-	18,318,992	-	217,063	112,507,205	112,724,268
<b>Transaction with Owners directly recorded in the Equity</b>							
Issue of Shares ( <b>Note 27.1</b> )	2,009,090,855	(2,009,090,855)	-	-	-	-	-
Refund of unaccepted shares applications ( <b>Note 27.1</b> )	-	(160,551,485)	-	-	-	(160,551,485)	
Dividend paid ( <b>Note 13.2</b> )	-	-	-	-	-	(94,545,452)	(94,545,452)
2,009,090,855 (2,169,642,340)	-	-	-	-	-	(94,545,452)	(255,096,937)
<b>Balance as at 31 December 2023</b>	2,359,090,865	-	760,007,706	2,769,313,977	260,295	(2,750,711,895)	3,137,960,948

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 45 to 103 form an integral part of the Financial Statements.

## Statement of Cash Flows

For the Year Ended 31 December	Notes	2023 Rs.	2022 Rs.
<b>Cash Flows From Operating Activities</b>			
Profit Before Taxation		354,850,930	996,621,547
<b>Adjustments for</b>			
Depreciation and Amortization	14-19	226,087,475	223,628,215
Impairment of Immature Plantations Rubber	19.1	85,790,465	20,163,497
Write off of Bearer Biological Assets	9	9,336,256	7,097,140
Provision for/Impairment of Other Receivables	9	984,260	12,450,024
Provision for Obsolete Inventory	22.1	963,114	-
Gain on Disposal of Property, Plant and Equipment	7	(6,350,000)	(10,050,000)
Interest Income	10	(5,193,576)	(4,699,705)
Provision for Retirement Benefit Obligations	32	213,337,099	165,102,221
Amortization of Government Grants	34	(9,213,681)	(9,213,780)
Interest Expenses	10	328,234,479	812,895,226
Change in Fair Value of Investment Properties	18	(35,648,228)	(40,404,441)
Gain on Changes in Fair Value of Biological Assets	8	(401,037,660)	(218,670,486)
<b>Operating Profit before Working Capital Changes</b>		762,140,933	1,954,919,458
<b>Working Capital Changes</b>			
Decrease/(Increase) in inventories		124,917,116	(239,922,525)
Increase in Trade and Other Receivables		(13,767,485)	(9,463,704)
Increase in Amounts Due From Related Companies		(3,403,680)	(11,207,077)
Decrease in Trade and Other Payables		(52,107,106)	(69,261,496)
Increase/(Decrease) in Amounts Due to Related Companies		22,932	(6,380,556)
<b>Cash Generated from Operations</b>		817,802,710	1,618,684,100
Gratuity Paid	32	(177,205,438)	(116,504,344)
Interest Paid		(59,135,600)	(38,698,722)
Tax Paid		-	(7,317,704)
<b>Net Cash Generated from Operating Activities</b>		581,461,672	1,456,163,330
<b>Cash Flows From Investing Activities</b>			
Interest Received		5,193,576	401,628
Purchase of Property, Plant and Equipment	16	(56,783,918)	(41,481,806)
Acquisition of Intangible Assets	17	-	(25,000)
Acquisition of Investment Property	18	(2,414,770)	(1,200,000)
Investment in Immature Bearer Biological Assets	19	(97,360,539)	(90,827,413)
Investment in Consumable Biological Assets	20	(2,883,761)	-
Proceeds from Disposal of Property, Plant And Equipment		6,350,000	10,050,000
Disposals of Other Financial Assets Measured at Amortised Cost		-	454,387
<b>Net Cash Used In Investing Activities</b>		(147,899,412)	(122,628,204)
<b>Cash Flows from Financing Activities</b>			
Proceeds from Long Term Borrowings	31	-	50,000,000
Repayment of Long Term Borrowings	31	(2,555,143,486)	(951,593,327)
Repayment of Lease Liabilities	35	(56,186,695)	(40,376,521)
Cash Proceed from right issue		-	2,169,642,340
Dividend Paid		(94,545,452)	-
Refund of unaccepted shares applications money	27	(160,551,485)	-
<b>Net Cash (Used In)/Generated from Financing Activities</b>		(2,866,427,118)	1,227,672,492
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		(2,432,864,858)	2,561,207,618
<b>Cash and Cash Equivalents at Beginning of the Year</b>		2,104,192,396	(457,015,222)
<b>Cash and Cash Equivalents at End of the Year</b>	25	(328,672,462)	2,104,192,396

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 45 to 103 form an integral part of the Financial Statements.

# 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 estates are situated in the planting districts of Rathnapura, Balangoda, and Badulla.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

### 1.2 Principal Activities and Nature of Operations

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

### 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 Material 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 recognized 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".

### 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.

## Notes to the Financial Statements (Continued)

### 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.

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 on a 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.	32
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	35
Revaluation of Buildings under Property, Plant and Equipment	16
Fair Value Measurement of Investment Properties	18
Recognition of Deferred Tax on Accumulated Tax Losses	33
Recognition and Measurement of provisions and contingencies	40

### 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-

## Notes to the Financial Statements (Continued)

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

### 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.

## Notes to the Financial Statements (Continued)

### 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Except as stated below, the Company has consistently applied accounting policies set out below to all periods presented in these financial statements.

#### 3.1 Changes in Material Accounting Policies

##### 3.1.1 Material accounting policy information

The Company has adopted disclosure of Accounting Policies (Amendments to LKAS 1) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information in the financial statements.

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

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

##### 3.1.2 Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of LKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

#### 3.2 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.

## Notes to the Financial Statements (Continued)

### 3.2.1 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.

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.

## Notes to the Financial Statements (Continued)

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.

### 3.2.2 Property, Plant and Equipment

#### 3.2.2.1 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.

#### 3.2.2.2 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.

#### 3.2.2.3 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.

## Notes to the Financial Statements (Continued)

### 3.2.2.4 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.

### 3.2.2.5 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.

### 3.2.2.6 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.

### 3.2.2.7 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

## Notes to the Financial Statements (Continued)

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.

### 3.2.2.8 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.

### 3.2.3 Immovable Leased Assets

#### 3.2.3.1 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.

#### 3.2.3.2 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

#### 3.2.3.3 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.

#### 3.2.3.4 Software

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

## Notes to the Financial Statements (Continued)

The estimated useful life is as follows:

Asset Category	Useful life
Computer Software	5

### 3.2.3.5. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

## 3.2.4 Investment Property

### 3.2.4.1 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 purposes. 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.

### 3.2.4.2 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 an integral part of the total rental income, over the term of the lease.

## 3.2.5 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.

### 3.2.5.1 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.

## Notes to the Financial Statements (Continued)

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.

### 3.2.5.2 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.

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

#### 3.2.5.2.1 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.

#### 3.2.5.2.2 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 lower.

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.

### 3.2.5.3 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.

## Notes to the Financial Statements (Continued)

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.

### 3.2.5.3.1 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.

## 3.2.6 Financial Instruments

### 3.2.6.1 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.

### 3.2.6.2 Classification and subsequent measurement

#### 3.2.6.2.1 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.

## Notes to the Financial Statements (Continued)

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.

### 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.

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

<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>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.

## Notes to the Financial Statements (Continued)

### 3.2.6.2.2 Financial Liabilities

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

Financial liabilities are classified as measured at amortised cost or 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. 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.

### 3.2.6.3 Derecognition

#### 3.2.6.3.1 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.

#### 3.2.6.3.2 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.

### 3.2.6.4 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.

### 3.2.6.5 Impairment– Financial Assets

#### 3.2.6.5.1 Financial Instruments

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost.

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

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

## Notes to the Financial Statements (Continued)

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.

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

### **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.

### **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.

### **3.2.6.5.2 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 in those expenses' categories consistent with the function of the impaired asset.

### **3.2.7 Inventories**

#### **3.2.7.1 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.

## Notes to the Financial Statements (Continued)

### 3.2.7.2 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

### 3.2.7.3 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.

### 3.2.8 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.

### 3.2.9 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.

## 3.3 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.

### 3.3.1 Employee Benefits

#### 3.3.1.1 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).

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

#### 3.3.1.2 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 plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

## Notes to the Financial Statements (Continued)

The valuation is performed annually by a qualified actuary using the projected unit credit method as recommended by Sri Lanka Accounting Standards No. 19 - "Employee Benefits".

The Company recognises all actuarial gains and losses arising from defined benefit plans directly in the other comprehensive income and all expenses related to defined benefit plan in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 32.

### 3.3.2 Contingent Liabilities

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.

### 3.3.3 Deferred Income

#### 3.3.3.1 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 at once when the related blocks of trees are harvested.

### 3.3.4 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.

### 3.4 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.

## Notes to the Financial Statements (Continued)

### 3.5 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".

#### 3.5.1 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.

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.

##### 3.5.1.1 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.

##### 3.5.1.2 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.

##### 3.5.1.3 Interest Income

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

##### 3.5.1.4 Rental income

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

##### 3.5.1.5 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 income in the Statement of Profit or Loss.

## Notes to the Financial Statements (Continued)

### 3.5.2 Expenditure Recognition

#### 3.5.2.1 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 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.

#### 3.5.2.2 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.

#### 3.5.2.3 Income Tax Expense

Income Tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relate 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.

##### 3.5.2.3.1 Current Taxes

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. Current tax payable also includes any tax liability taxes arising from the tax on dividend income.

Current tax assets and liabilities are offset only if certain criteria are met.

##### 3.5.2.3.2 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.

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.

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.

## Notes to the Financial Statements (Continued)

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.

### 3.6 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.

### 3.7 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.

### 3.8 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.

### 3.9 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.

### 3.10 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 (Continued)

### 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 on or after 1 January 2024.

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 the 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.

- Non-current Liabilities with Covenants – Amendments to LKAS 1
- Lease Liability in a Sale and Leaseback – Amendments to SLFRS 16
- Supplier Finance Arrangements – Amendments to LKAS 7 and SLFRS 7
- Lack of Exchangeability – Amendments to LKAS 21

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

- SLFRS S1 - General Requirements for Disclosures of Sustainability related Financial Information
- SLFRS S2 - Climate-Related Disclosures

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December

	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
<b>5. REVENUE</b>		
<b>5.1 Revenue Streams</b>		
Revenue from Contracts with Customers – Sale of Goods	4,129,861,890	6,070,594,060
<b>Total Revenue</b>	<b>4,129,861,890</b>	<b>6,070,594,060</b>
<b>5.2 Disaggregation of Revenue from Contracts with Customers</b>		
The Company generates its revenue locally and 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	4,129,861,890	6,070,594,060
<b>Total Revenue</b>	<b>4,129,861,890</b>	<b>6,070,594,060</b>
<b>6. INDUSTRY SEGMENT</b>		
<b>6.1 Revenue</b>		
Tea	3,783,092,903	5,406,571,708
Rubber	346,768,987	664,022,352
	<b>4,129,861,890</b>	<b>6,070,594,060</b>
<b>6.2 Cost of Sales</b>		
Tea	(3,211,129,121)	(3,947,548,754)
Rubber	(541,489,725)	(527,942,348)
	<b>(3,752,618,846)</b>	<b>(4,475,491,102)</b>
<b>6.3 Gross Profit/ (Loss)</b>		
Tea	571,963,782	1,459,022,954
Rubber	(194,720,738)	136,080,004
	<b>377,243,044</b>	<b>1,595,102,958</b>
<b>7. OTHER INCOME</b>		
Rent Income	73,163,569	63,403,684
Amortisation of Government Grants ( <b>Note 34</b> )	9,213,681	9,213,780
Subsidy Received	4,819,847	2,513,965
Gain on Disposal of Property, Plant and Equipment	6,350,000	10,050,000
Sale of Rubber Trees	940,500	19,896,500
Sundry Income	26,941,589	8,348,859
Change in Fair Value of Investment Properties ( <b>Note 18</b> )	35,648,228	40,404,441
	<b>157,077,414</b>	<b>153,831,229</b>

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December

8. GAIN ON CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS	2023 Rs.	2022 Rs.
Fair Value (Loss)/ Gain on Produce on Bearer Plants ( <b>Note 20.2</b> )	(4,651,725)	5,839,160
Fair Value Gain on Consumable Biological Assets ( <b>Note 20.1</b> )	405,689,385	212,831,326
	401,037,660	218,670,486
9. OTHER EXPENSES	2023 Rs.	2022 Rs.
Impairment of Immature Plantations - Rubber ( <b>Note 19.1.1</b> )	85,790,465	20,163,497
Write-Off of Bearer Biological Assets ( <b>Note 19</b> )	9,336,256	7,097,140
Provision for/Write-Off of Other Receivables	984,260	12,450,024
Write-Off of Obsolete Inventories	2,563,996	-
Provision For Obsolete and Slow Moving Inventories ( <b>Note 22.1</b> )	963,114	-
	99,638,091	39,710,661
10. NET FINANCE COSTS	2023 Rs.	2022 Rs.
<b>Finance Income</b>		
Interest Income on Fixed Deposit and Saving Deposits	5,100,942	4,621,709
Interest Income on Distress Loan	92,634	77,996
	5,193,576	4,699,705
<b>Finance Costs</b>		
Interest on Loans from Banks	-	7,942,779
Interest on Loans from Melstacorp PLC	216,351,482	736,019,527
Interest on Loans from Brokers	-	1,009,300
Interest on Bank Overdrafts	59,135,600	29,746,643
Interest on Lease Liability to SLSPC/JEDB ( <b>Note 35.1</b> )	52,747,397	38,176,977
	328,234,479	812,895,226
Net Finance Costs	(323,040,903)	(808,195,521)
11. PROFIT BEFORE TAXATION	2023 Rs.	2022 Rs.
Profit before taxation is stated after charging all the expenses including the followings;		
Directors' Remunerations	-	-
Auditors' Remunerations		
- Audit Services	5,225,000	4,750,000
- Non- Audit Services	715,344	977,927
Depreciation / Amortization		
- Right of Use Assets ( <b>Note 14</b> )	16,958,003	11,704,685
- Immovable Leased Assets ( <b>Note 15</b> )	6,452,789	6,683,951
- Property, Plant and Equipment ( <b>Note 16</b> )	107,195,092	109,800,948
- Intangible Assets ( <b>Note 17</b> )	567,825	579,554
- Bearer Biological Assets ( <b>Note 19.2</b> )	94,913,766	94,859,077
Personnel Costs		
- Salaries and Wages	1,615,090,442	1,645,914,289
- Defined Benefit Plan Costs - Retiring Gratuity ( <b>Note 32</b> )	213,337,099	165,102,221
- Defined Contribution Plan Cost - EPF / CPPS / ESPS and ETF	187,594,113	200,036,430
- Surcharges on EPF / ETF/ ESPS / Gratuity Payable	3,333,324	2,160,895

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December

<b>12. INCOME TAX EXPENSE</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
<b>12.1 Amounts Recognised in Profit or Loss</b>		
<b>Current Tax Expense</b>		
Income Tax Charge for the Year ( <b>Note 12.3</b> )	-	-
Over Provision with respect of Previous Years	-	-
	-	-
<b>Deferred Tax Expense</b>		
Deferred Tax Charge Recognised in Profit or Loss ( <b>Note 33</b> )	285,781,698	439,694,589
	285,781,698	439,694,589
<b>12.2 Amounts Recognised in Other Comprehensive Income</b>		
Deferred Tax Charge on Revaluation Surplus	7,850,996	206,613,285
Deferred Tax on Actuarial Gain on Retirement Benefit Obligation	10,765,278	21,882,488
	18,616,274	228,495,773

In accordance with the provisions of the Inland Revenue (Amendment) Act No. 45 of 2022, the Company has calculated its profits from both "Agro processing" and "Investment income" for the year ended on 31 December 2023, applying the standard tax rate of 30%.

For the year ended 31 December 2022, in accordance with the Inland Revenue Act No 10 of 2021, profits from the business of "Agro Processing" and "Investment income" were taxed at the rates of 14% and 24% respectively until 30 September 2022 . In accordance with the Inland Revenue (Amendment) Act No. 45 of 2022 effective from 1 October 2022 , the standard rate of income tax were increased from 24% to 30%.

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

<b>12.3 Reconciliation of Accounting Profit to Taxable Income/ (Loss)</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
Profit before taxation	354,850,930	996,621,547
Less: Income from other sources	(5,193,576)	(4,699,705)
Add: Disallowable Expenses	2,748,846,777	960,598,887
Less: Non-Taxable Income	(483,239,404)	(269,124,927)
Less: Allowable Expenses	(98,043,464)	(281,341,577)
Less: Exempt Income	(1,670,851,503)	(1,943,791,676)
Adjusted Profit/ (Loss) for the year	846,369,760	(541,737,451)
Business Income/ (Loss)	846,369,760	(541,737,451)
Investment Income	5,193,576	4,699,705
Less: Loss utilized for the year ( <b>Note 12.4</b> )	(851,563,336)	(4,699,705)
Taxable Income	-	-
<b>Income Tax Expense</b>		
Tax at 14%	-	-
Tax at 24%	-	-
Tax at 30%	-	-

## Notes to the Financial Statements (Continued)

For the Year Ended 31 December

12. INCOME TAX EXPENSE (Continued)	2023 Rs.	2022 Rs.
<b>12.4 Accumulated Tax Losses</b>		
Tax Losses Brought Forward	3,574,292,981	3,228,072,518
Adjustments due to finalization of prior year taxes	(1,841,360,632)	(190,817,283)
Add: Loss incurred During the Year	-	541,737,451
Less : Utilization of Tax Losses During the Year	(851,563,336)	(4,699,705)
Tax Losses Carried Forward	881,369,013	3,574,292,981

### 13. Basic Earnings Per Share

The calculation of basic earnings 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.

	2023	2022
Profit attributable to ordinary shareholders (Rs.)	69,069,232	556,926,958
Weighted average number of ordinary shares (Nos.)	46,625,155	23,636,364
Basic Earnings/ (Loss) per Share (Rs.)	1.48	23.56

### 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.

13.2 Dividend per Share	2023		2022	
	Per Share Rs.	Total Rs.	Per Share Rs.	Total Rs.
Dividend Paid	2.00	94,545,452	-	-
	2.00	94,545,452	-	-

14. RIGHT OF USE ASSETS	2023 Rs.	2022 Rs.
Right of Use - Land ( <b>Note 14.1</b> )	398,965,728	267,796,747
	398,965,728	267,796,747
<b>14.1 Right of Use - Land</b>		
Capitalised Value : As at 11th June 1992	477,056,623	454,663,475
Remeasurement during the year	148,126,984	22,393,148
Balance as at 31 December	625,183,607	477,056,623
<b>Accumulated Amortisation</b>		
Balance as at 1 January	209,259,876	197,555,191
Amortisation Charge for the Year	16,958,003	11,704,685
Balance as at 31 December	226,217,879	209,259,876
Carrying Amount as at 31 December	398,965,728	267,796,747

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 11th 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 11th 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.

## Notes to the Financial Statements (Continued)

As at 31 December

### 14. RIGHT OF USE ASSETS (Continued)

#### 14.1 Right of Use - Land (Continued)

##### 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 198.50 hectares (refer Note A below) and also there are no lands in the process of acquiring as at 31 December 2023 (refer Note B below).

#### (A) List of lands acquired by the Government as at 31 December 2023

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Balangoda	Cecilton Estate	Expansion of a 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	Mutuwagala 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
Ratnapura	Palmgarden Estate	Relocation Rathnapura Tamil Maha Vidyalaya	2.02
			<b>198.50</b>

## **14. RIGHT OF USE ASSETS (CONTINUED)**

### **14.1 Right of Use - Land (Continued)**

#### **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)**

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 2023. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31 December 2023.

#### **(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 2023**

There are no lands in the process of being acquired by the Government of Sri Lanka under the Land Acquisition Act as at 31 December 2023.

#### **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 11th 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 11th June, 1992 and amortisation of immovable leased assets to 31 December 2023 are as follows;

	<b>Unimproved Lease Land</b> Rs.	<b>Mature Bearer Biological Assets</b> Rs.	<b>Improvement to Land</b> Rs.	<b>Other Vested Assets</b> Rs.	<b>Machinery</b> Rs.	<b>Total</b> Rs.
<b>Capitalised Value (18 June 1992)</b>						
As at 1 January 2023	899,449	271,224,580	15,701,754	151,815	26,164,471	314,142,069
As at 31 December 2023	899,449	271,224,580	15,701,754	151,815	26,164,471	314,142,069
<b>Accumulated Amortisation</b>						
As at 1 January 2022	501,549	258,350,543	15,470,595	151,815	26,164,471	300,638,973
Amortisation for the year	16,971	6,435,821	231,159	-	-	6,683,951
As at 31 December 2022	518,520	264,786,364	15,701,754	151,815	26,164,471	307,322,924
As at 1 January 2023	518,520	264,786,364	15,701,754	151,815	26,164,471	307,322,924
Amortisation for the year	16,968	6,435,821	-	-	-	6,452,789
As at 31 December 2023	535,488	271,222,185	15,701,754	151,815	26,164,471	313,775,713
Carrying Amounts at 31 December 2022	380,929	6,438,216	-	-	-	6,819,145
<b>Carrying Amounts at 31 December 2023</b>	<b>363,961</b>	<b>2,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,356</b>

## **Notes to the Financial Statements (Continued)**

As at 31 December

## 16. PROPERTY, PLANT AND EQUIPMENT

## Notes to the Financial Statements (Continued)

As at 31 December

	Land Improvements Rs.	Buildings Rs.	Motor Vehicles Rs.	Furniture and Fittings Rs.	Equipment and Tools Rs.	Water Sanitation Rs.	Plant and Machinery Rs.	Capital Work -in-Progress (A) Rs.	Total Rs.
<b>Cost/ Revalued Amounts</b>									
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 to Investment Property	-	(19,356,763)	-	-	-	-	-	-	(19,356,763)
Transfers During the Year	-	9,455,262	2,611,798	-	-	-	-	-	(12,067,060)
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
Balance as at 1 January 2023									
Additions During the Year	-	8,910,697	23,406,658	517,340	9,271,220	-	14,678,003	-	56,783,918
Disposals During the Year	-	-	(11,991,250)	-	-	-	-	-	(11,991,250)
Transfers During the Year	-	800,000	-	2,803,486	2,578,847	-	4,318,225	(10,500,558)	-
Adjustment on Revaluation	-	(5,225,186)	-	-	-	-	-	-	(5,225,186)
Revaluation Gain during the Year	-	26,169,988	-	-	-	-	-	-	26,169,988
Transfers to Intangible Assets	-	-	-	-	-	-	-	-	(151,923)
Transfers from Investment Property	-	45,984,443	-	-	-	-	-	-	45,984,443
Transfers to Investment Property	-	(71,625,501)	-	-	-	-	-	-	(71,625,501)
Balance as at 31 December 2023	118,747,903	1,272,473,555	268,806,417	14,553,446	118,267,336	60,790,825	716,897,934	7,279,848	2,577,817,264
<b>Accumulated Depreciation</b>									
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
Transfers to Investment Property	-	(790,745)	-	-	-	-	-	-	(790,745)
Disposals During the Year	-	-	(12,443,268)	-	-	-	-	-	(12,443,268)
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
Balance as at 1 January 2023	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
Depreciation Charge for the Year	3,300,901	55,420,232	15,130,902	371,647	5,935,510	828,776	26,207,124	-	107,195,092
Disposals During the Year	-	-	(11,991,250)	-	-	-	-	-	(11,991,250)
Adjustment on Revaluation	-	(5,225,186)	-	-	-	-	-	-	(5,225,186)
Balance as at 31 December 2023	74,517,161	154,775,356	221,394,635	11,318,076	98,259,832	58,202,113	534,262,801	-	1,152,729,974
<b>Carrying Amounts</b>									
<b>As at 31 December 2022</b>	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
<b>As at 31 December 2023</b>	44,230,742	1,117,698,199	47,411,782	3,235,370	20,007,504	2,588,712	182,635,133	7,279,848	1,425,087,290

(A) The Capital Work in Progress balance as at 31 December 2023 represents the cost incurred by the Company on major repairs and renovations of buildings of the Company.

## **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, RICS (Sri Lanka) an external, independent Chartered Valuation Surveyor, 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,

<b>Region</b>	<b>Estate</b>	<b>Location</b>	<b>Valuation of Building</b>		<b>No of Buildings</b>	<b>Extent Building (Sq. Ft)</b>	<b>Significant Unobservable Inputs</b>	<b>Range of estimates for unobservable inputs</b>	<b>Sensitivity of fair value to unobservable inputs</b>
			<b>2023 Rs.</b>	<b>2022 Rs.</b>					
Rathnapura	Galatura	Galatura Estate, Kiriella	83,729,690	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	78,551,642	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	43,834,853	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"

## **Notes to the Financial Statements (Continued)**

**As at 31 December**

## Notes to the Financial Statements (Continued)

As at 31 December

Region	Estate	Location	Valuation of Building		No of Buildings	Extent Building	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
			2023 Rs.	2022 Rs.					
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	43,912,047	43,912,253	35	67,082	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-4,500	"Positively correlated sensitivity"
Balangoda	Pettigalla	Pettigalla Estate, Balangoda	44,430,088	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"
Balangoda	Rasagalla	Rasagalla Estate, , Balangoda	69,544,898	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	RyeWikiliya	RyeWikiliya 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	106,926,463	106,126,463	61	129,968	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-3,000	"Positively correlated sensitivity"

Region	Estate	Location	Valuation of Building		No of Buildings	Extent Building Inputs (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
			2023	2022					
Badulla	Spring Valley	Spring Valley Estate, Badulla	148,483,468	148,483,262	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>			<b>1,272,473,555</b>	<b>1,267,459,114</b>	<b>789</b>	<b>1,665,307</b>			

**16.1.1** The carrying amount of revalued buildings if they were carried at cost less depreciation is Rs. 185,721,652 as at 31 December 2023 (2022: Rs. 202,619,477)

**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	1,336,097,233	1,272,473,555	1,208,849,877

## Notes to the Financial Statements (Continued)

As at 31 December

## Notes to the Financial Statements (Continued)

As at 31 December

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		2023 Rs.	2022 Rs.
<b>16.2 Fully Depreciated Assets</b>	The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the reporting date are as follows.		
Land Improvements		4,728,923	4,728,923
Motor Vehicles		192,306,985	179,819,638
Furniture and Fittings		10,659,082	10,649,745
Equipment and Tools		91,137,401	72,709,302
Water Sanitation		44,230,810	40,534,650
Plant and Machinery		440,405,228	396,366,292
		783,468,429	704,808,550
<b>17. INTANGIBLE ASSETS</b>		<b>Computer Software</b>  Rs.	<b>Total</b>  Rs.
<b>Cost</b>			
Balance at 1 January 2022		2,891,522	2,891,522
Additions During the Year		25,000	25,000
Balance at 31 December 2022		2,916,522	2,916,522
Balance at 1 January 2023		2,916,522	2,916,522
Transfer from Property Plant and Equipment		151,923	151,923
Balance at 31 December 2023		3,068,445	3,068,445
<b>Accumulated Amortization</b>			
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
Balance at 1 January 2023		1,244,754	1,244,754
Amortisation During the Year		567,825	567,825
Balance at 31 December 2023		1,812,579	1,812,579
<b>Carrying Amounts</b>			
At 31 December 2022		1,671,768	1,671,768
<b>At 31 December 2023</b>		<b>1,255,866</b>	<b>1,255,866</b>

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

## Notes to the Financial Statements (Continued)

As at 31 December

<b>18. INVESTMENT PROPERTIES</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
<b>Valuation</b>		
<b>Building</b>		
Balance as at 1 January	389,051,335	328,880,876
Transfer from Property Plant and Equipment	71,625,501	18,566,018
Transfer to Property Plant and Equipment	(45,984,443)	-
Additions During the Year	2,414,770	1,200,000
Change in Fair Value	35,648,228	40,404,441
<b>Balance as at 31 December</b>	<b>452,755,391</b>	<b>389,051,335</b>

Investment properties reflect the tea factories in Gowerakelle Estate, Mutuwagala Estate, Millawitiya Estate, Palmgarden Estate, Rye/ Wikiliya Estate, Agarsland Estate, Nagrak Bungalow in Non Perieil Estate, and Restaurant in Palmgarden Estate.

<b>18.1 Income from Investment Properties</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
Income from Investment Properties	40,875,657	35,953,183
	<b>40,875,657</b>	<b>35,953,183</b>

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

	<b>Total buildings sensitivity on per square feet</b>		
	<b>+5% Value as stand</b>		<b>-5%</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Buildings	475,393,161	452,755,391	430,117,621
	<b>475,393,161</b>	<b>452,755,391</b>	<b>430,117,621</b>

**18.3 Valuation of Investment Properties**

Investment Properties are stated at fair value as at 31 December 2023 based on a valuation performed by Mr.W.M Chandrasena, R I C S (Sri Lanka) an external, independent Chartered Valuation Surveyor 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.

## 18. INVESTMENT PROPERTY (CONTINUED)

### 18.3 Valuation of Investment Property (Continued)

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 and Property Type	Fair Value 2023	Fair Value 2022	Extent Building	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
			Rs.	Rs. (Sq. Ft.)				
Rathnapura	Galatura	Tea Factory- Galatura Estate, Kiriella	-	45,984,443	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	53,323,194	48,634,058	40,556	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,500-4,000	"Positively correlated sensitivity"
Rathnapura	Millawitiya	Tea Factory- Millawitiya Estate, Ratnapura	45,717,589	41,667,034	34,755	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 900-4,000	"Positively correlated sensitivity"
Rathnapura	Palmgarden	Restaurant - Palmgarden Estate, Rathnapura	8,517,585	5,456,122	4,500	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 4,200	"Positively correlated sensitivity"
Balangoda	RyeWikiliya	Tea Factory RyeWikiliya Estate, Balangoda	185,488,837	169,635,388	139,052	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,600-4,600	"Positively correlated sensitivity"
Badulla	Gowerakelle	Tea Factory Gowerakelle Estate, Badulla	74,929,510	68,254,247	37,030	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 4,000-4,700	"Positively correlated sensitivity"
Balangoda	Non-Periel	Holiday Bungalow - Non-Periel Estate, Balangoda	13,153,172	9,420,043	4,645	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 6,500	"Positively correlated sensitivity"
Rathnapura	Palmgarden	Tea Factory - Palmgarden Estate, Rathnapura	53,230,561	-	45,168	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,100-4,500	"Positively correlated sensitivity"
Balangoda	Agarsland	Tea Factory - Agarsland Estate, Rasagalla, Balangoda	18,394,943	-	19,228	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,000-3,800	"Positively correlated sensitivity"
<b>Total</b>			<b>452,755,391</b>	<b>389,051,335</b>				

## Notes to the Financial Statements (Continued)

As at 31 December

## Notes to the Financial Statements (Continued)

As at 31 December

19.	BEARER BIOLOGICAL ASSETS	2023			2022		
		Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.
<b>19.1 Immature Plantations</b>							
<b>Cost</b>							
Balance as at 1 January	62,103,477	1,038,030,491	23,622,073	1,123,756,041	36,897,208	1,174,727,483	28,988,758
Additions During the Year	29,240,310	53,950,100	14,170,129	97,360,539	25,206,269	60,584,166	5,036,978
Transfers to Mature During the Year	(17,200,210)	(68,686,232)	(10,025,142)	(95,911,584)	-	(197,281,158)	(6,985,575)
Write-Off During the Year	-	-	(204,139)	(204,139)	-	-	(3,418,088)
Provision for Impairment ( <b>Note 19.1.1</b> )	74,143,577	1,023,294,359	27,562,921	1,125,000,857	62,103,477	1,038,030,491	23,622,073
Balance as at 31 December	74,143,577	263,060,410	27,562,921	364,766,908	62,103,477	363,587,007	23,622,073

### 19.1.1 Provision for Impairment of Immature Plantations

	2023	2022
	Rs.	Rs.
Balance as at 1 January		674,443,484
Impairment Charge For the Year		85,790,465
Balance as at 31 December	760,233,949	674,443,484

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. 760,233,949 as at 31 December 2023 (2022: Rs. 674,443,484).

## Notes to the Financial Statements (Continued)

As at 31 December

19. BEARER BIOLOGICAL ASSETS (CONTINUED)	2023			2022		
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.
<b>19.2 Mature Plantations</b>						
<b>Cost</b>						
Balance as at 1 January	473,094,960	1,638,670,618	73,267,622	2,185,033,200	473,094,960	1,441,389,460
Transfers During the Year	17,200,210	68,686,232	10,025,142	95,911,584	-	197,281,158
Write-off During the Year	-	-	(15,209,851)	(15,209,851)	-	- (5,547,376) (5,547,376)
Balance as at 31 December	490,295,170	1,707,356,850	68,082,913	2,265,734,933	473,094,960	1,638,670,618
<b>Accumulated Depreciation</b>						
Balance as at 1 January	196,741,387	584,726,176	20,008,015	801,475,578	181,073,840	508,871,834
Depreciation During the Year	16,183,553	75,724,063	3,006,150	94,913,766	15,667,547	75,854,342
Write-off During the Year	-	-	(6,077,734)	(6,077,734)	-	- (1,868,324) (1,868,324)
Balance as at 31 December	212,924,940	660,450,239	16,936,431	890,311,610	196,741,387	584,726,176
<b>Carrying Amount of Mature Plantations</b>						
	277,370,230	1,046,906,611	51,146,482	1,375,423,323	276,353,573	1,053,944,442
<b>Total Bearer Biological Assets</b>	351,513,807	1,309,967,021	78,709,403	1,740,190,231	338,457,050	1,417,531,449
					76,881,680	1,832,870,179

## Notes to the Financial Statements (Continued)

As at 31 December

<b>20. CONSUMABLE BIOLOGICAL ASSETS</b>	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
Mature Plantations ( <b>Note 20.1</b> )	2,995,452,585	2,586,879,439
	2,995,452,585	2,586,879,439
<b>20.1 Consumable Biological Assets- Mature Plantations</b>		
Balance as at 1 January	2,586,879,439	2,374,048,113
Increase due to new planting	2,883,761	-
	2,589,763,200	2,374,048,113
Gain arising from Changes in Fair Value	405,689,385	212,831,326
Balance as at 31 December	2,995,452,585	2,586,879,439

### 20.1.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr. W. M. Chadrasena Weerasinghe, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31 December 2023 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. CONSUMABLE BIOLOGICAL ASSETS (CONTINUED)

### 20.1 Consumable Biological Assets- Mature Plantations (Continued)

#### 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 2023.

Type	Valuation technique used	Significant Unobservable Inputs key unobservable inputs and fair value measurement
<b>Standing Timber</b>	<b>Discounted cash flows</b>	<p><b>Determination of Timber Content</b></p> <p>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.</p> <p>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.</p> <p><b>Determination of Price of Timber</b></p> <p>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.</p> <p>In this exercise, following factors have been taken into consideration.</p> <ul style="list-style-type: none"> <li>a) Cost of obtaining approval of felling.</li> <li>b) Cost of felling and cutting into logs.</li> <li>c) Cost of transportation.</li> <li>d) Sawing cost.</li> <li>e) Cost of sale.</li> </ul> <p>Accordingly, prices falling within the range of Rs. 150 - 50,000 per cubic ft./ per tree has been considered in the valuation.</p> <p>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.</p> <p><b>Risk-adjusted discount rate.</b></p> <p>2023 - 17% (Risk Premium 3.5%)</p> <p>2022 - 22.5% (Risk Premium 3.5%)</p>

## Notes to the Financial Statements (Continued)

As at 31 December

## Notes to the Financial Statements (Continued)

As at 31 December

### 20. CONSUMABLE BIOLOGICAL ASSETS (CONTINUED)

#### 20.1 Consumable Biological Assets- Mature Plantations (Continued)

##### 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%	2023	+10%
	Rs.	Rs.	Rs.
Timber	2,695,907,327	2,995,452,585	3,294,997,844
<b>Total</b>	<b>2,695,907,327</b>	<b>2,995,452,585</b>	<b>3,294,997,844</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%	2023	+1%
	Rs.	Rs.	Rs.
Timber	3,206,648,569	2,995,452,585	2,804,008,768
<b>Total</b>	<b>3,206,648,569</b>	<b>2,995,452,585</b>	<b>2,804,008,768</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.

## Notes to the Financial Statements (Continued)

As at 31 December

20. CONSUMABLE BIOLOGICAL ASSETS (CONTINUED)		2023 Rs.	2022 Rs.
<b>20.2 Produce on Bearer Biological Assets</b>			
Balance at 1 January		9,948,094	4,108,934
Change in Fair Value less Cost to Sell		(4,651,725)	5,839,160
Balance at 31 December		5,296,369	9,948,094

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.

21. FINANCIAL ASSETS MEASURED AT FVOCI	2023		2022	
	No. of Shares	Fair Value Rs.	No. of Shares	Fair Value Rs.
<b>Quoted Equity Investments in Ordinary Shares</b>				
National Development Bank PLC	6,358	408,935	5,996	191,872
	6,358	408,935	5,996	191,872

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 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

22. INVENTORIES	2023 Rs.	2022 Rs.
Nurseries	931,386	162,138
Produce stocks	439,728,504	460,827,475
Input Stocks, Consumables and Spares	110,743,898	215,331,291
	551,403,788	676,320,904
Less: Provision for Obsolete and Slow Moving Inventories ( <b>Note 22.1</b> )	(1,684,075)	(720,961)
	549,719,713	675,599,943

## Notes to the Financial Statements (Continued)

As at 31 December

22. INVENTORIES (CONTINUED)		2023 Rs.	2022 Rs.
<b>22.1 Provision For Obsolete and Slow Moving Inventories</b>			
Balance at 1 January		720,961	720,961
Charge for the Year		963,114	-
Balance at 31 December		1,684,075	720,961
23. TRADE AND OTHER RECEIVABLES		2023 Rs.	2022 Rs.
Trade Receivables		17,210,832	14,854,100
Employee Related Debtors		62,581,674	49,250,106
Other Taxes Receivable		10,489,699	7,400,000
Advances & Prepayments		1,542,906	1,338,312
Staff Loans		473,275	965,471
Other Receivables		40,220,319	44,943,231
Less: Provision for Impairment of Other Receivables ( <b>Note 23.1</b> )		132,518,705	118,751,220
		(4,152,332)	(3,168,072)
		128,366,373	115,583,148
<b>23.1 Provision For Impairment of Other Receivables</b>			
Balance at 1 January		3,168,072	706,506
Charge for the Year		984,260	2,461,566
Balance at 31 December		4,152,332	3,168,072
24. AMOUNTS DUE FROM RELATED COMPANIES		2023 Rs.	2022 Rs.
Madulsima Plantations PLC		24,019,191	22,109,216
Milford Exports (Ceylon) (Private) Limited		3,583,813	3,385,908
Formula World (Private) Limited		2,500,000	1,204,200
		30,103,004	26,699,324
25. CASH AND CASH EQUIVALENTS		2023 Rs.	2022 Rs.
<b>Favourable Balances</b>			
Cash at Bank		20,955,142	2,176,760,502
Cash in Hand		2,909,851	1,240,191
		23,864,993	2,178,000,693
<b>Less: Unfavourable Balances</b>			
Bank Overdrafts		(352,537,455)	(73,808,297)
Cash and Cash Equivalents for the Purpose of Cash Flows		(328,672,462)	2,104,192,396

## Notes to the Financial Statements (Continued)

As at 31 December

26. STATED CAPITAL	2023		2022	
	No. of Shares	Value of Shares Rs.	No. of Shares	Value of Shares Rs.
Balance as at 1st January	23,636,364	350,000,010	23,636,364	350,000,010
Issue of Shares ( <b>Note 27.1</b> )	23,636,363	2,009,090,855	-	-
Balance as at 31st December	47,272,727	2,359,090,865	23,636,364	350,000,010

### 26.1 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.

27. PENDING ALLOTMENT	2023		2022	
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January	2,169,642,340	-	-	-
Pending Allotment	-	2,169,642,340		
Issue of Shares ( <b>Note 27.1</b> )	(2,009,090,855)	-	-	-
Refund of unaccepted share applications ( <b>Note 27.1</b> )	(160,551,485)	-	-	-
Balance as at 31 December	-	2,169,642,340		

### 27.1 Issuing Shares (Pending Allotment) to Shareholders

With the approval of Colombo Stock Exchange on 17th October 2022, the Company has made a Right Issue of 23,636,363 ordinary shares at a price of Rs. 85 per share to the holders of the issued ordinary shares of the Company in the proportion of one new ordinary share for every existing issued ordinary share held in the capital of the Company.

The total number of shares subscribed on the right issue was 25,525,204 and the total consideration received was Rs. 2,169,642,340. Upon completing the required formalities, the Company has issued 23,636,363 ordinary shares on 10th January 2023 and refunded the additional consideration of Rs. 160,551,485 received on the over subscribed shares.

## Notes to the Financial Statements (Continued)

As at 31 December

28. REVALUATION RESERVE	2023 Rs.	2022 Rs.
Balance as at 1 January	741,688,714	948,301,999
Surplus on Revaluation	26,169.988	-
Deferred Tax on Revaluation	(7,850,996)	(206,613,285)
Balance as at 31 December	760,007,706	741,688,714

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

### 29. 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.

### 30. FVOCI RESERVE

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

31. INTEREST BEARING LOANS AND BORROWINGS	2023 Rs.	2022 Rs.
Balance as at 1 January	3,328,826,245	3,494,400,045
Add:Loans obtained during the year	-	50,000,000
Add:Interest Charge for the Year	216,351,482	743,962,306
	3,545,177,727	4,288,362,351
Less:Repayments during the year	(2,555,143,486)	(959,536,106)
Balance as at 31 December	990,034,241	3,328,826,245
<b>Maturity Analysis</b>		
Amount Payable within One Year	575,000,000	575,000,000
Amount Payable after One Year and Less than Five Years	395,025,822	2,014,376,855
Amount Payable More than Five Years	20,008,419	739,449,390
	990,034,241	3,328,826,245
<b>Lender-wise Summary</b>		
Melstacorp PLC	990,034,241	3,328,826,245
	990,034,241	3,328,826,245

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

Name of the Lender and Rate of Interest	Nature of the Facility	Amount Outstanding as at 31 December 2023 Rs.	Amount Outstanding as at 31 December 2022 Rs.	Terms of Payment	Securities Pledged
Melstacorp PLC (AWPLR +0.5%)	Working Capital Loan Series	990,034,241	3,328,826,245	Capital to be repaid after a moratorium of 3 years. Interest payable monthly	N/A
		<b>990,034,241</b>	<b>3,328,826,245</b>		

## Notes to the Financial Statements (Continued)

As at 31 December

<b>32. RETIREMENT BENEFIT OBLIGATIONS</b>	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
Balance at 1 January	903,016,632	927,360,381
<b>Included in Profit or Loss</b>		
Interest Cost During the Year	167,058,077	106,646,444
Current Service Cost	46,279,022	58,455,777
<b>Included in OCI</b>		
Actuarial Gain for the Year	(35,884,259)	(72,941,626)
Gratuity Payments During the year	(177,205,438)	(116,504,344)
<b>Balance at 31 December</b>	<b>903,264,034</b>	<b>903,016,632</b>

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2023 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 Messers. Actuarial & Management Consultants (Private) Limited include the following.

	<b>2023</b>	<b>2022</b>
(i) Rate of Interest (per Annum)	12.5%	18.5%
(ii) Retirement Age		
- Workers	60 years	60 years
- Staff	60 years	60 years
(iii) Turnover Rate	2% - 7%	2% - 7%

A long-term Treasury Bond rate of 12.50% p.a. (2022 - 18.50% p.a.) has been used to discount future liabilities taking into consideration remaining working life of eligible employees.

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the actuarial valuation. The 1949/52 Mortality Table” issued by the Institute of Actuaries, London and “A1967/70 Mortality Table” issued by the Institute of Actuaries was used to estimate the gratuity liability of the Company.

As at 31 December 2023, the weighted-average duration of the defined benefit obligation was 8.7 years (2022: 8.8 years).

## Notes to the Financial Statements (Continued)

As at 31 December

### 32. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### Sensitivity of Assumptions Used

Sensitivity analysis for significant assumptions as at 31 December 2023 is shown below.

Discount Rate Sensitivity Level	2023		2022	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Impact on Defined Benefit Obligation (Rs.)	(66,197,445)	75,520,685	(62,724,225)	71,168,671
Future Salary Increment Rate Sensitivity Level	2023		2022	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Impact on Defined Benefit Obligation (Rs.)	77,704,845	(69,121,015)	74,929,193	(66,877,672)

#### Maturity Profile of the Defined Benefit Obligation as at 31 December

	2023 Rs.	2022 Rs.
Within the next 12 months	92,307,917	95,315,874
Between 1-5 years	281,386,236	291,821,320
Beyond 5 years	529,569,881	515,879,438
<b>Total</b>	<b>903,264,034</b>	<b>903,016,632</b>

33. DEFERRED TAX LIABILITY	2023 Rs.	2022 Rs.
Balance at 1 January	1,140,386,051	472,195,689
<b>Recognised in Profit or Loss</b>		
Deferred Tax Charged During the Year	285,781,698	439,694,589
<b>Recognised in Other Comprehensive Income</b>		
Deferred Tax Charged During the Year	18,616,274	228,495,773
Balance at 31 December	1,444,784,023	1,140,386,051

## Notes to the Financial Statements (Continued)

As at 31 December

33. DEFERRED TAX LIABILITY (CONTINUED)	2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
		Rs.		Rs.
<b>Deferred Tax Liabilities</b>				
Property, Plant and Equipment	189,628,979	56,888,694	280,078,853	84,023,656
Revaluation Reserve on Buildings	1,085,725,294	325,717,588	1,059,555,306	317,866,592
Fair Value Change on Investment Property	367,829,287	110,348,786	332,181,059	99,654,318
Bearer Biological Assets	1,740,190,231	522,057,069	1,832,870,179	549,861,054
Consumable Biological Assets	2,995,452,585	898,635,776	2,586,879,439	776,063,832
Right of Use Assets	398,965,728	119,689,718	267,796,747	80,339,024
As at 31 December	6,777,792,104	2,033,337,631	6,359,361,583	1,907,808,476
<b>Deferred Tax Assets</b>				
Retirement Benefit Obligations	(903,264,034)	(270,979,210)	(903,016,632)	(270,904,990)
Accumulated Tax Losses	(609,620,080)	(182,886,024)	(1,350,784,555)	(405,235,367)
Lease Liabilities	(448,961,246)	(134,688,374)	(304,273,560)	(91,282,068)
As at 31 December	(1,961,845,360)	(588,553,608)	(2,558,074,747)	(767,422,425)
As at 31 December	4,815,946,740	1,444,784,023	3,801,286,836	1,140,386,051

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2023 is 30% (2022 - 30%).

	2023	2022
	Rs.	Rs.
<b>33.1 Amount charged/ (reversed) to profit or loss</b>		
Due to changes in tax rate	-	698,945,750
Due to changes in temporary differences	285,781,698	(259,251,161)
	285,781,698	439,694,589
<b>Amount charged to Other Comprehensive Income</b>		
Due to changes in tax rate	-	177,989,101
Due to changes in temporary differences	18,616,274	50,506,672
	18,616,274	228,495,773
<b>Total Impact to Financials</b>	304,397,972	668,190,362

The deferred tax asset has been recognised in the Financial Statements to the extent of forecasted profit. 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.81,524,680/- (2022: Rs. 667,052,528/-) has not been recognised in respect of unutilized tax losses of Rs. 271,748,933/- (2022: Rs. 2,223,508,426/-) as at 31 December 2023.

## Notes to the Financial Statements (Continued)

As at 31 December

33. DEFERRED TAX LIABILITY (CONTINUED)	2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.	Rs.	Rs.	Rs.
On Accumulated Tax Losses	271,748,933	81,524,680	2,223,508,426	667,052,528
	271,748,933	81,524,680	2,223,508,426	667,052,528

34. DEFERRED INCOME	2023		2022	
	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>				
Balance at 1 January		305,710,203		305,710,203
Balance at 31 December		305,710,203		305,710,203
<b>Accumulated Amortisation</b>				
Balance at 1 January		184,632,131		175,418,351
Amortisation During the Year		9,213,681		9,213,780
Balance at 31 December		193,845,812		184,632,131
<b>Carrying Amount at 31 December</b>		111,864,391		121,078,072

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.

35. LEASE LIABILITIES	2023			2022		
	Current Liability	Non-Current Liability	Total	Current Liability	Non-Current Liability	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Lease Liability to SLSPC and JEDB ( <b>Note 35.1</b> )				448,961,246	304,273,560	
				448,961,246	304,273,560	

	2023			2022		
	Current Liability	Non-Current Liability	Total	Current Liability	Non-Current Liability	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Liability	61,200,476	1,254,609,758	1,315,810,234	41,129,352	884,281,074	925,410,426
Less: Interest in suspense	(57,066,792)	(809,782,196)	(866,848,988)	(38,577,065)	(582,559,801)	(621,136,866)
	4,133,684	444,827,562	448,961,246	2,552,287	301,721,273	304,273,560

## Notes to the Financial Statements (Continued)

As at 31 December

<b>35. LEASE LIABILITIES (CONTINUED)</b>		<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
<b>35.1</b>	<b>Lease Liability to SLSPC and JEDB</b>		
	Balance as at 1 January	304,273,560	284,079,956
	Remeasurement of Right-of-Use Asset	148,126,984	22,393,148
	Interest Charges for the Year	52,747,397	38,176,977
	Less: Lease Payments made during the Year	(56,186,695)	(40,376,521)
	<b>Lease Liability to SLSPC and JEDB</b>	<b>448,961,246</b>	<b>304,273,560</b>

The lease of the estates have been amended, with effect from 11th 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 11th June 1997. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and was in the form of contingent rental.

		<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
<b>35.2</b>	<b>Maturity Analysis of Contractual Undiscounted Cash Flows</b>		
	Within One Year	61,200,476	41,129,352
	1 - 2 Years	61,200,476	41,129,352
	2-5 Years	244,801,904	123,388,056
	More than 5 Years	948,607,378	719,763,666
	Total Undiscounted Lease Liabilities	1,315,810,234	925,410,426
<b>35.3</b>	<b>Amounts Recognised in Profit or Loss</b>		
	Interest on Lease Liabilities	52,747,397	38,176,977
	Depreciation Charged for Right of Use Asset	16,958,003	11,704,685
		69,705,400	49,881,662
<b>35.4</b>	<b>Amounts Recognised in Statement of Cash Flows</b>		
	Total Cash Outflow for Leases	56,186,695	40,376,521

## Notes to the Financial Statements (Continued)

As at 31 December

<b>36. TRADE AND OTHER PAYABLES</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
Trade Creditors	17,762,084	29,502,328
Employee Related Creditors	170,319,690	197,596,427
Accrued Expenses	39,093,109	34,015,898
Dividends Payable	8,787,540	6,056,596
Sundry Creditors	70,152,507	91,693,458
Prepayments Received	23,889,280	15,347,465
VAT Payable	29,440,134	29,440,134
Other Payables	2,033,148	9,932,292
	361,477,492	413,584,598

<b>37. AMOUNTS DUE TO RELATED COMPANIES</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
Stassen Exports (Private) Limited	121,500	162,000
Melsta Logistics (Private) Limited	467,552	467,552
Melsta Technologies (Private) Limited	359,952	179,976
Lanka Bell Limited	-	116,544
	949,004	926,072

## 38. RELATED PARTY DISCLOSURES

### 38.1 Substantial Shareholding and Ultimate Parent Company

The Company's immediate parent Company is Melstacorp PLC which owns 74.61% of Balangoda Plantations PLC and the ultimate parent Company is Milford Exports (Ceylon) (Private) Limited which are incorporated in Sri Lanka.

### 38.2 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.

<b>38.3 Compensations to KMPs</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
Short-term Employee Benefits - Directors' remunerations	-	-
	-	-

## 38. RELATED PARTY DISCLOSURES (CONTINUED)

### 38.4 Transactions with Related Companies

Name of the Company	Nature of Relationship	Names of the Common Directors	Nature of the Transactions	Transaction Amount			Balance as at 31 December Rs.
				2023 Rs.	2022 Rs.	2023 Rs.	
Stassen Exports (Private) Limited	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. C.R. Jansz Mr. D. Hasitha S. Jayawardena	Reimbursement of Expenses Expenses Incurred	40,500	-	-	(121,500) (162,000)
Lanka bell Limited	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. C.R. Jansz Mr. M.A.N.S. Perera	Expenses Incurred	-	-	116,544	- (116,544)
Melsta Logistics (Private) Limited	Subsidiary of Parent Company	Mr. M.A.N.S. Perera	Vehicle Repair Charges Reimbursement of Expenses	-	2,684,126	(467,552)	(467,552)
Melsta Technologies (Private) Limited	Subsidiary of Parent Company	Mr. M.A.N.S. Perera	Salaries Incurred Software Development charges	(179,976)	-	5,928,144	(359,952) (179,976)
Madulsima Plantations PLC	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. C.R. Jansz Mr. D. Hasitha S. Jayawardena Mr. M.A.N.S. Perera	Supply good and service Reimbursement of Expenses	7,145,583 (5,235,608)	10,473,250 (500,000)	(2,318,570)	24,019,191 22,109,216
Milford Export Ceylon (Private) Limited	Ultimate Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena Mr. M.A.N.S. Perera	Rent Received Sale of Green Leaf Reimbursement of Expenses Settlements Received	69,261,640 (69,063,735)	3,611,292 25,589,268 - (29,200,560)	3,583,813 29,627	3,385,908 -
Melstacorp PLC	Intermediate Parent Company	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena Mr. M.A.N.S. Perera	Loans Obtained Interest Charge Repayments during the Year	(216,351,182) 2,555,143,486	(50,000,000) (736,019,526) 759,925,426	(990,034,241)	(3,328,826,545)
Formula World (Private) Limited	Subsidiary of Parent Company		Advance Payment	1,295,800	1,407,599	2,500,000	1,204,200
Distilleries Company of Sri Lanka PLC	Subsidiary of Parent Company	Mr. D.H.S.Jayawardena Mr. C.R.Jansz Mr. D.Hasitha.S.Jayawardena Mr. M.A.N.S.Perera	Vehicle Repair Charges Reimbursement of Expenses	11,577,741 (11,577,741)	25,627,222 (25,627,222)	-	-

## Notes to the Financial Statements (Continued)

As at 31 December

### 39. CAPITAL COMMITMENTS

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

### 40. CONTINGENT LIABILITIES

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

### 41. EVENTS OCCURRING AFTER THE REPORTING DATE

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

#### 41.1 Revision to the Daily Wage Rate

The Wages Board through its Extraordinary Gazette No 2385/14 dated 21st May 2024 revised the minimum daily wage to Rs. 1,700/- comprising of a minimum daily wage of Rs. 1,350/- and a daily special allowance of Rs. 350/- for workers in tea and rubber growing and manufacturing trade. Since the Gazette was issued subsequent to the financial reporting period, the Company did not consider the increased wage rate in determining the retirement benefit obligation as at 31 December 2023.

### 42. GOING CONCERN

The following factors have been considered by the Board of Directors in preparing and presenting these financial statements on going concern basis.

The Company has reported an accumulated losses of Rs. 2,750,711,895 (2022: Rs. 2,344,665,271). Further, its current liabilities exceeded its current assets by Rs. 556,747,183. These events and conditions raise significant doubt whether the Company will be able to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notwithstanding this, the financial statements have been prepared on a going concern basis as at 31 December 2023 based on a comprehensive review of the Company's affairs including, but not limited to:

- The cash flow forecast of the Company for the period up to next 12 months.
- The Company's ability of settling the statutory payables and other liabilities when they fall due and payable.
- Revenue and profitability forecasts for the Company for not only the next financial year, but beyond 31st December 2024.
- Subsequent repayments of inter-company loans and borrowings.

Further, based on the Company's assessment of the sources of funding available to the Company and strategies to improve performance and the financial position, management believe it will be able to generate profits in future. Rigorous strategies aimed at increase in capacity and quality intend to decrease the losses and therefore the accumulated losses. Moreover, the Board of Directors have no plans to liquidate the Company or cease operations in the near future. Further, to improve the financial position of the Company the Management have taken several steps.

## Notes to the Financial Statements (Continued)

As at 31 December

### 42. GOING CONCERN (CONTINUED)

As such in view of the above, the Management continues to have a reasonable expectation that the Company has adequate resources to continue its operations for at least the next 12 months and going concern basis of accounting remains appropriate. Concurrently, the Board of Directors firmly believe that the Company will be able to continue as a going concern into the foreseeable future and, accordingly, the Financial Statements of the Company have been prepared on a going concern.

### 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 Group'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.

## Notes to the Financial Statements (Continued)

As at 31 December

### 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 43.1 Risk Management Framework (Continued)

##### 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	2023		2022	
		Rs.		Rs.
Financial Assets Measured at FVOCI		408,935		191,872
Trade and Other Receivables		120,486,100		110,012,908
Amounts due from Related Companies		30,103,004		26,699,324
Cash and Cash Equivalents		20,955,142		2,176,760,502
<b>Total Credit Risk Exposure</b>		<b>171,953,181</b>		<b>2,313,664,606</b>

##### Impairment Losses

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

As at 31 December	2023		2022	
	Gross	Impairment	Gross	Impairment
	Rs.	Rs.	Rs.	Rs.
Not Past Due	17,210,832	-	14,854,100	-
	<b>17,210,832</b>	<b>-</b>	<b>14,854,100</b>	<b>-</b>

#### 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.

#### 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.

### 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 43.1 Risk Management Framework (Continued)

##### 43.1.2 Liquidity Risk (Continued)

The table below summarizes the maturity profile of the Company's financial liabilities as at 31 December 2023 based on contractual undiscounted payments.

	<b>At 31 December 2023</b>	<b>Carrying Amount</b>	<b>Contractual Cash flow</b>	<b>06 Months or less</b>	<b>06 - 12 Months</b>	<b>01 - 02 Years</b>	<b>01 - 02 Years</b>	<b>02-05 Years</b>	<b>More than 5 Years</b>
		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>	<b>Rs.</b>
<b>Non-Derivative Financial Liabilities</b>									
Interest Bearing Loans and Borrowings	990,034,241	1,460,389,791	287,500,000	287,500,000	581,256,114	304,133,677	-	-	-
Lease Liability	448,961,246	1,315,810,234	30,600,238	30,600,238	61,200,476	244,801,904	948,607,378	-	-
Trade and Other Payables	337,588,212	337,588,212	-	-	-	-	-	-	-
Amounts due to Related Companies	949,004	949,004	-	-	-	-	-	-	-
Bank Overdraft	352,537,455	352,537,455	-	-	-	-	-	-	-
	2,130,070,158	3,467,274,696	1,009,174,909	318,100,238	642,456,590	548,935,581	948,607,378	-	-
<b>At 31 December 2022</b>									
		<b>Carrying Amount</b>	<b>Contractual Cash flow</b>	<b>06 Months or less</b>	<b>06 - 12 Months</b>	<b>01 - 02 Years</b>	<b>01 - 02 Years</b>	<b>02-05 Years</b>	<b>More than 5 Years</b>
		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>	<b>Rs.</b>
<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	925,410,426	20,564,676	20,564,676	41,129,352	123,388,056	719,763,666	-	-
Trade and Other Payables	398,237,133	398,237,133	-	-	-	-	-	-	-
Amounts due to Related Companies	926,072	926,072	-	-	-	-	-	-	-
Bank Overdraft	73,808,297	73,808,297	-	-	-	-	-	-	-
	4,106,071,307	6,308,700,846	1,068,536,178	20,564,676	1,995,506,814	2,386,563,129	837,530,049	-	-

## Notes to the Financial Statements (Continued)

As at 31 December

## Notes to the Financial Statements (Continued)

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.

##### Profile

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

	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
<b>Fixed Rate Instruments</b>		
Financial Assets	-	-
Financial Liabilities	(801,498,701)	(378,081,857)
	(801,498,701)	(378,081,857)
<b>Variable Rate Instruments</b>		
Financial Assets	-	-
Financial Liabilities	(990,034,241)	(3,328,826,245)
	(990,034,241)	(3,328,826,245)

## Notes to the Financial Statements (Continued)

As at 31 December

### 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 43.1 Risk Management Framework (Continued)

##### 43.1.3 Market Risk (Continued)

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 before tax (through the impact on floating rate borrowings).

	2023		2022	
	Increase	Decrease	Increase	Decrease
	8%	8%	8%	8%
Effect on Profit before Tax	(79,202,739)	79,202,739	(266,306,100)	266,306,100
Effect on Equity	(55,441,917)	55,441,917	(186,414,270)	186,414,270

##### b) Currency Risk

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

##### 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.

## Notes to the Financial Statements (Continued)

As at 31 December

### 43. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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:

<b>At 31 December</b>	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
Total Liabilities	4,613,871,886	6,285,899,527
Less: Cash at Bank and Cash in Hand	(23,864,993)	(2,178,000,693)
Net debts	4,590,006,893	4,107,898,834
Total Equity	3,137,960,948	3,280,333,617
<b>Debt to Equity ratio(Gearing Ratio)</b>	146%	125%

### 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:

#### 44. FAIR VALUE MEASUREMENT (CONTINUED)

## Notes to the Financial Statements (Continued)

As at 31 December



	2023 Carrying Amount Rs.	2022 Fair Value Rs.
<b>Assets Carried at Amortised Cost</b>		
Trade and Other Receivables	120,486,100	120,486,100
Amounts due from Related Companies	30,103,004	30,103,004
Cash and Cash Equivalents	23,864,993	23,864,993
<b>Financial Assets Measured at FVOCI</b>		
Quoted Equity Investments in Ordinary Shares	408,935	408,935
	174,863,032	174,863,032

	2023 Carrying Amount Rs.	2022 Fair Value Rs.
<b>Liabilities Carried at Amortised Cost</b>		
Interest Bearing Loans and Borrowings	990,034,241	990,034,241
Lease Liabilities	448,961,246	448,961,246
Trade and Other Payables	337,588,212	337,588,212
Amounts due to Related Companies	949,004	949,004
Bank Overdraft	352,537,455	352,537,455
	2,130,070,158	2,130,070,158

### 44.2 Financial Assets and Liabilities by Categories

	2023				2022			
	Amortised Cost Rs.	Fair Value Through Profit or Loss Rs.	Fair Value Through Other Comprehensive Income Rs.	Amortised Cost Rs.	Fair Value Through Profit or Loss Rs.	Fair Value Through Other Comprehensive Income Rs.	Fair Value Through Other Comprehensive Income Rs.	
(a) Financial Assets								
Trade and Other Receivables	120,486,100	-	-	-	110,012,908	-	-	-
Amounts due from Related Companies	30,103,004	-	-	-	26,699,324	-	-	-
Cash and Cash Equivalents	23,864,993	-	-	-	2,178,000,693	-	-	-
Financial Assets Measured at FVOCI	-	-	408,935	-	-	-	-	191,872
	174,454,097	-	408,935	2,314,712,925	-	-	-	191,872

## Notes to the Financial Statements (Continued)

As at 31 December

### 44. FAIR VALUE MEASUREMENT (CONTINUED)

#### 44.2 Financial Assets and Liabilities by Categories (Continued)

(b) Financial Liabilities	2023		2022	
	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	990,034,241	-	3,328,826,245	-
Lease Liabilities	448,961,246	-	304,273,560	-
Trade and Other Payables	337,588,212	-	398,237,133	-
Amounts due to Related Companies	949,004	-	926,072	-
Bank Overdraft	352,537,455	-	73,808,297	-
	2,130,070,158	-	4,106,071,307	-

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

As at 31 December 2023	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>Assets Carried at Amortised Cost</b>			
Trade and Other Receivables	-	-	120,486,100
Amounts due from Related Companies	-	-	30,103,004
Cash and Cash Equivalents	-	23,864,993	-
<b>Financial Assets Measured at FVOCI</b>			
Quoted Equity Investments in Ordinary Shares	408,935	-	-
	408,935	23,864,993	150,589,104
<b>Liabilities Carried at Amortised Cost</b>			
Interest Bearing Loans and Borrowings	-	-	990,034,241
Lease Liabilities	-	-	448,961,246
Trade and Other Payables	-	-	337,588,212
Amounts due to Related Companies	-	-	949,004
Bank Overdraft	-	352,537,455	-
	-	352,537,455	1,777,532,703
As at 31 December 2022			
<b>Assets Carried at Amortised Cost</b>			
Trade and Other Receivables	-	-	110,012,908
Amounts due from Related Companies	-	-	26,699,324
Cash and Cash Equivalents	-	2,178,000,693	-
<b>Financial Assets Measured at FVOCI</b>			
Quoted Equity Investments in Ordinary Shares	191,872	-	-
	191,872	2,178,000,693	136,712,232
<b>Liabilities Carried at Amortised Cost</b>			
Interest Bearing Loans and Borrowings	-	-	3,328,826,245
Lease Liabilities	-	-	304,273,560
Trade and Other Payables	-	-	398,237,133
Amounts due to Related Companies	-	-	926,072
Bank Overdraft	-	73,808,297	-
	-	73,808,297	4,032,263,010

**45. OPERATING SEGMENTS**

## Notes to the Financial Statements (Continued)

As at 31 December

	Tea	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	Rubber	Others	Total
	2023	2022	2023	2022	2023	2022 Rs.	2023 Rs.	2022 Rs.
<b>Segmental Results</b>								
<b>Revenue</b>	3,783,092,903	5,406,571,708	346,768,987	664,022,352	-	-	4,129,861,890	6,070,594,060
Revenue Expenditure	(3,211,129,121)	(3,947,548,754)	(541,489,725)	(527,942,348)	-	-	(3,752,618,846)	(4,475,491,102)
<b>Gross Profit/ (Loss)</b>	571,963,782	1,459,022,954	(194,720,738)	136,080,004	-	-	377,243,044	1,595,102,958
Gain on Changes in Fair Value of Biological Assets								
Other Income							401,037,660	218,670,486
Unallocated Expenses							157,077,414	153,831,229
Net Finance Cost							(257,466,285)	(162,787,605)
<b>Profit Before Taxation</b>							(323,040,903)	(808,195,521)
<b>Profit for the Year</b>							354,850,930	996,621,547
Less : Taxation							(285,781,698)	(439,694,589)
<b>Other Comprehensive Income(Net of tax)</b>							69,069,232	556,926,958
<b>Total Comprehensive Income</b>							43,655,036	(155,750,458)
							112,724,268	401,176,500
<b>Segmental Assets</b>								
Non Current Assets	2,177,375,566	2,044,406,984	1,761,280,027	1,850,373,948	3,075,826,789	2,665,621,010	7,014,482,382	6,560,401,942
Current Assets	628,096,950	730,420,080	63,796,769	78,353,791	45,456,733	2,197,057,331	737,350,452	3,005,831,202
<b>Total Assets</b>	2,805,472,516	2,774,827,064	1,825,076,796	1,928,727,739	3,121,283,522	4,862,678,341	7,751,832,834	9,566,233,144
<b>Segmental Liabilities</b>								
Non Current Liabilities	1,230,546,943	1,029,143,865	227,023,842	175,594,041	1,862,203,466	4,015,290,367	3,319,774,251	5,220,028,273
Current Liabilities	405,666,169	315,606,248	74,124,321	80,358,078	814,307,145	669,906,928	1,294,097,635	1,065,871,254
<b>Total Liabilities</b>	1,636,213,112	1,344,750,113	301,148,163	255,952,119	2,676,510,611	4,685,197,295	4,613,871,886	6,285,899,527
<b>Segmental Capital Expenditure</b>								
Field Development	29,240,310	25,206,269	53,950,100	60,584,166	14,170,129	5,036,978	97,360,539	90,827,413
Property, Plant and Equipment	45,355,479	25,164,377	6,255,313	2,105,524	5,173,126	14,211,905	56,783,918	41,481,806
<b>Total Capital Expenditure</b>	74,595,789	50,370,646	60,205,413	62,689,690	19,343,255	19,248,883	154,144,457	132,309,219
<b>Depreciation</b>								
Mature Depreciation	16,183,553	15,667,547	75,724,063	75,854,342	3,006,150	3,337,188	94,913,766	94,859,077
Property,Plant and Equipment	72,372,566	76,357,530	23,787,436	25,097,216	11,035,090	8,346,202	107,195,092	109,800,948
	88,556,119	92,025,077	99,511,499	100,951,558	14,041,240	11,683,390	202,108,858	204,660,025

## 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 2023 have been submitted to the Colombo Stock Exchange.

### Distribution of Shareholding as at 31 December 2023

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
1-1,000	18,080	96.93	2,337,455	4.94
1,001-10,000	442	2.37	1,576,070	3.33
1,001-100,000	116	0.62	3,475,034	7.35
100,001-1,000,000	13	0.07	3,286,407	6.95
1,000,001 and over	2	0.01	36,597,760	77.42
<b>Grand Total</b>	<b>18,653</b>	<b>100.00</b>	<b>47,272,726</b>	<b>100</b>

### Analysis of Shareholders

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
Individual	18,454	98.93	6,251,818	13.22
Institution	180	0.96	39,577,715	83.72
Foreign Individuals	14	0.08	20,942	0.04
Foreign Institution	5	0.03	1,422,251	3.01
<b>Grand Total</b>	<b>18,653</b>	<b>100.00</b>	<b>47,272,726</b>	<b>100</b>

### Market Statistics

As at 31st December	2023	2022
Number of shares	47,272,726	23,636,363
Earnings per Share Rs	1.48	23.56
Net Asset per Share Rs	66.38	46.99
Dividend per Share Rs	2.00	-
Highest Share Price Rs	88.00	139.00
Lowest Share Price Rs	48.00	13.40
Last traded Price Rs	50.80	82.00

## Shareholder and Investor Information (Continued)

No	Name of the Shareholder	No. of Shares	%
1	Melstacorp PLC	35,268,300	74.61
2	Sandwave Limited	1,329,460	2.81
3	J.B. Cocoshell (Pvt) Ltd	615,092	1.30
4	Hatton National Bank PLC/Almas Holdings (Private) Limited	505,771	1.07
5	Seylan Bank PLC/Mr. Mohamed Mushtaq Fuad	431,456	0.91
6	Mr. R.A. Rishard	267,693	0.57
7	Sampath Bank PLC/Mr. Mr. Gerard Shamil Niranjan Peiris & Mrs. Indrani Roshani Peiris	258,000	0.55
8	Hatton National Bank PLC/Mr. Mushtaq Mohamed Fuad	242,361	0.51
9	Dialog Finance PLC/F.F. Haniffa	201,100	0.43
10	Dialog Finance PLC/M.M. Fuad	199,400	0.42
11	Almas Holdings (Private) Limited	131,738	0.28
12	Cocosshell Activated Carbon Company (Private) Limited	120,400	0.25
13	Mr. A.K. Palliya Guruge Don (Deceased)	108,000	0.23
14	Hatton National Bank PLC/Mr. Ravindra Erle Rambukwelle	103,000	0.22
15	Mr. M.S.F. Haqque	102,396	0.22
16	Mr. L.D.S. Chandrasiri	100,000	0.21
17	Seylan Bank PLC/Mr. Mohamed Subair Fouzal Haqque	100,000	0.21
18	Mr. M.R. Rasheed	93,500	0.20
19	Dr. A.A.M. Dharmadasa	90,000	0.19
20	Hatton National Bank PLC/Arunasalam Sithampalam	89,442	0.19

- 1) The percentage of ordinary shares held by the public was 25.39% (2022: 41.39%).
- 2) Number of shareholders representing the above public holding percentage is 18,652 (2022: 18,680).
- 3) Float adjusted market capitalization as at 31 December 2023 is Rs. 609,824,841 (2022: Rs.802,181,400)
- 4) 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 option.

## Financial Information

	2023 000	2022 000	2021 000	2020 000	2019 000	2018 000
Turnover	4,129,862	6,070,594	4,002,689	3,573,075	2,606,317	2,358,252
Profit/(Loss) before Taxation	354,851	996,622	(58,781)	143,597	(902,576)	(479,489)
Taxation	(285,782)	(439,695)	57,061	(27,198)	(128,474)	(165,992)
Profit/(Loss) after Taxation	69,069	556,927	(1,720)	116,399	(1,031,050)	(645,481)
Other Comprehensive Income/(Expense)	43,655	(155,750)	(92,140)	927,900	(22,361)	(25,697)
Loss brought forward	(2,344,666)	(2,739,820)	(2,386,946)	(2,376,156)	(1,146,871)	(385,018)
Dividend	(94,546)	-	-	-	-	-
Transfer to Revaluation Reserves	-	206,613	(39,284)	(909,017)	-	-
Transfer to Timber Reserve	(405,689)	(212,831)	(219,776)	(146,139)	(102,197)	(90,763)
Available for Sales Reserve	(217)	196	46	67	5	87
Adjustment Due to Initial Application of SLFRS 16	-	-	-	-	(73,682)	-
Retained Profit/(Loss)	(2,750,712)	(2,344,666)	(2,739,820)	(2,386,946)	(2,376,156)	(1,146,872)
Fixed Assets	7,014,482	6,560,402	6,402,324	6,284,118	4,948,043	4,742,306
Current Assets	737,350	3,005,831	577,101	561,072	476,444	469,312
Current Liabilities	1,294,098	1,065,871	1,155,334	2,686,744	1,173,371	1,157,408
Non Current Liabilities	3,319,774	5,220,028	5,114,576	3,355,071	4,492,040	3,168,044
Net Assets	3,137,961	3,280,334	709,515	803,375	(240,924)	886,166
Share Capital	2,359,091	350,000	350,000	350,000	350,000	350,000
Revaluation Reserves	760,008	741,689	948,302	909,017	-	-
Timber Reserves	2,769,314	2,363,625	2,150,793	1,931,017	1,784,878	1,682,681
Available for Sales Reserve	260	43	240	285	353	357
Profit & Loss Account	(2,750,712)	(2,344,665)	(2,739,820)	(2,386,946)	(2,376,155)	(1,146,872)
Share Application Pending Allotment	-	2,169,642	-	-	-	-
Capital Employed	3,137,961	3,280,333	709,515	803,373	(240,924)	886,166
Number of Shares ('000)	47,273	23,636	23,636	23,636	23,636	23,636
Earnings/(Loss) per Share (Rs.)	1.48	23.56	(0.07)	4.92	(43.62)	(27.31)
Dividend per Share (Rs.)	2.00	-	-	-	-	-
Net Asset per Share (Rs.)	66.38	46.99	30.02	33.99	(10.19)	37
Dividend Payout Ratio (%)	1.35	-	-	-	-	-

## Statement of Value Addition

	Year ended %	31.12.2023 Rs.'000	Year ended %	31.12.2022 Rs.'000
Revenue		4,129,862		6,070,594
Other Income		584,285		372,502
<b>Total Revenue</b>		<b>4,714,147</b>		<b>6,443,096</b>
Cost of Materials & Services bought		1,976,856		2,836,433
	<b>100.00</b>	<b>2,737,291</b>	<b>100.00</b>	<b>3,606,663</b>
<b>VALUE DISTRIBUTED</b>				
A To Employees as Remuneration	73.77	2,019,354	55.82	2,013,213
B To Government as taxes				
B 1 To Government as Lease Intrest	1.93	52,747	1.06	38,177
C To Lenders of Capital as Interest	10.06	275,488	21.48	774,718
D To Shareholders as Dividends	3.45	94,545	0	-
<b>E Retained in Business</b>				
E1 Provision of Depreciation	8.26	226,088	6.20	223,628
E2 Profit Retained	3	69,069	15.44	556,927
	<b>100.00</b>	<b>2,737,291</b>	<b>100.00</b>	<b>3,606,663</b>

## Performance of Estates 2023 & 2022

Tea Estates	Elevation Category	Year	Tea	Combined			
			Extent (Ha.)	Crop (Kg)	Yield Kg/ha	C.O.P Rs/kg	N.S.A Rs/kg
Balangoda	Uva Medium	2023	418.95	558,920	1,146	854.46	1,040.82
		2022	418.95	574,011	1,187	923.09	1,209.32
Cecilton	Uva Medium	2023	170.56	215,036	877	1,039.28	981.00
		2022	170.56	244,752	928	1,152.97	1,137.30
Meddakande	Uva Medium	2023	143.90	141,297	785	1,149.03	1,009.95
		2022	146.90	184,420	841	1,210.92	1,109.53
Non Pareil	Uva High	2023	226.00	93,443	413	1,277.47	865.68
		2022	226.00	99,938	442	1,299.04	1,044.54
Pettigalla	Uva Medium	2023	173.50	159,019	797	1,014.58	966.23
		2022	173.50	198,767	866	1,077.22	1,158.81
Rasagalla	Low	2023	234.81	247,519	866	1,016.69	983.74
		2022	234.81	290,009	846	1,127.04	1,186.87
Rye/Wikiliya	Low	2023	129.80	40,057	309	1,618.07	973.76
		2022	129.80	52,772	407	1,498.91	1,101.82
Walaboda	Uva Medium	2023	102.50	78,015	761	979.33	1,024.54
		2022	102.50	82,972	809	1,043.17	1,124.52
Mahawale	Low	2023	1.60	668	418	646.09	863.72
		2022	1.60	853	533	803.37	1,137.05
Palmgarden	Low	2023	3.02	6,943	588	1,772.64	1,163.89
		2022	4.85	198,111	444	1,389.23	1,137.05
Cullen	Uva Medium	2023	141.90	68,860	483	1,201.95	1,042.75
		2022	141.90	75,481	532	1,215.44	1,168.35
Glen Alpin	Uva Medium	2023	299.87	286,261	831	995.43	989.36
		2022	283.31	456,854	904	1,164.73	1,197.06
Gowerakelle	Uva Medium	2023	190.35	113,292	584	794.14	906.84
		2022	190.35	112,679	577	1,029.07	1,131.59
Spring Valley	Uva High	2023	452.53	394,421	785	919.29	968.23
		2022	452.53	475,817	789	1,097.65	1,183.31
Telbedde	Uva Medium	2023	512.48	573,466	1,041	877.13	993.24
		2022	520.78	719,136	1,131	983.62	1,153.64
Ury	Uva Medium	2023	304.92	300,211	768	882.29	1,032.14
		2022	304.92	361,865	824	1,008.47	1,245.81
Wewesse	Uva Medium	2023	235.10	285,964	719	1,046.07	1,045.40
		2022	235.10	362,489	769	1,212.50	1,268.85

## Performance of Estates 2023 & 2022 (Continued)

Rubber Estates	Elevation Category	Year	Rubber	Combined			
			Extent (Ha.)	Crop (Kg)	Yield Kg/ha	C.O.P Rs/kg	N.S.A Rs/kg
Galatura	Ratnapura	2023	163.28	66,936	401	1,058.55	586.02
		2022	158.78	131,899	784	782.77	765.94
Mahawale	Ratnapura	2023	176.79	57,451	324	1,130.42	604.86
		2022	178.51	91,461	508	911.31	758.13
Millawitiya	Ratnapura	2023	92.12	66,535	713	735.47	585.58
		2022	93.12	78,203	821	687.89	789.10
Mutwagalla	Ratnapura	2023	206.51	83,177	402	982.89	546.30
		2022	195.60	125,118	631	837.88	757.90
Palmgarden	Ratnapura	2023	237.82	117,272	487	968.90	572.92
		2022	247.41	157,171	629	827.18	767.24
Rambukkande	Ratnapura	2023	208.32	136,929	656	734.96	615.90
		2022	208.32	199,889	950	645.28	780.21
Meddakande	Balangoda	2023	14.00	3,000	214	423.57	490.26
		2022	12.62	4,139	328	407.48	644.75
Rye/Wikiliya	Balangoda	2023	48.07	23,846	496	501.61	478.86
		2022	48.07	31,006	645	509.85	615.89
Glen Alpin	Badulla	2023	6.97	6,549	940	374.50	488.73
		2022	6.97	6,824	979	368.72	626.38
Ury	Badulla	2023	40.13	21,112	526	510.43	458.36
		2022	40.13	28,289	705	339.99	642.33
Wewesse	Badulla	2023	27.53	20,613	749	486.87	494.62
		2022	27.53	28,490	1,035	422.82	684.33

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## 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
Mellawatantige 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 Thirty-first (31st) Annual General Meeting of the Company will be held as a "Virtual Meeting" via and online platform conducted from the Mini Auditorium Melstacorp PLC, No.110, Norris Canal Road, Colombo 10, on Tuesday, 25th June 2024 at 12.00 noon 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 following the preference indicated below:

- |   | For                      | Against                  |
|---|--------------------------|--------------------------|
| 1) Please delete the inappropriate  | <input type="checkbox"/> | <input type="checkbox"/> |
| 1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2023 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.  | <input type="checkbox"/> | <input type="checkbox"/> |
| "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 81 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.  | <input type="checkbox"/> | <input type="checkbox"/> |
| "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 71 years prior to 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.  | <input type="checkbox"/> | <input type="checkbox"/> |
| "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 81 years prior to the Annual General Meeting and that he shall accordingly be re-appointed".     |                          |                          |
| 5) To re-elect Mr D Hasitha S Jayawardena 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"/> |
| 6) 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 Four.

.....  
 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 Two (02) working days before the date of the meeting.

Please provide the following details (mandatory):

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

Folio No :.....

Email address of the Shareholder(s) or proxy holder

(other than a Director appointed as proxy) :.....

Mobile No :.....

Fixed Line :.....



