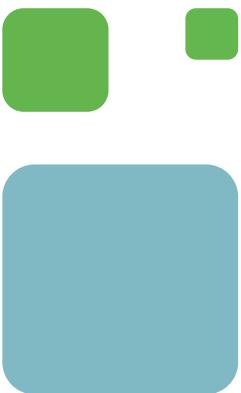
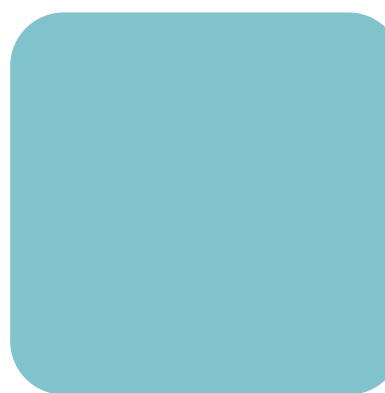
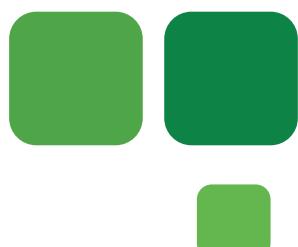
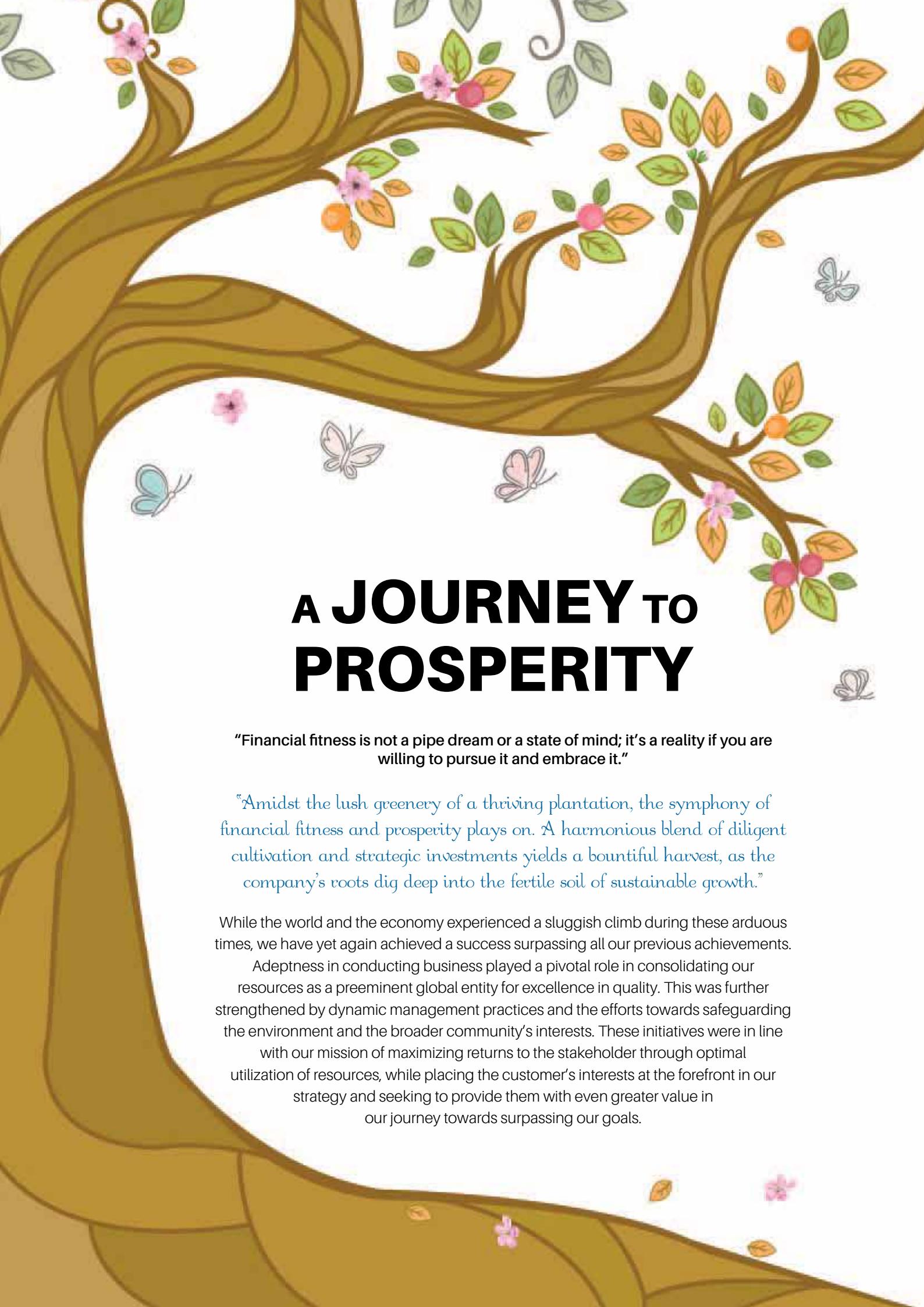


# NAMUNUKULA PLANTATIONS PLC

ANNUAL REPORT 2022/23







# A JOURNEY TO PROSPERITY

**"Financial fitness is not a pipe dream or a state of mind; it's a reality if you are willing to pursue it and embrace it."**

**"Amidst the lush greenery of a thriving plantation, the symphony of financial fitness and prosperity plays on. A harmonious blend of diligent cultivation and strategic investments yields a bountiful harvest, as the company's roots dig deep into the fertile soil of sustainable growth."**

While the world and the economy experienced a sluggish climb during these arduous times, we have yet again achieved a success surpassing all our previous achievements.

Adeptness in conducting business played a pivotal role in consolidating our resources as a preeminent global entity for excellence in quality. This was further strengthened by dynamic management practices and the efforts towards safeguarding the environment and the broader community's interests. These initiatives were in line with our mission of maximizing returns to the stakeholder through optimal utilization of resources, while placing the customer's interests at the forefront in our strategy and seeking to provide them with even greater value in our journey towards surpassing our goals.

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[https://www.arpico.com/contents/npl\\_financial\\_reports.php](https://www.arpico.com/contents/npl_financial_reports.php)

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# About Report

## OUR 5<sup>th</sup> INTEGRATED REPORT

The 2022–2023 Annual Report has been presented as the fifth episode of our integrated reporting journey, with the aim of sharing the success of Namunukula Plantations PLC(hereinafter referred to as "NPPLC" or the "Company") and its commitment in delivering value to its stakeholders by achieving its business goals.

This report articulates the story of consistent value creation by the Company over the short, medium, and long term in contexts of economic, social, and environmental aspects.

A comprehensive analysis of the strategies, business model, operating environment, material risks, stakeholder needs, performance, expectations, and governance is provided.



### To whom...

The aim of this report is to fulfill the informational needs of all the stakeholders through the disclosure of the economic, environmental, and social performance of the Company during the period. We address of all disclosable material topics relevant for the stakeholders of the Company and the correct understanding of readers through a holistic view of the information linked directly to business activities and provided explanations accordingly.

The report is themed around our chosen key stakeholder partnerships that maximize Company's ability to generate competitive sustainable value. Namunukula Plantations PLC acknowledges its dependency on the availability of capital resources and sustainable utilization thereof in the conducting of its business plans. The Report draws upon the perspective of various stakeholders to describe NPPLC's vision to leverage its ingenuity to create new business models and generate value to the society in order to further achieve sustainable growth.



Integrated thinking is intrinsic to formulating our strategies, managing our business and reporting practices. The strategy development process included a review of NPPLC's business model and its interaction and interdependency with the environment in which it operates. The resulting strategic priorities, goal and targets have been developed to ensure that we manage the resources and relationships needed to create value over time.

## QUICK LINKS

Readers in search of more details are welcome to read the annual report from cover to cover or pick and choose the clearly identified section of their choice to obtain a more comprehensive understanding of the Company's progress during the year and its future potential. Quick readers who desire to read the report at a glance may wish to turn to the below pages or use the quick links for a brief overview of Company performance in key areas.

### OVERVIEW

Provide a brief introduction to Namnukula Plantations PLC, including its history, key business segments (such as tea, rubber, and oil palm), and any significant developments during the reporting period.

**Pages 8 to 17**

### HUMAN CAPITAL

This also covers the value-creation process as a responsible employer, creating an environment that is both safe and conducive to the enhancement of the potential of the employees' competencies and capabilities. The Company also encourages creative thinking and innovation to formulate competitive strategies.

**Pages 108 to 109**

### FINANCIAL PERFORMANCE

Summary of the financial performance of the Company for the fiscal year 2022/2023, including key financial indicators such as revenue, net profit, earnings per share, and changes in equity. Further, significant trends, challenges, and opportunities that impacted the financial results are discussed here.

**Pages 156 to 202**

### GOVERNANCE

This chapter outlines the corporate governance structure, policies, and practices of NPPLC. Further, a comprehensive description providing information on the board of directors, board committees, executive compensation, shareholder engagement, risk management, ethical business practices, board diversity, and sustainability. The chapter aims to provide transparency and accountability to stakeholders by providing an overview of the management and governance of the Company.

**Pages 27 to 50**

### OPERATIONAL HIGHLIGHTS

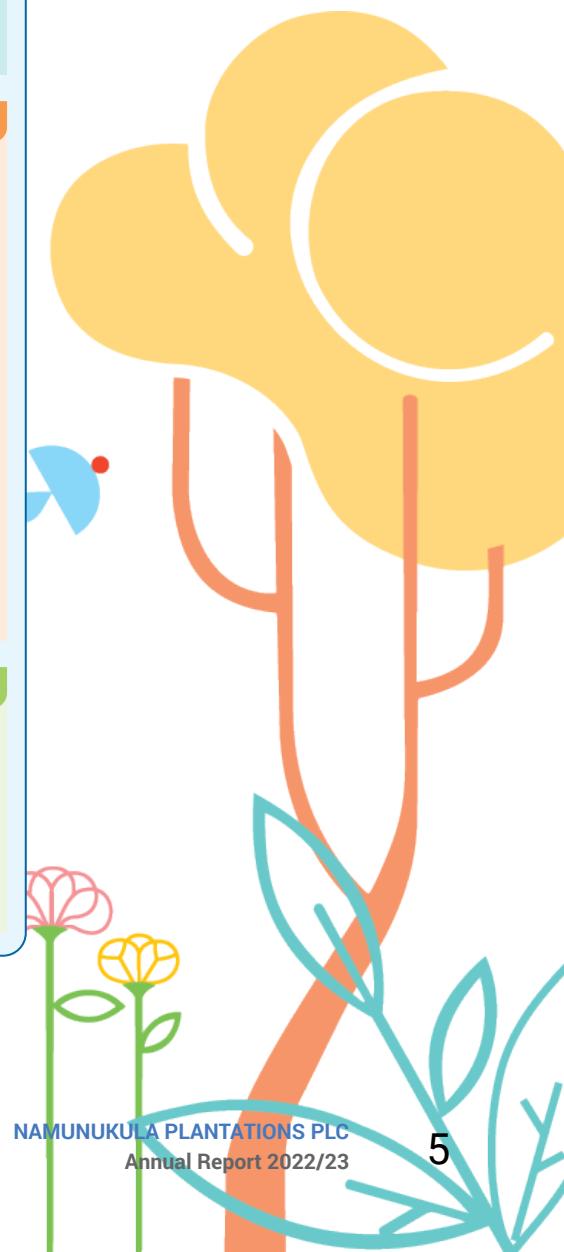
Highlights of the operational performance of the Company, including production volumes, sales volumes, and average selling prices for tea, rubber, and oil palm, and the factors that influenced production or sales, such as weather conditions, market demand, or regulatory changes, are discussed in this chapter.

**Pages 51 to 73**

### NATURAL CAPITAL

A detailed review of the optimum utilization of natural resources for the period to ensure the sustainability of the business operations over time.

**Pages 120 to 128**



# About Report

## FAQ (Frequently Asked Questions)

Explanations have been provided for the frequently asked questions of the stakeholders. Through this, the Company aims to provide guidance to the readers and a summary of the report.

Question	What you will find?	Location
1. What is the formation of the governing structure, and who governs the Company?	<ul style="list-style-type: none"> <li>Chairman's Review</li> <li>Board of Directors</li> <li>Corporate Governance</li> </ul>	18 23 34
2. What are the identified or potential risks during the period, and how does the Company proactively deal with each of them?	<ul style="list-style-type: none"> <li>Risk Management</li> </ul>	42
3. What process does the Company adopt in the transformation process and how value is created from the processes of the Company?	<ul style="list-style-type: none"> <li>Value Creation Model</li> </ul>	84
4. What is the overview of the business operations, operating environment, controlling mechanisms and the challenges faced during the period?	<ul style="list-style-type: none"> <li>Review of Operations</li> <li>Economic and Industry Overview</li> </ul>	52 65
5. How do the financial position, profitability, and growth potentiality of the Company reshape during the period?	<ul style="list-style-type: none"> <li>Statement of Profit or Loss</li> <li>Statement of Comprehensive Income</li> <li>Statement of Financial Position</li> <li>Statement of Changes in Equity</li> <li>Statement of Cash Flow</li> <li>Notes to the Financial Statements</li> </ul>	156 157 158 159 160 161

## Basis of Preparation

GRI 2-2

In preparing this report, the Company was guided by the International integrated reporting <IR> Framework issued by the international integrated reporting council (IIRC) and also by the preparer's guide to integrate corporate reporting, issued by CA Sri Lanka. We will continue to embrace the guiding principles and fundamental concepts contained in the IIRC framework to best serve the information needs of our stakeholders. Since the sustainability measures are an integral part of the operations, Company attempts to integrate financial and non-financial performance adding value to the reporting initiatives. Information is provided on NPPLC's contribution towards the United Nations Sustainable Development Goals. Integrated Annual Report has been prepared with the following guidelines / frameworks/rules & regulations etc.



## Reporting Scope and Boundaries

GRI ▶ 2-3

This Annual Report covers the entirety of the Company's operations from its 18 Estates located in Matugama, Galle, Matara & Badulla districts and registered office located at No.310, High level Road, Navinna, Maharagama and covers the 12 month period from 01 April 2022 to 31 March 2023. For the convenience of the user, a suitable comparison is made with the prior year, with respect to the information relating to the business activities.

The contents of this report have been drafted with due consideration to the topics that are considered to be of material importance to the Company as well as its stakeholders. A detailed materiality assessment is disclosed in pages 78 - 82 of this Annual Report. This report also covers risks, opportunities and outcomes that could materially affect the organization's ability to create value.

The financial and non-financial information of this report covers the economic, social and environmental impacts resulting from the value creation activities of the Company. The Company operates mainly in 04 regions and this report includes a reasonable assessment of potential impacts that substantially influence stakeholder decisions. The information contained in this report has been reviewed for reliability and accuracy by the board of directors, audit committee, independent auditors and the management committee of the group.

GRI ▶ 2-4

This report has been prepared in accordance with the GRI Standards - "Core" option. There are some significant changes in the list of material topics and topic boundaries compared to the previous year. Further there are no material changes in the organization type, size of organization, structure, ownership and supply chain during the year, and there has been no material restatement of information from the previous report.

## Non - Financial Information

The Company is well aware that information needs of stakeholders are changing in keeping with the dynamic environment we operate in. Investors in particular are increasingly becoming interested in the future potential of the Company than its past performance and non-financial information is becoming more and more relevant for ascertaining the future potential. Accordingly, Namunukula Plantations PLC has enhanced its disclosures of non-financial information in this Annual Report which will provide clarity on the Company future outlook.

## Quality Assurance

Through this Report, we set out to provide with a complete and meaningful picture of the business model, strategy, governance, performance, and future prospects. The Company also seek to illustrate the value created by the Company in terms of financial and non-financial resources. Every effort is to provide credible information with the aid of visual elements such as figures, graphs and tables in a consistent manner facilitating clarity and comparability.

## Financial statements and External Assurance

GRI ▶ 2-5

The Company recognizes the importance of obtaining an independent assurance from a competent professional firm. The Financial Statements and Notes to the Financial Statements have been audited by Messrs Ernst & Young and is prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka. The corresponding report of the Auditors' is given on pages 152-155 of this report.

## Availability of the Report

To cater to the information needs of the NPPCL's diverse stakeholder groups,

this Integrated Annual Report is made available in multiple mediums. Printed Report, Online Report in CSE website & Company website as well as the Digital version via QR code is available to the users of the Annual Report.

## Forward - Looking Statements

This report may contain certain forward looking statements with respect to certain plans and current goals and expectations of the Company relating to future financial and Operational performance. Such statements and forecasts involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. The Company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

## Your Comments

GRI ▶ 2-3

Questions and inquiries on this Integrated Annual Report 2022/23 and information presented therein are to be directed to;

## The Sector Financial Controller

Namunukula Plantations PLC  
No.310, High Level Road, Nawinna,  
Maharagama,  
Sri Lanka.

Tel : +94 11 4310500  
Fax : +94 11 2801400  
Internet : [www.arpico.com](http://www.arpico.com)  
E-mail : [npl.rpk@arpico.com](mailto:npl.rpk@arpico.com)

## About Us

GRI 2-1

# Company at a Glance

Namunukula Plantations PLC is one of the prominent players in the plantation industry in Sri Lanka with a rich history that dates back to the 19th century, specialising in the cultivation, processing, and marketing of tea, rubber, coconut, oil palm and cinnamon. The Company, incorporated under the Companies Act No:17 of 1982 (re-registered under the Companies Act, No. 07 of 2007) as a public limited liability Company, is listed in the Colombo Stock Exchange under 'Food, Beverage and Tobacco' Sector according to GICS Classification. The Company is a Subsidiary of Richard Pieris & Company PLC and managed by RPC Plantations Management Services (Private) Limited, a subsidiary of RPC Group.

### VISION

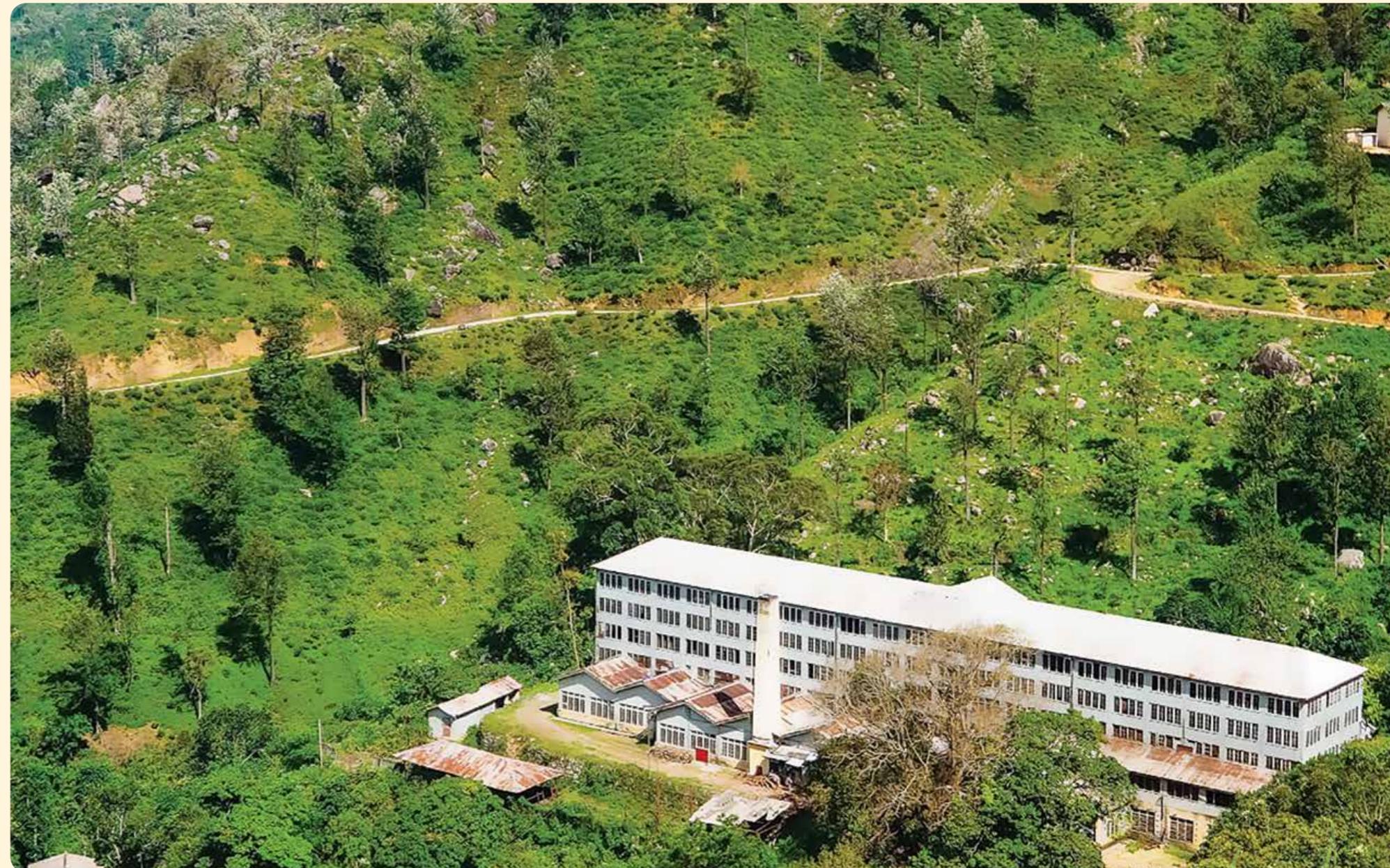
To be a diversified agri - business Company with an international reputation for excellence in Quality, Innovation & Land use.

### MISSION

To maximize returns to the stakeholder, by optimizing productivity of available resources through sound dynamic management practices, production of excellent quality products.

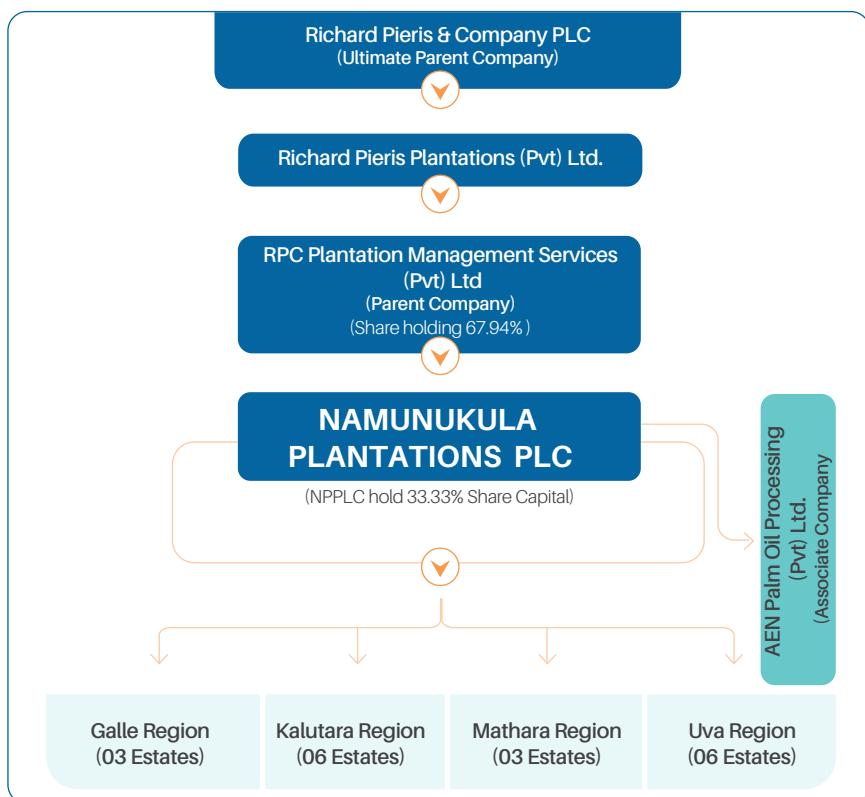
### OUR VALUES

- Agility
- Proactiveness
- Integrity
- Quality
- Team Spirit



# About Us

## Our Organizational Structure



Namunukula Plantations PLC owns and manages 18 estates in both high grown; Uva and Low grown areas of Sri Lanka, which are known for their high-quality tea, rubber, coconut, oil palm and cinnamon production. These estates are spread across picturesque landscapes and are known for their scenic beauty and lush green fields with a rich crop portfolio. The Company employs modern agricultural practices and technologies to ensure sustainable cultivation and processing of its crops. This includes practices such as integrated pest management, soil conservation, and water management, among others, to minimize the impact on the environment.

Namunukula Plantations PLC also places a strong emphasis on social responsibility and community development. The Company invests in social welfare projects, including providing housing, healthcare, education, and other amenities to its workers and their families. It also actively engages in environmental conservation efforts, such as reforestation programs and wildlife conservation initiatives.

As a publicly listed Company, Namunukula Plantations PLC is subject to the regulatory requirements of the Securities and Exchange Commission of Sri Lanka (SEC) and other relevant authorities. The Company's shares are traded on the Colombo Stock Exchange (CSE), providing opportunities for investors to participate in Sri Lanka's plantation industry.

The registered office and principle place of business of the Company is located at No. 310, High level Road, Nawinna, Maharagama, Sri Lanka.

## Historical Background

The plantation industry which was established by British Planters was owned and operated by the private sector until early seventies when the Government of Sri Lanka (GOSL) nationalized most of large plantations of tea and rubber leaving only the smallholdings in the hands of the private sector. On nationalization, the ownership and management was vested into two state corporations: the Sri Lanka State Plantations Corporation (SLSPC)

and the Janatha Estate Development Board (JEDB).

In the early nineties, the GOSL began a process of privatising a large number of Government Owned Business Undertaking (GOBU) which had been nationalized over a period of time. Included among these were the plantations owned and managed by the SLSPC and the JEDB.

As a preliminary step in the process of privatization, the majority of the estates of the SLSPC and JEDB were formed into twenty two (22) Regional Plantations Companies (RPCs). Under this process, Namunukula Plantations Limited (NPPLC) was formed on 22 June 1992 under the Companies Act, No. 17 of 1982 with the registration No: of N (PBS/CGB) 139 (Re-registration No: PQ 136 under the Companies Act, No: 07 of 2007), in terms of the provisions of the conversion of corporations and Government owned business undertaking into public Companies Act No. 23 of 1987, to take over 24 estates held by the JEDB and the SLSPC.

Subsequently, the management of these 22 RPCs together with a twenty third Company which was formed later, were contracted out to private companies through a competitive tender process. The management contract for NPPLC was secured by BC Plantation Services (Private) Limited, a joint venture between Bartleet & Company Limited and BC Computers Limited.

Namunukula Plantations begins with the net assets value of Rs. 418 Mn and 500,000 No. of Ordinary Shares under 99 years Lease in 1992. As a result of the above, Namunukula Plantations comprise 19 SLSPC manage Estates & 5 JEDB manage Estates at the time of Incorporation. In 1995, Lease hold rights of the estates were reduced to 53 years. The ownership of Company was changed in June 1997 with the sale of 51% of the issued share capital to Keells Plantations Management Service (Pvt) Ltd.

On the 10th of March 1999 Namunukula Plantations Ltd, registered as a Listed Quoted Company in the CSE of Sri Lanka. In 1999 the Company recognized Oil Palm as a potentially lucrative third crop and

initially diversified over 750 ha of land into Oil Palm.

RPC Plantations Management Services (Pvt) Ltd acquired 58.74 % shares held by Keells Plantations Management Service (Pvt) Ltd on 13 September 2005 which is under current Management of Richard Pieris Group of Companies, The largest plantation Group in Sri Lanka (Current holding - 67.48%).

The Company at the present comprises of 18 combined estates with a total area of 11,779 Ha, growing of Tea, Rubber, Oil Palm, Cinnamon, Coconut and Other minor Crops including Timber plantations. The balance hectrage comprises buildings, roads and uncultivated marginal land which include forest reserves.

The original 24 estates assigned to the Company have been re-grouped subsequently, into 18 units by amalgamating Pingarawa and Tonacombe Estates, Kandahena and Wevekelle Estates, Baddegama, Ellakanda and Puwakgahahena, Walpita and Monrovia Estates, and Akuressa and Hallala Estates.

The Company brings economic prosperity to its workforce of over 3,666 people and a dependent population of over 20,000 who are part of the larger resident community of NPPLC's estates.

### Climate & Topography

The Plantations in Namunukula Uva region depend upon the North- East monsoon with a decennial average rainfall of approx. 2,109.7 mm over 174 wet days. The main dry period extends between June to mid-September and a second dry period between February to mid-March. Plantations in the Matugama, Galle and Matara regions receive both monsoons with about 5,455.78 mm of rain over 252 wet days, with a dry period extending between mid- January to end February. The soil in the Namunukula region are red and yellow podsols with that of Matugama, Galle and Matara being red and yellow podsols with a prominent A1 horizon or strongly mottled subsoil. The terrain in the former area is steeply dissected, hilly and rolling while that in the latter is rolling to undulating.

### NPPLC - Context

Backed by the dynamic & sustainable management practices and product excellence over 31- years, at present NPPLC remain as the leading and the most diversified Regional Plantation Company of the country. Despite facing the inherent issues relating to the Plantations Industry in Sri Lanka, NPPLC was able to secure their shareholders wealth and maximum return to the stakeholders by diversifying the crop portfolio responding to market opportunities which are consistent with Company's continued commitment to the long term growth.

We are a local business entity, substance and our operations are confined inside Sri Lanka. Namunukula has always been inspired with the vision of "Diversified Agri-Business Company".

Namunukula Plantations has identified crop diversification is also bracing to sustain in the Plantation industry. Therefore, the Company has been more focused on diversifying its operations from traditional crop into more effective and profitable crops. As a long term strategy, the Company has diversified most of uneconomical land into high yielding crops with a crop portfolio of Tea, Rubber, Oil Palm, Coconut and Cinnamon.

The Company has diversified mainly into five crops including Oil Palm, Tea, Rubber, Coconut & Cinnamon in its 18 estates, 4 estates have all 5 crops, 1 estate has 4 crops, 6 estates have 3 crops, 1 estate has 2 crops and other 6 estate have a single crop.

Further the Company has 5 black tea processing factories in Low Grown Range and 5 black tea processing factories in Uva range, in addition 3 crepe rubber factories and 4 RSS factories in Kalutara, Galle and Matara districts.

The Company produces high quality "Uva" & "Ruhuna" Tea, Natural Rubber, Oil Palm, Coconut & Cinnamon in its estates which located in Kalutara, Galle, Matara & Badulla Districts situated in Low Grown & Uva agro climatic areas in Sri Lanka. A strong relationship is created with external growers through purchasing their green leaf; this relationship adds value to small tea growers in Sri Lanka.

## About Us

### Market Position

Namunukula Plantations PLC is one of the Leading Company among the Regional Plantations Companies in Sri Lanka. In the past 31 years since 1992, Company immensely contributed to the economic growth of the Country and to enhance the standard of life style of millions of Sri Lankans.

NPPLC can proudly claim as the 2nd highest Oil Palm producer in Sri Lanka and maintaining significant market share from our golden crop; oil palm. In addition to cultivating Oil Palm, the Company has strategically entered into a joint venture with two other companies which are also cultivating Oil Palm, investing in AEN Palm Oil Processing (Pvt) Ltd. As a result of the forward integration, this investment has ensured a reasonable price for the Oil Palm crop and assurance of a buyer by eliminating of a market monopoly, at the time existed.

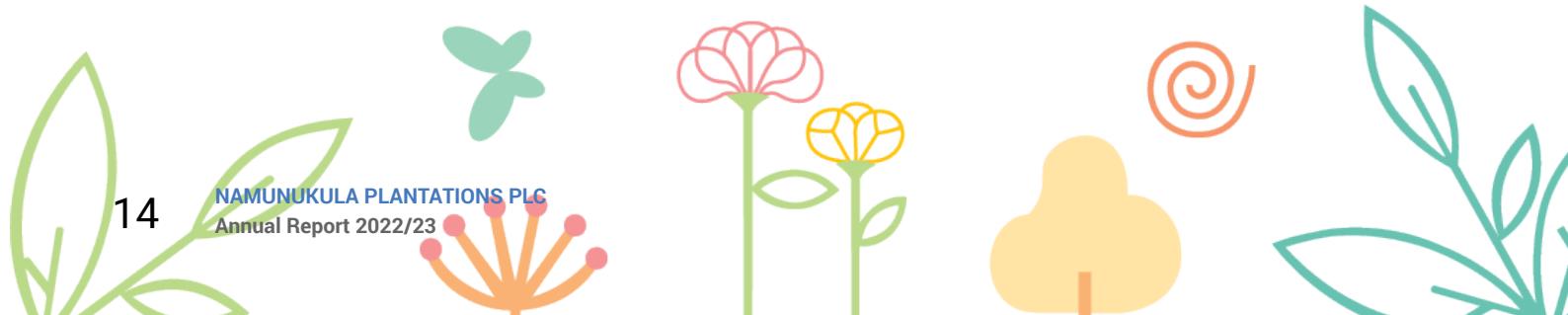
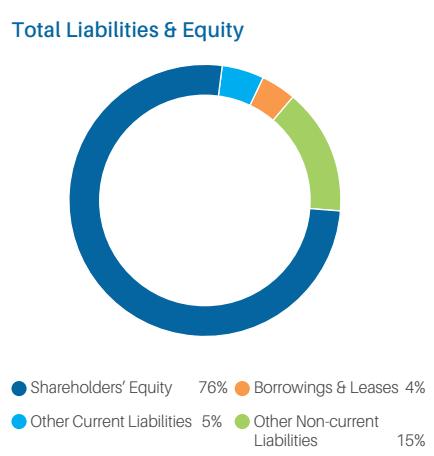
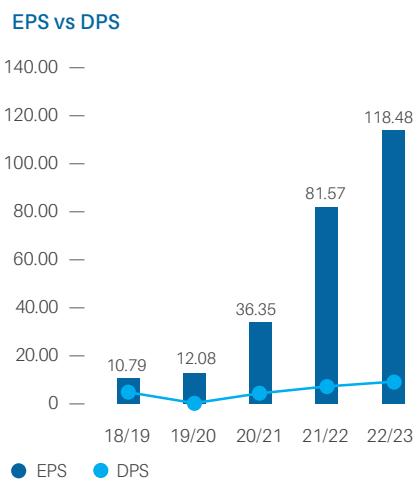
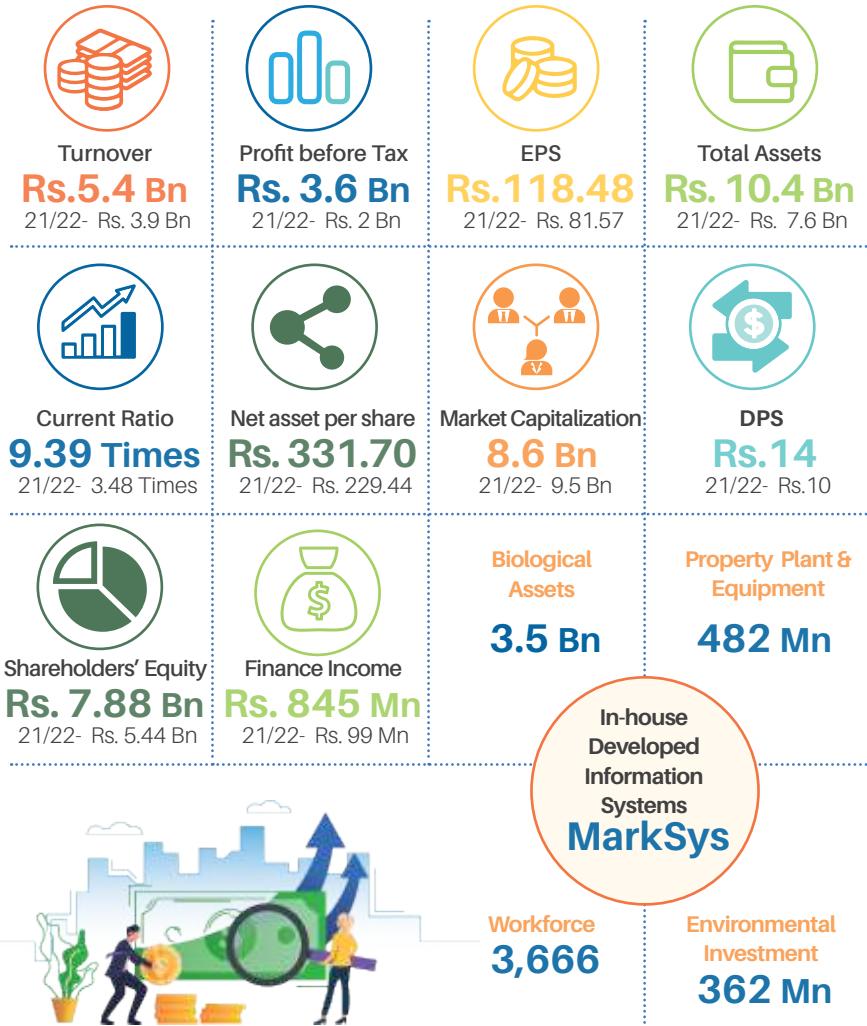
The Company's assets base is over 10.4 Billion and net assets have increased to Rs.7.9 Billion thus demonstrating the strength of its financial position. Notwithstanding the unfavorable weather condition and reduced crop of tea and rubber, favorable prices prevailed during the financial year under review, with this the Company was able to record Rs. 2.8 Billion of PAT.

In addition, Namunukula Plantations recorded the highest Share price at Colombo Stock Exchange Main board among the Regional Plantation Companies at the end of the year.

While we are working hard to preserve the prosperity in the industry, our top priorities are; zero accident & incidents, minimization of negative environmental impacts. At the same time, we invest in our employees & add value to our people.



## Company Highlights



For the Year ended 31 March	2022/23 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
<b>Results of operations</b>					
Revenue	Rs'000	5,360,825	3,888,486	2,739,070	2,147,359
Cost of Sales	Rs'000	(2,355,008)	(1,990,412)	(1,988,072)	(1,802,350)
Other operating income	Rs'000	1,006,420	284,899	250,103	97,208
Earnings before interest, JV profit and tax	Rs'000	3,403,755	1,838,531	818,562	307,998
Finance cost	Rs'000	(63,850)	(57,776)	(58,971)	(57,161)
Profit after tax (PAT)	Rs'000	2,813,817	1,937,332	863,243	286,910
Earnings per share (EPS)	Rs.	118.48	82	36.35	12.08
Interest cover	No. of times	57.18	35.71	15.53	6.71
Gross Profit margin	%	56%	49%	27%	16%
Net Profit ratio	%	52%	50%	32%	13%
Return on equity (ROE)	%	36%	36%	23%	9%
Return on capital employed (ROCE)	%	37%	30%	18%	13%
Return on Assets	%	27%	26%	15%	6%
Total value added (TVA)	Rs.mn	5,005	3,618	2,480	1,971
Capital expenditure	Rs'000	600,660	277,202	268,069	301,529
<b>Financial Position</b>					
Total assets	Rs'000	10,423,076	7,569,348	5,784,137	4,936,736
Total debt	Rs'000	-	25,137	39,906	94,599
Current ratio	%	939%	348%	161%	124%
Acid test ratio	%	854%	315%	132%	82%
Total shareholder's fund	Rs'000	7,877,863	5,449,137	3,742,397	3,053,664
Capital employed	Rs'000	9,884,906	6,791,689	3,782,303	3,148,263
Net asset per share	Rs.	331.70	229.44	157.57	128.58
Net Tangible asset per share	Rs.	319	219	230.66	194.98
Gearing ratio	%	0.0%	0.5%	1%	3%
Debt/Total assets	%	0%	0.33%	1%	2%
Cash ratio	%	682%	261%	94%	13%
Net cash flow from operating activities	Rs.mn	2,689	1,750	1,118	308
<b>Shareholder Information</b>					
Market price of share as at 31st March	Rs.	362.75	398.75	184.5	78
Market capitalization	Rs.mn	8,615	9,470	4,382	1,853
Price earnings ratio	No. of times	3.06	4.89	5.08	6.46
Earnings yield	%	32.66%	20.46%	20%	15%

## Segment Highlights

### TEA

During the crisis period, amidst fertilizer ban, the operations are carried out with strategic implications on productivity improvements through technology adaptation and automation of processes.

Revenue (Rs.) - 1,755,010,343  
Gross Profit (Rs.) - 395,113,235



### OIL PALM

By focusing on increasing efficiency and streamlining operations, NPPLC has been able to mitigate the effects of external factors and maintain a competitive edge. This demonstrates the resilience and adaptability of the Oil Palm segment, and highlights the importance of proactive measures to sustain growth and profitability in a challenging economic climate.

Revenue (Rs.) - 3,268,126,827  
Gross Profit (Rs.) - 2,522,223,971



### RUBBER

Despite being impacted by unfavorable climate changes and fertilizer shortages, the company has managed to maintain considerable growth in its gross profits by implementing strategies to optimize its processes and reduce costs.

Revenue (Rs.) - 277,176,761  
Gross Profit (Rs.) - 77,335,073



### CINNAMON

The Cinnamon segment has depicted a considerable growth in gross profits during the period. This impressive performance comparative to the previous period can be attributed to various factors such as effective cost management, and innovation of the company.

Revenue (Rs.) - 17,917,068  
Gross Profit (Rs.) - 766,324

### COCONUT

In addition, the industry's ability to adapt to changing market conditions and consumer preferences has contributed to its success. This resilience in the face of challenges highlights the importance of agility and foresight in sustaining growth and profitability in a competitive industry.

Revenue (Rs.) - 42,594,084  
Gross Profit (Rs.) - 10,378,898



Our exceptional financial performance is a testament to our unwavering commitment to sustainable solutions, propelling the evolution of our business towards enhanced efficiencies.



## Chairman's Review



### Dear Shareholders,

It is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of Namunukula Plantations PLC for the year ended 31st March 2023. The Company demonstrated an outstanding performance during the period, exhibiting a revenue growth of 38%. This remarkable achievement was the result of its steadfast commitment to a far-sighted strategy, boosted by the dedication of its highly skilled team. It is noteworthy that the Company's profit after tax (PAT) also grew by 45% compared with the preceding year, reflecting its exceptional resilience and making it the highest profit-earning entity in the Sri Lankan plantation sector during the period under consideration.

### Driving Long-Term Value Creation through Sustainable Practices

As a plantation company, we are concerned about sustainability practices and recognise the importance of ESG (Environment, Social, and Governance) in optimising our business operations. We have integrated ESG aspects into our corporate values, aligning them with our overall strategy. We are focused on minimising negative environmental impact through policies addressing climate change and other concerns, aiming to reduce the ecological footprint and contribute towards a sustainable future. We strive to create positive social impacts through fair employment practices, ethical supplier engagements, and community engagement. Governance

plays a fundamental role in our corporate structure. We uphold high standards of leadership, compensation, audits, controls and shareholder rights. Trust, transparency and accountability are ingrained in our organisation.

Moreover, the Company embraces the triple bottom line of People, Planet, and Profit. Therefore, as a responsible corporate citizen, we have succeeded in generating positive social and environmental outcomes while ensuring long-term profitability.

### Economy at a Glance

The global economy experienced a slowdown after a rebound in 2022, with a growth rate of 3.5%. Inflation increased to 8.7% in 2022 and is expected to remain at 6.8% in 2023. Major causative factors include the heightened indebtedness of governments and the Russia-Ukraine war in the post-COVID period. Moreover, the tightening of policies by major central banks since October 2022 has seen global interest rates rise.

Sri Lanka's economy faced a challenging year with a significant contraction in GDP of 7.8% and a negative growth rate. This affected performances and reversed post-pandemic recovery. The economic crisis, combined with political instability, led to increased public outcry, impacting all sectors, including a 4.6% decline in the agriculture sector.

The depletion of foreign exchange reserves resulted in the devaluation of the Sri Lankan rupee against major international currencies, contributing to a peak of 70% in 12-month inflation by September. The scarcity led to restrictions on the import of crucial agricultural inputs like fertiliser and agrochemicals necessary for the sustained growth of the agriculture sector.

### Sector Outlook

Throughout the year, all sectors of the economy experienced contractions. Agricultural, forestry and fishing sectors fell

by -4.6%, the industries sector by -16% and the services sector by -2.0%. Challenges on the supply side, such as severe shortages of agricultural inputs, particularly fertilisers and agrochemicals, caused marked increases in production costs. Disruptions in fuel supply impacted negatively on the overall performance of the agriculture sector during this period.

The 4.65% contraction in agriculture activities in terms of value-added contrasted with a growth of 0.9% in 2021. Major overall production declines in fishing, rice farming and animal output drove this shrinkage.

Additionally, the growth of tea, vegetables, other cereals and rubber also saw declines during the year. There were, however, some positive developments—forestry and logging, agriculture support activities and the cultivation of oleaginous fruits (including coconut), spices, and fruits rose during the year.

Encouragingly, a recovery in agricultural activities was observed in the last quarter of 2022. This improvement was attributable to the better availability of agricultural inputs and fuel as well as favourable weather.

### Tea Industry

In 2022, the country's tea production experienced a significant decline of 47.99mn kilograms (16%) compared with the previous year. The deterioration of soil nutrients due to fertiliser and agrochemical shortages led to low yields and impacted production in the following year. High-grown, medium-grown and low-grown tea production all declined by 13.8%, 21.2% and 15.4%, respectively.

The prices of inputs in the sector also increased sharply, along with utility tariffs, driving an overall hike in the cost of production (CoP). Prices at the Colombo Tea Auction, however, reached historically high levels, surging from Rs. 619.50 to Rs. 1,270.50—a gain of 105%—while average tea prices for high-, medium-, and low-

grown tea showed significant year-on-year increases of 94.6%, 93.5% and 110.8%, respectively.

### Rubber Industry

Numerous challenges faced by the rubber industry in 2022 resulted in a second consecutive year of production decline. Adverse weather, including heavy rainfall and flood, and the Pestalotiopsis disease hindered the growth and development of rubber trees. The fertiliser and agrochemicals shortage compounded the problem, impeding the growth of immature rubber plantations, as well.

The COVID-19 pandemic spurred a notable increase in global and domestic demand for medical gloves which, in turn, boosted rubber consumption in that sector. Consequently, local rubber prices climbed to historic highs while rubber production dropped. The substantial increase in production costs, reaching Rs. 288.00 per kilogram by the end of the year, became another challenge to the industry. Since then, demand has decreased with rubber consumption declining by 12.4% so far.

Amidst these obstacles, total rubber production reduced by 7.8% to 70.9mn kilograms in 2022. This poses a significant challenge to both the Company and the Sri Lankan rubber industry.

### Coconut Industry

In 2022, the coconut industry marked a significant achievement by recording an annual production of 3,391mn nuts which is an increase of 8.7% from the previous year. Desiccated coconut output grew by 5.2% to 35,030 metric tons, while coconut oil production notched a substantial surge of 59.4% to reach 68,590 metric tons. The import restrictions on coconut and palm oil increased the coconut oil output.

During the year, coconut milk powder output increased by 15.8%, while coconut cream and coconut milk production decreased by 12.5% and 0.9%, respectively. Favourable weather,

## Chairman's Review

including well-distributed rainfall and ideal air temperatures in key coconut-growing regions, are attributed to the overall growth in the sector despite the limited use of chemical fertilisers. If fertilising is not undertaken, however, future yields may decline. The average retail price of coconuts saw an 8.9% increase in 2022, reaching historically high levels. The sector has greater potential and efforts to introduce new high-yielding cultivars will certainly contribute towards growth.

### Sustained Shareholder Value Creation

The Annual Report for the year 2022/23 highlights the Company's exceptional performance amidst challenging economic conditions. The agility and adaptability of our organisation enabled us to deliver results in a turbulent environment. This bears testimony to the Company's resilience.

Revenue grew in the main segments of the Company in 2023. Notably, oil palm achieved revenue of Rs 3.27bn, a remarkable growth rate of 36%. This is the main profit-earning segment. Tea also experienced impressive growth, with a revenue increase of 57%, which was a profit compared to a loss incurred the previous year. Rubber and coconut faced challenges, witnessing declines of 7% and 0.3%, respectively. Despite a decrease in the crop, profits from rubber grew by 107% due to higher selling prices.

Profit before tax increased to Rs 3.58bn, an improvement of 78% from the previous year and the highest-ever achieved in the Company's history.

Basic earnings per share grew by 45% and dividends per share rose by 40%, distributing Rs. 333mn in dividends in 2023. This demonstrates the Company's

continuous remarkable performance in delivering on its shareholder commitments.

To strengthen our future revenue-generating capacity, capital expenditure amounting to Rs. 600 million was incurred in 2023. A major part went towards field development, enhancing operational capabilities as well as plant & machinery with new technology.

### Future Outlook

The state of the global and Sri Lankan economy will pose a huge challenge for the Company in achieving its future performance. To stimulate economic growth, fiscal and monetary policies will need to be relaxed. Yet, with the higher indebtedness, many governments may not follow through immediately. The continuance of the Russia-Ukraine war will impact commodity prices, also directly and indirectly affecting the prices of palm oil, tea and rubber.

Whilst these uncertainties prevail, the Company remains unwavering in its commitment to long-term strategies aimed at achieving operational excellence. We are confident in harnessing technological progress to amplify efficiency and address labour scarcity. The mechanisation of plucking stands as a pivotal measure to reducing labour dependency whilst upholding top-notch quality. Additionally, we have been proactive in seeking avenues for product diversification. Through thorough market analysis and recognition of promising trends, especially within the younger demographic, we have seamlessly integrated coffee into our offerings. As a consequence, coffee is poised to emerge as a substantial revenue stream for our organisation in the imminent timespan.

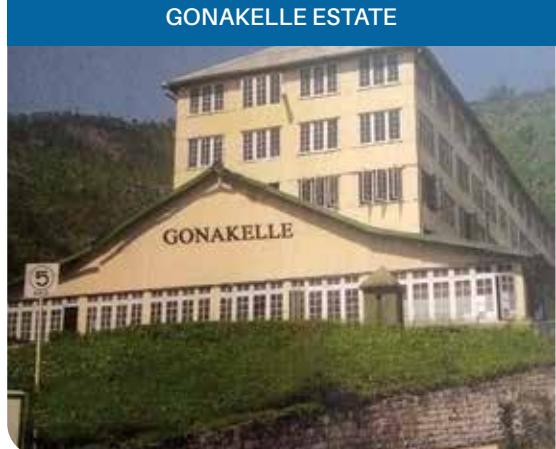
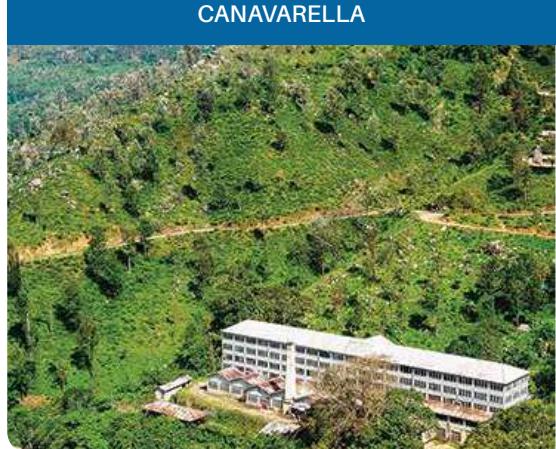
### Appreciation

Reflecting on the remarkable accomplishments of the past year, I would like to express my sincere gratitude to the Board for their unwavering support and confidence in my leadership. I commend the exceptional dedication of the management team and employees of the Company. Their tireless efforts have allowed us to achieve outstanding results despite numerous challenges. I also extend my heartfelt appreciation to all our suppliers and partners for their steadfast support in creating significant value for our shareholders. I am appreciative of our stakeholders, shareholders and customers, both locally and globally. I am deeply grateful for the continued confidence and trust you have placed in us. As we look ahead to 2024, I am waiting to embark on another extraordinary journey with the Namunukula Plantations family, and I am confident that, together, we will achieve continued success.



Dr. Sena Yaddehige  
Chairman  
29th August 2023, Colombo.

## Estate Profile

UVA REGION		
GONAKELLE ESTATE		
		
Tea	Extent (Ha)	Crop(Kg)
Tea	320.25	303,942
Rubber		
Coconut		
Oil Palm		
Cinnamon		
Other	441.88	
		<b>Total Extent 762.13</b>
Location	: Passara	Distance from : 232
No of Factories	: 1 - Tea	Colombo(km)
Factory Registration No	: Tea - MF00234	Latitude : 6.926781
Elevation from Sea Level (m)	: 1,062	Longitude : 81.14184
Elevation Range	: Uva Medium	Contact : 057-4926256
		055-2288550
CANAVARELLA		
		
Tea	Extent (Ha)	Crop(Kg)
Tea	350.50	223,428
Rubber		
Coconut		
Oil Palm		
Cinnamon		
Other	449.20	
		<b>Total Extent 799.70</b>
Location	: Namunukula	Distance from : 225
No of Factories	: 1 - Tea	Colombo(km)
Factory Registration No	: Tea - MF00105	Latitude : 6.8967168
Elevation from Sea Level (m)	: 1312	Longitude : 81.118667
Elevation Range	: Uva High	Contact : 057-4926257
KANDAHENA		
		
Tea	Extent (Ha)	Crop(Kg)
Tea	238.50	132,305
Rubber		
Coconut		
Oil Palm		
Cinnamon		
Other	507.83	
		<b>Total Extent 746.33</b>
Location	: Namunukula	Distance from : 221
No of Factories	: 1 - Tea	Colombo(km)
Factory Registration No	: Tea-MF932	Latitude : 6.87951157
Elevation from Sea Level (m)	: 1234	Longitude : 81.13343197
Elevation Range	: Uva Medium	Contact : 055-3137393

## Estate Profile

**UVA REGION**

**PINGARAWA**



	Extent (Ha)	Crop(Kg)
Tea	363.24	234,742
Rubber		
Coconut		
Oil Palm		
Cinnamon		
Other	340.31	

●
Revenue Extent (Ha)
Total Extent 703.55

Location : Namunukula Distance from : 220  
 No of Factories : 1 - Tea Colombo(km)  
 Factory Registration No : Tea - MF00327 Latitude : 6.875363  
 Elevation from Sea Level (m) : 1200 Longitude : 81.11941  
 Elevation Range : Uva High Contact : 055-2285175

**HINDAGALA**

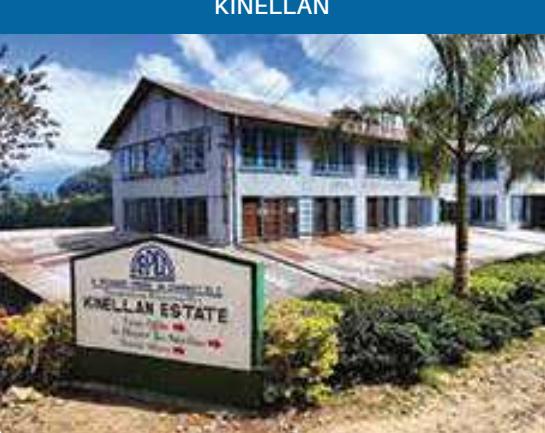


	Extent (Ha)	Crop(Kg)
Tea	375.56	352,864
Rubber		
Coconut		
Oil Palm		
Cinnamon		
Other	754.49	

●
Revenue Extent (Ha)
Total Extent 1,130

Location : Namunukula Distance from : 216  
 No of Factories : 1 - Tea Colombo(km)  
 Factory Registration No : Tea - MF00668 Latitude : 6.86784  
 Elevation from Sea Level (m) : 1400 Longitude : 81.097025  
 Elevation Range : Uva Medium Contact : 057-4926260

**KINELLAN**



	Extent (Ha)	Crop(Kg)
Tea	82.31	147,979
Rubber		
Coconut		
Oil Palm		
Cinnamon		
Other	72.57	

●
Revenue Extent (Ha)
Total Extent 154.88

Location : Ella Distance from : 205  
 No of Factories : 1 - Tea Colombo(km)  
 Factory Registration No : Tea - MF00243 Latitude : 6.875557  
 Elevation from Sea Level (m) : 1052 Longitude : 81.0419289  
 Elevation Range : Uva Medium Contact : 057-4926261

## KALUTHARA REGION

### ELADUWA



#### Extent (Ha) | Crop(Kg)

Tea		
Rubber	125.25	53,584
Coconut		
Oil Palm	328.86	5,502,140
Cinnamon		
Other	220.89	



**Total Extent 675**

Location	:	Matugama	Distance from Colombo(km)
No of Factories	:	1 - Crepe	
Factory Registration No	:	Rubber-KR-20	Latitude : 6.506055
Elevation from Sea Level (m)	:	30	Longitude : 80.046544
Elevation Range	:	Low Grown	Contact : 034-4924414

### MIRISWATTE



#### Extent (Ha) | Crop(Kg)

Tea	Extent (Ha)	Crop(Kg)
Rubber	9.15	9,703
Coconut		
Oil Palm	108.95	42,725
Cinnamon		
Other	203.00	1,833,730
	229.90	



**Total Extent 551**

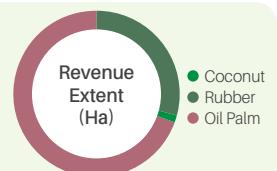
Location	:	Welipenna	Distance from Colombo(km)
No of Factories	:		
Factory Registration No	:		Latitude : 6.4319745
Elevation from Sea Level (m)	:	68	Longitude : 80.097488
Elevation Range	:	Low Grown	Contact : 034-2274202
			034-4924413

### PALLEGODA



#### Extent (Ha) | Crop(Kg)

Tea	Extent (Ha)	Crop(Kg)
Rubber	8.00	85,599
Coconut		
Oil Palm	450.52	54,329
Cinnamon		
Other	450.52	6,695,420
	293.15	

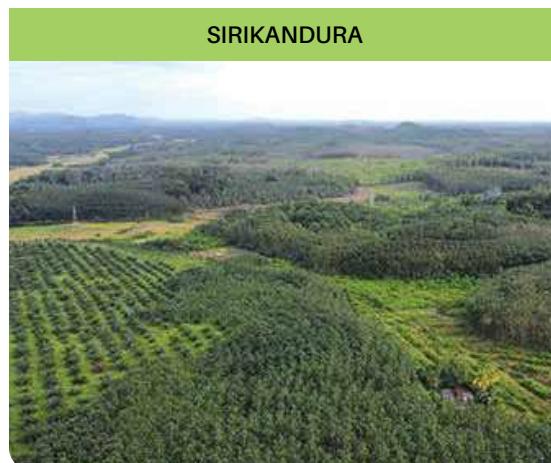


**Total Extent 943**

Location	:	Dharga Town	Distance from Colombo(km)
No of Factories	:	1 - Crepe	
Factory Registration No	:	Rubber - KR-18	Latitude : 6.4663744
Elevation from Sea Level (m)	:	30	Longitude : 80.0654162
Elevation Range	:	Low Grown	Contact : 034-2274417
			034-4924412

## Estate Profile

### KALUTHARA REGION



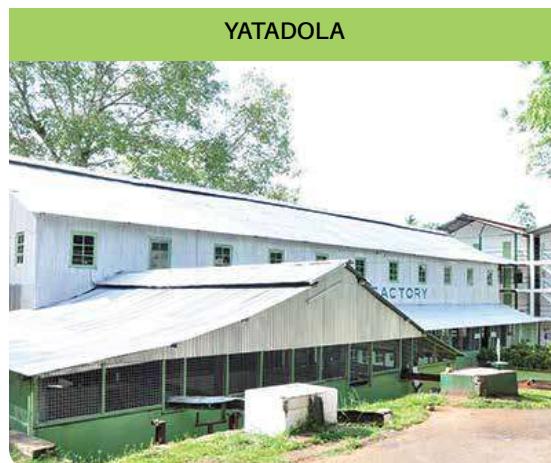
SIRIKANDURA

	Extent (Ha)	Crop(Kg)
<b>Tea</b>		
Rubber	71.50	26,809
Coconut		
Oil Palm	108.97	1,018,460
Cinnamon		
Other	453.53	

Location : Matugama Distance from Colombo(km) : 79.6  
 No of Factories : Latitude : 6.492832  
 Factory Registration No : Longitude : 80.140943  
 Elevation from Sea Level (m) : 30 Contact : 034-2247370  
 Elevation Range : Low Grown 034-4924411



**Total Extent 634**



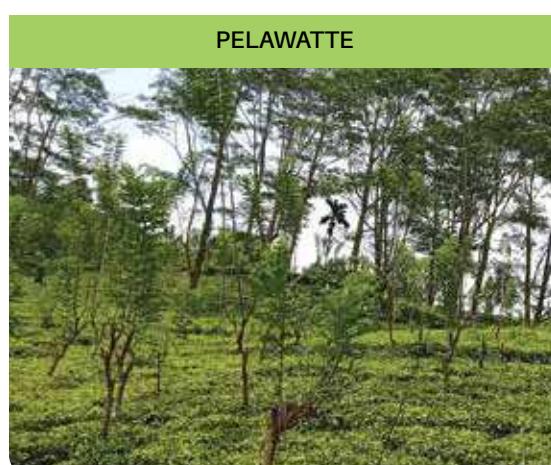
YATADOLA

	Extent (Ha)	Crop(Kg)
<b>Tea</b>		
Rubber	118.45	41,828
Coconut		
Oil Palm	138.91	1,370,270
Cinnamon	4.00	413
Other	387.23	

Location : Matugama Distance from Colombo(km) : 65.4  
 No of Factories : 1 - Crepe Latitude : 6.505888  
 Factory Registration No : Rubber - KR-19 Longitude : 80.066494  
 Elevation from Sea Level (m) : 30 Contact : 034-2245449  
 Elevation Range : Low Grown



**Total Extent 648.59**



PELAWATTE

	Extent (Ha)	Crop(Kg)
<b>Tea</b>		
Rubber	12.70	16,919
Coconut		
Oil Palm	196.16	2,010,780
Cinnamon		
Other	246.64	

Location : Matugama Distance from Colombo(km) : 103  
 No of Factories : 1 - Tea Latitude : 6.38454  
 Factory Registration No : Tea - MF01283 Longitude : 80.26997  
 Elevation from Sea Level (m) : 166 Contact : 034-3303833  
 Elevation Range : Low Grown



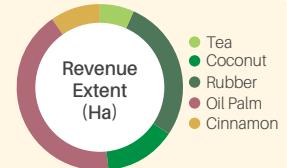
**Total Extent 455.5**

## GALLE REGION

### BADDEGAMA



	Extent (Ha)	Crop(Kg)
Tea	21.42	119,004
Rubber	87.81	36,802
Coconut	44.26	170,363
Oil Palm	132.92	1,844,500
Cinnamon	30.41	1,572
Other	334.44	



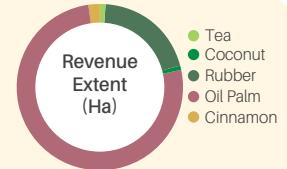
**Total Extent 651.26**

Location	:	Baddegama	Distance from	:	107 Km
No of Factories	:	1 - Tea	Colombo(km)		
Factory Registration No	:	Tea - MF00655	Latitude	:	6.170725
Elevation from Sea Level (m)	:	30	Longitude	:	80.183125
Elevation Range	:	Low Grown	Contact	:	091-2292228 091-4925997

### CITRUS



	Extent (Ha)	Crop(Kg)
Tea	3.30	5,240
Rubber	57.23	48,291
Coconut	2.08	20,563
Oil Palm	218.64	2,977,340
Cinnamon	6.00	735
Other	220.59	



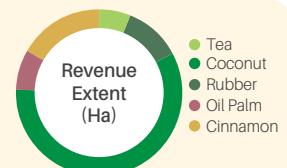
**Total Extent 507.84**

Location	:	Poddala	Distance from	:	107 Km
No of Factories	:	1 - Tea	Colombo(km)		
Factory Registration No	:	Tea - MF00955	Latitude	:	6.106574
Elevation from Sea Level (m)	:	32	Longitude	:	80.232774
Elevation Range	:	Low Grown	Contact	:	091-4926001 091-2234105

### WALPITA/MONROVIA



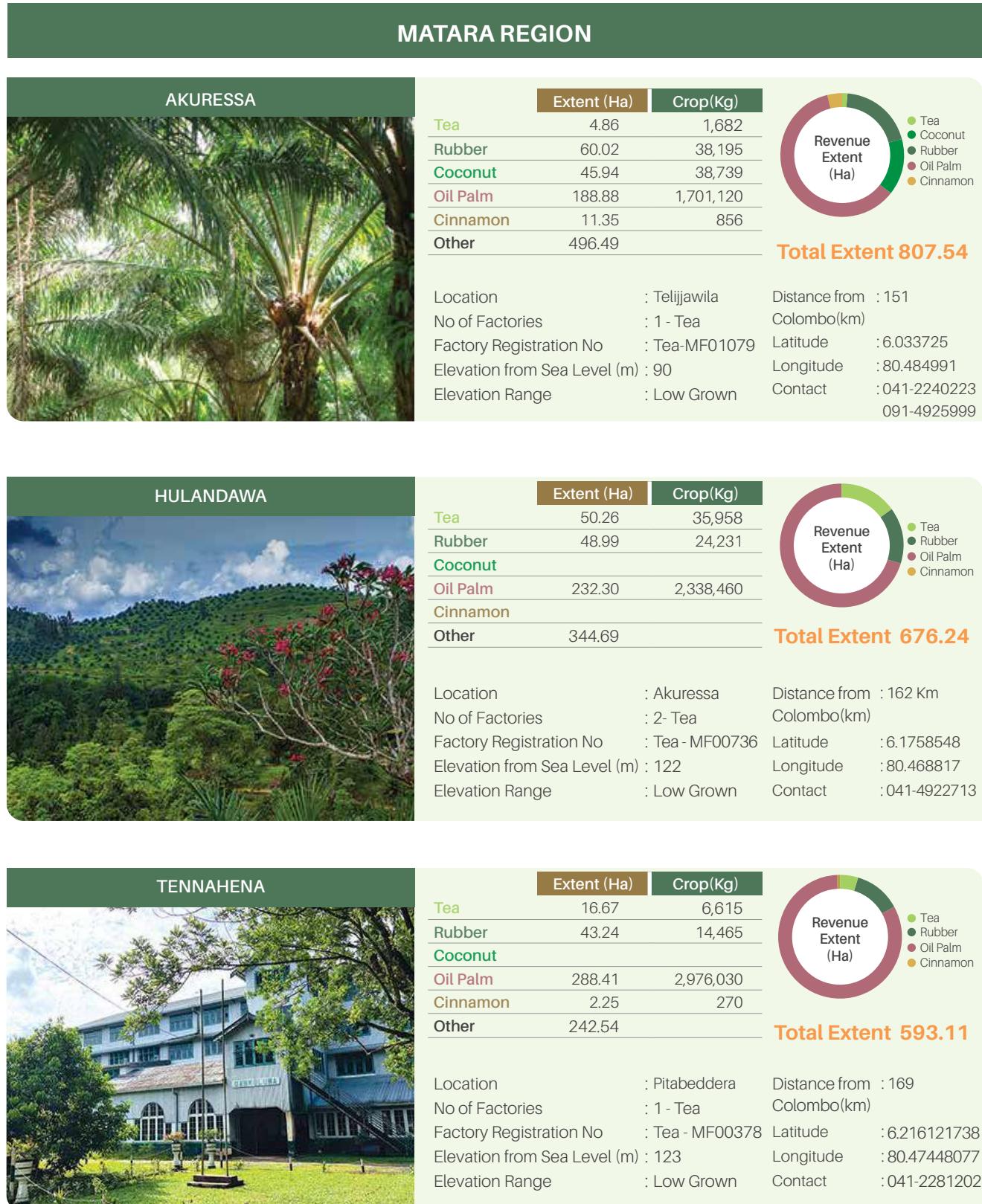
	Extent (Ha)	Crop(Kg)
Tea	15.38	19,189
Rubber	27.11	19,380
Coconut	141.84	392,583
Oil Palm	18.64	14,080
Cinnamon	40.53	1,713
Other	95.83	



**Total Extent 339.33**

Location	:	Poddala	Distance from	:	116 Km
No of Factories	:	2- Tea / 1 - RSS	Colombo(km)		
Factory Registration No	:	Tea - MF00951	Latitude	:	6.11938
		Tea - MF00338	Longitude	:	80.20458
Elevation from Sea Level (m)	:	30/32	Contact	:	091-4926000
Elevation Range	:	Low Grown			091-2292294

## Estate Profile



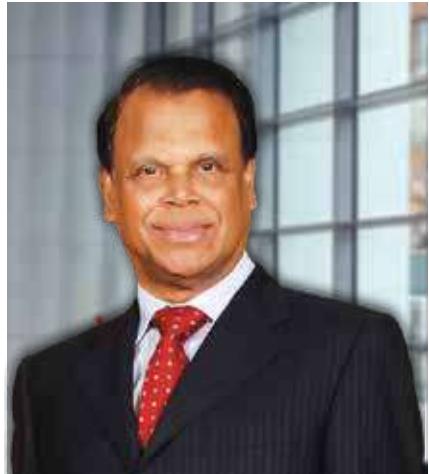


# Governance



Forging the Path of Integrity and Transparency;  
Navigating governance, ethics, and accountability with  
foresight and diligence.

## Board of Directors



### Dr. Sena Yaddehige

*Chairman*

The business legacy of Dr. Sena Yaddehige spans not only time, but also the depth of multiple industries and sectors. Renowned as a pioneer in the field of engineering and as a revered global business icon, Dr. Yaddehige is also a Swiss-based industrialist, with numerous ventures in multiple countries.

Under the leadership of Dr. Yaddehige, Richard Pieris Group has evolved into, one of the leading diversified business conglomerates in Sri Lanka with the footprint extending from manufacturing, to exports to retail, to plantations to Financial Services, creating value across the national economy in multiple sectors. Dr. Yaddehige also served as a Director on the Board of the National Development Bank PLC (NDB) from 2007 to 2010.

As a businessman and industrialist with wide global recognition, his companies are established in the USA, UK, Germany, and Singapore. In addition, Dr. Yaddehige is also the founding Managing Director of a European manufacturing firm, which develops and exports automotive components and systems, which are based on his innovations and conceptions.

His repertoire of innovations and developments includes contactless sensor technology and drive by wire systems. Furthermore, as a radiation specialist, Dr. Yaddehige is also the creator of several other technologies and components in radiation processing, for which he owns several patents from around the world. Locally, he holds the patent for slow release fertilizer, which provides relatively better results than quick release fertilizers while being a safer alternative for the environment. Dr. Yaddehige also pioneered the development unit for Lithium battery in Sri Lanka. Apart from his professional and scientific accolades, he was awarded with three Doctorates, one of which is a Doctor of Science (D.Sc.), awarded as high commendation for his original findings and research in Radiation, Radiation processing, Electromechanical sensor technology, Non-contact sensor technology and Automotive pedal systems, and as recognition of his patents in these respective arenas.



### Mr. N.C. Peiris

*Independent Non-Executive Director*

Mr. Neville Peiris is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, counting 52 years' experience in Finance & Management both locally and internationally. He has also followed several overseas Management Programmes in Singapore and Japan.

He functioned as the Finance Director and Company Secretary of Singer (Sri Lanka) Ltd, from 1985 to 2001 and thereafter functioned as a Regional Controller of the Singer Corporate Management overlooking the Financial and other controllership functions of Singer Jamaica, Philippines, Bangladesh, Pakistan, Sri Lanka and the Middle East until he retired in the year 2006. During the period he functioned as the Finance Director of Singer Sri Lanka Ltd, he contributed immensely to the continuous growth of the Company, he also served as Non-Executive Director of Several Public Quoted and Private Limited Liability companies in Sri Lanka, including Regnis Lanka Ltd., Commercial Leasing Co Ltd, Commercial Fund Management (Pvt) Ltd., Equity Lanka (Pvt) Ltd, Commercial Insurance Brokers (Pvt) Ltd, and First Capital Ltd. Presently in addition to being a Non-Executive Director of Namunukula Plantations PLC, Mr. Peiris is the Non-Executive Chairman of Ceylon leather products Ltd. and function as independent Non-executive director of Hunter & Company PLC, Lanka Canneries (Pvt) Ltd. and South Asian Textile Industries (Pvt) Ltd. He is also the Chairman of the Audit Committees of Hunter & Company PLC, Ceylon Leather Products Ltd., Lanka Canneries Ltd. and South Asian Textile Industries (Pvt) Ltd.

**Mr. Shaminda Yaddehige***Non-Executive Director*

Mr. Shaminda Yaddehige is a Non-Executive Director of the Company. Mr. Yaddehige was educated at Charter House-United Kingdom and graduated in Chemical Engineering from University College London. In addition, he also possesses a Masters Degree in Business Administration from IE Business School which is ranked amongst the top 10 business schools in the World.

Mr. Yaddehige worked as a Management Consultant at Price Waterhouse Coopers-United Kingdom and also at world renowned international ultra-high net worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in international marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige is an Executive Director and also the Chief Operating Officer of the Richard Pieris & Company PLC. Further he is in the Directorates of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.

**Mr. Gerard Amerasinghe***Independent Non-Executive Director*

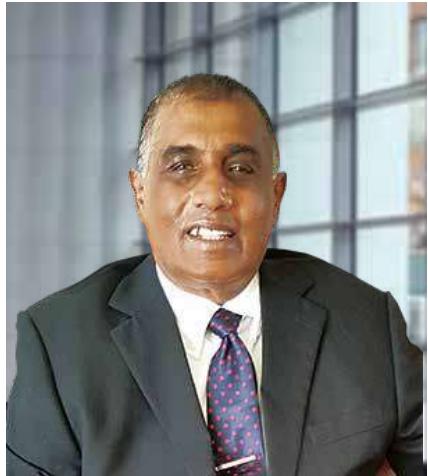
Mr. Amerasinghe had his education at St. Anthony's College Kandy and joined the aviation industry at the age of 21 and worked with various airlines, including a stint in Saudi Arabia with British Caledonian Airlines.

In the year 1991 he ventured out his own Travel Company, Worldlink Travels (Private) Limited being a family business Enterprise. Today, Worldlink Travels has become one of the most successful companies in the travel industry by setting up a number of companies in the travel and tourism industry during the past 31 years, under its umbrella. All of them are operating in a niche segment including the newly opened Ammara Brand Hotel Chain.

Mr. Amerasinghe has held various positions in the industry, which includes the Chairman of Sri Lanka Association of Airline Representatives (SLAAR) and president of the Sri Lanka Interline Club.

His expertise in the Service Sector un- Interruptedly for more than 31 years has obviously guided him to take correct business decisions towards success.

## Board of Directors



### **Mr. Ananda Fernando**

*Non Executive Non Independent Director*

Mr. Ananda Fernando is a Fellow Member of the National Institute of Plantation Management and holds Diplomas in Plantation Management, Human Rights, Diplomacy & International Relations, Conflict Resolutions and Negotiation Skills. He also serves as a Member of the Sri Lanka Tea Board Panel for monitoring Tea Auction Direct Sales and Imported Tea.

Mr. Fernando counts over 46 years' experience in the Management of Plantations having begun his planting career in 1976. He served as Superintendent of Mahagastote, Holyrood, Welimada and Somerset estates before his appointment as General Manager of Horana Plantations in 1993. He joined the Plantations of RPK Management Services (Pvt) Ltd. in 2000 where he functioned as Director-Operations for Kegalle Plantations and Maskeliya Plantations. In 2007 he joined Watawala Plantations as its Director-Operations. He was the Director/ Chief Executive Officer of New Vithanakande Tea Factory Ltd for 5 years from 2008 and thereafter served Eastern Brokers Limited as its Executive Director. Presently he is a Director of and Maskeliya Plantations PLC, Kegalle Plantations PLC and Maskeliya Tea Gardens Ceylon Ltd.

He is an accredited auditor of Japanese 5S & Kaizen and an Ex-committee member of Japan Sri Lanka Technical and Cultural Association (JASTECA). Mr. Fernando possesses international exposure in Plantation Management and Tea Manufacture, having participated and contributed in Training & Development programmes and International conferences in Japan, China, USA and Germany. He also has exposure into International Tea Markets, having participated at Trade Fairs and Exhibitions in Germany, USA and the UAE.



### **Mr. Pradeep Dissanayake**

*Independent Non-Executive Director*

Mr. Pradeep Dissanayake is having more than 29 years experience in the public sector out of which 17 years have been spent in the field of Accounting & Reporting in the government sector organization including Ministry of Finance. During over two decades he gained vast experience in the field of government accounting system, government procurement process and government financial reporting including Integrated Treasury Management Information System (ITMIS).

He commenced his career as a Management Assistant at Railway department in 1993 and joined in the Sri Lanka Accountants' service in 2005. Mr. Pradeep Dissanayake is currently the Director of the Information Technology Management Department, which is responsible for establishing a Digital Treasury Management System for Sri Lanka's economic development. During the past years he has served in the Railway Department, Divisional Secretariat Dehiattakandiya, Labour Tribunal Secretariat, Sri Lanka Air Force, Ministry of National Integration & Official Languages and Ministry of Finance.

Mr. Pradeep Dissanayake holds a second class degree of Bachelor of Commerce (B.COM) from University of Colombo and after obtaining the first degree he got the Master of Commerce (M.COM) degree from University of Kelaniya. Mr. Pradeep Dissanayake has obtained the Chartered Licentiate Certificate from Institute of Chartered Accountants of Sri Lanka and also a fellow member of Chartered Public Finance Accountants of Sri Lanka. He also completed the degree in Public Procurement and Contract Administration at the Miloda Academy of Financial Studies and obtained the membership of the Australian Computer Society (ACS).

Currently, Mr. Pradeep Dissanayake holds Directorships in several government institutions and also assist in the chair/member of the audit and management committee.



**Ms. D.N. Subhashini Welikala**  
*Independent Non-Executive Director*

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Ms. Subhashini Welikala has been appointed to the Directorate of Namunukula Plantations PLC with effect from 15 May 2023 as Independent Non Executive Director being the Representative of the Ministry of Finance/Treasury.

Ms. Subhashini Welikala currently serves in the Department of Management Audit as a Director and she has more than 18 years experience in public sector in the field of Financial Accounting. She belongs to Sri Lanka Accountants Service who joined the Sri Lanka Accountants Service in 2005.

During the past 18 years she has served in Local Government Institutions (Colombo Municipal Council and Kotte Municipal Council) and Department of Public Finance under the General Treasury.

Ms. Subhashini Welikala holds a first degree in Bachelor of Commerce (B.COM) from University of Sri Jayewardenepura and possesses a Master's degree in Financial Economics from University of Colombo. She has obtained the Certified Business Accountants (CBA) certificate from the Institute of Chartered Accountants of Sri Lanka and also an Associate member of Chartered Public Finance Accountants of Sri Lanka (APFA).

## Our Management Team



**Mr. Prins Gunasekara**  
Chief Executive Officer

Mr. Prins Gunasekara is a professional member of the FIPM holding a MBA and a Diploma in Plantations Management and currently serves as a member of the Tea and Rubber Consultative Committee, also serving as a Director in the Rubber Research Board.

Mr. Gunasekara joined Sri Lanka State Plantations Corporation in 1990, starting his career as a Planter Trainee at Hapugastenna Estate. Subsequently, he was appointed as the Asst Superintendent to Walpita Estate of Namunukula Plantations PLC (NPPLC) in Galle District. During the period he was attached to Hulandawa Estate, he was promoted as

the Superintendent of the Belmont Tea Factory. He was elevated to the post of Deputy General Manager in 2004 with the responsibility of managing 12 Estates in Kalutara, Galle and Matara Districts.

Mr. Gunasekara was promoted as the General Manager of NPPLC when RPC Plantation Management Services became the sole Managing Agent of NPPLC. Subsequently he was promoted as the Director Operations and currently holding the Position of CEO of Namunukula & Kegalle Plantations PLC. He was nominated to the Directorate of AEN Palm Oil Processing (Pvt) Ltd thus representing NPPLC in the Board of Directors of AEN, since 01st July 2020.

He acquired a vast Knowledge and experience in the industry starting from the Estate level and developing skills up to the Plantation Management. Mr. Gunasekara played a major role in SAPPTA as a committee member and was honored with the Chairmanship of SAPPTA in the year 2018/19 in recognition of his enormous contribution made to uplift the spice industries. He counts over 33 years of experience in related to plantation industry in Sri Lanka.

### Corporate Management

**Mr. Prins Gunasekara**  
Chief Executive Officer

**Mr. Eksith Kurukulasooriya**  
Financial Controller

**Mr. T.T. Christy**  
General Manager - Uva Range Estates

**Mr. Tharaka Athukorala**  
Deputy General Manager - Uva Range

### Senior Management

**Mr. D. Sivaraj**  
Senior Manager

**Mr. L.P. Tennakoon**  
Manager Plantations

**Mr. R.M.S.S. Herath**  
Manager Information Systems

**Mr. S.P.Wijedasa**  
Engineer - Plantations Sector

**Mr. Priyantha Bandara**  
Manager - Forestry



**Head Office Management Team****Mr. U.W.I. Parakramaweera**

Assistant Accountant

**Mr. M. Teshan Mendis**

Assistant Accountant

**Ms. Hashani Handapangoda**

Secretary

**Ms. A.U. Dilshani**

Accounts Executive

**Ms. N.P. Karunaratna**

Accounts Executive

**Ms. P.W.Y.I. Wijesiri**

Management Trainee

**Mr.J.M.T.D.Bandara**

Trainee Accounts Executive

**Mr. J. Fernando**

Executive

**Mr. S.R. Dhanapala**

Administrative Executive

**Ms. H.V. Sujeeva**

Administrative Executive

**Ms. Madurangi Wickramarachchi**

Executive

**Ms.W.A.A.T.J. Weerasooriya**

IT Executive

**Ms. Umesha Rathnayaka**

Executive

**Ms. Gayathri Wanniarachchi**

Senior Human Resources and Administration Executive

**Galle Range****Baddegama Estate****Mr. M.M.S. Jayasekara**  
Superintendent**Mr. D.M.K.S. Dissanayaka**  
Assistant Superintendent**Mr. V.S. Weragoda**  
Assistant Superintendent**Citrus Estate****Mr. K.I.W.M. Kularathne**  
Superintendent**Mr. W.P. Rupasinghe**  
Assistant Superintendent**Walpita/ Monrovia/Olympus Estate****Mr. S.S. Gunasekara**  
Superintendent**Mr. D.U. Maddakandage**  
Assistant Superintendent**UVA Range****Gonakelle Estate****Mr.J.S. kalansuriya**  
Superintendent  
**Mr. Cavin Samuvel**  
Assistant Superintendent**Cannavarella Estate****Mr. H.P. Rajapaksha**  
Superintendent  
**Mr. M.S.C. McShane**  
Assistant Superintendent**Kandahena Estate****Mr. H.M.W. Sajith Hellarawa**  
Superintendent**Pingarawa Estate****Mr.J.S. Abesekara**  
Superintendent**Hindagala Estate****Mr. Tharaka Athukorala**  
Superintendent  
**Mr. A.M.R. Bandara**  
Assistant Superintendent  
**Mr. T.C.M. De Silva**  
Assistant Superintendent**Kinellan Estate****Mr.H.D.Nayanajith**  
Superintendent**Matara Range****Akuressa Estate****Mr. K.D.R. Dayan(Acting)**  
Superintendent**Hulandawa/Belmont Estate****Mr. G.S.U. De Silva**  
Superintendent**Mr.T.N.E.De Silva**  
Assistant Superintendent**Tennehena Estate****Mr. U.U.K.N.S.A.Udunuwara**  
Superintendent

# Corporate Governance

Namunukula Plantations PLC has designed its Corporate Governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. The Company recognizes the interests of all its stakeholders including shareholders, employees, customers, suppliers, consumers and among the other communities in which it operates. The Company complies with the rules on Corporate Governance included in the Listing Rules of the Colombo Stock Exchange and guided by the principles included in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors of Namunukula Plantations PLC is committed and takes responsibility to maintain the highest standards of Corporate Governance and gives consideration to major external & internal steering instruments on governance as mentioned below.

Major External Steering Instruments on Governance		Major Internal Steering Instruments on Governance
Mandatory	Voluntary	
Companies Act No. 07 of 2007		Articles of Association of the Company
	Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (a voluntary Code)	Board of Directors' working procedure
Listing Rules of the Colombo Stock Exchange		Operational policies, Guidelines and Manuals
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto		Integrated risk management procedures
Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995		Internal control, procedures, and processes

This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.

## The Board of Directors

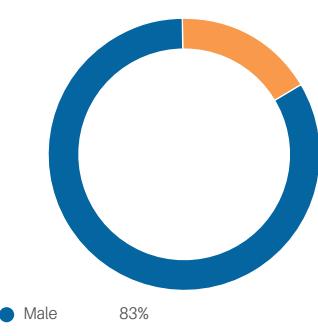
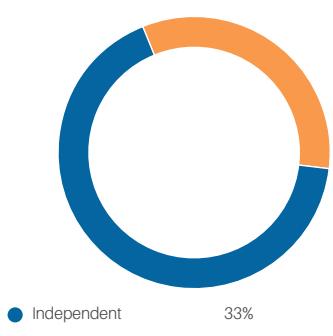
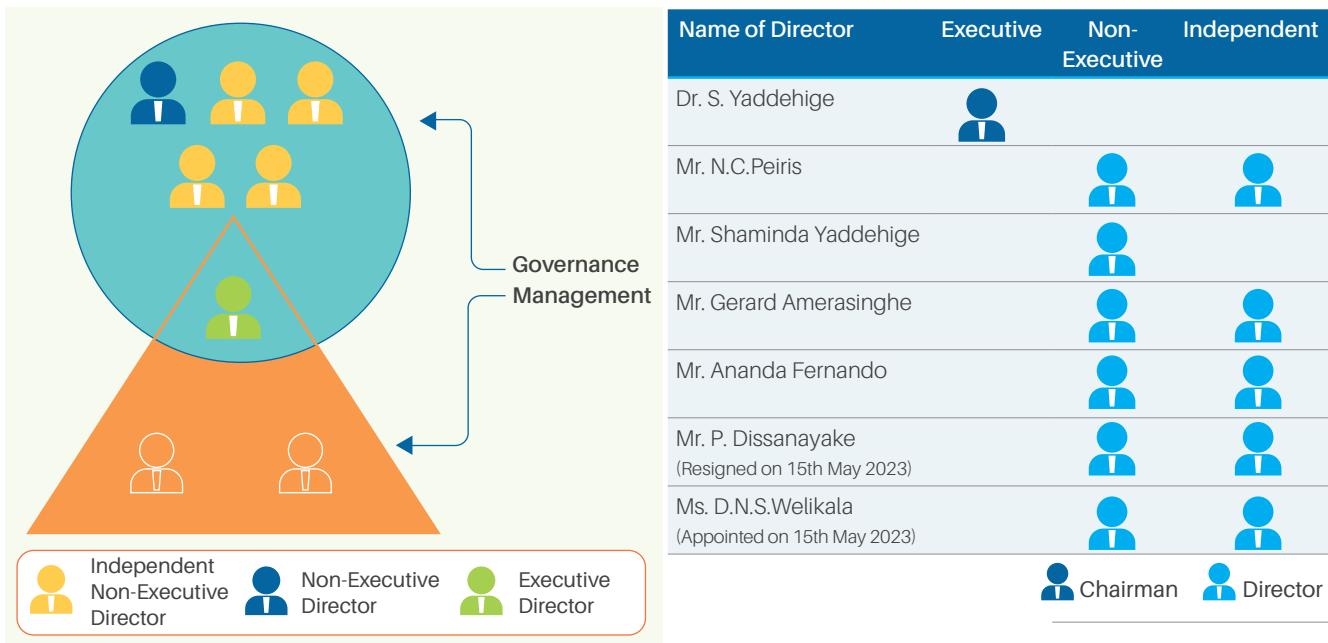
GRI 2-9/2-17

The Company is governed by its Board of Directors, who directs and supervises the business and affairs of the Company on behalf of the shareholders.

The Board comprises six directors, of which one is an executive director, whilst five are non-executive directors. Out of five non-executive directors, four are independent, ensuring an independent outlook to temper the expediency of the experts. The Board has assessed the independence of the non-executive directors.

Executive Director and Senior Managers (Management) are involved with the day to day running of the Company with the management. Following diagram and table depicted the composition of the Board and the senior management.

All independent Directors are having no direct or indirect material relationship with the Company and have duly submitted the annual declaration as per the Colombo Stock Exchange Listing Rules. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.



### Role of the Chairman in overseeing the management of impacts

GRI 2-11/ 2-12/ 2-13

The Chairman and the Chief Executive Officer of the Company are two different personnel roles where power and authority are clearly distinguished.

The separation of officers with executive powers in the Company ensures a balance of power and authority.

The Chairman is responsible for matters relating to policy, maintaining regular contact with the other Directors, shareholders and external stakeholders of

the Company. He is responsible for Company's overall commercial, operational and strategic development and assisted by the Corporate Management of the Company. The finance function devolves on the Group Chief Financial Officer and Financial Controller who is present by invitation at board meetings when financial matters are discussed. The Board of Directors have access to independent professional advice as and when deemed necessary for decision making.

# Corporate Governance

## FUNCTIONS OF THE BOARD

Direct the business and affairs of the Company	Approve the annual capital and operating budgets and review performance against budgets
Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation	Approve the interim and final financial statements of the Company
Report on their stewardship to shareholders	Determine and recommend interim and final dividends for the approval of shareholders
Identify the principal risks of the business and ensure adequate risk management systems are in place	Ensure compliance with laws and regulations
Review the adequacy and effectiveness of internal controls and ensure its operation.	Sanction all material contracts, acquisitions or disposal of assets and approve capital projects

## Sub Committees of the Board

GRI ➤ 2-15

The Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. The Board has delegated responsibilities to three Board sub committees which operate within clearly defined terms of reference. Information on Three Board Committees is given in Pages 39 to 41.

Namunukula Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. As such the Group Audit Committee acts as the Audit Committee of the Company and the Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Namunukula Plantations PLC. Further the Related Party Transactions Review Committee in accordance with the Group's Related Party Transactions Policy and all applicable laws has been given careful consideration to All transactions that need to be approved.

Sub Committee		Audit Committee	Remuneration Committee	Related party Transactions Review Committee
Committee Members	Mr. J.F Fernandopulle	©	0	0
	Dr. Jayatissa De Costa	0	©	©
	Mr. Prasanna Fernando	0	0	0
Reference				
		© - Chairman		0 - Member

## Meetings of the Board of Directors

Prior to each Board meeting, the directors are provided with all relevant management information and background material relevant to the agenda to enable informed decisions. Board papers are submitted in advance on Company performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board meeting.

## Internal Controls

The Board is responsible for instituting an effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 42 to 50.

Apart from the Strategic Plans, a comprehensive budgetary process is in place. The objectives of the Company are determined and the Critical Success Factors and the Key Performance Indicators to monitor the objectives are identified to be included in the budget. The performance is monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

The Internal Audit Division regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and are satisfied with its effectiveness.

### **Relationship with Shareholders**

The Board maintains healthy relationships with its shareholders (Individual and Institutional) while maintaining a dialogue with potential shareholders as well. The Annual General Meetings are held to communicate with the shareholders and their participation is encouraged. Its principal methods of communication include the corporate website, the annual report, quarterly Financial Statements and press releases. Apart from that, the board is dedicated to upholding the highest standards of professional and ethical behavior, and directors disclose their outside business interests upon appointment.

### **Relationship with Other Stakeholders**

GRI 2-16

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company as a whole inculcates this practice. Internal communication is mainly conducted through e-mails, memos and circulars.

The Board also ensures that the Company policies and practices are in line with the Company's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Materiality Assessment on pages 78 to 82.

### **Compliance**

The Board places significant emphasis on strong internal compliance procedures. The financial statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations.

Financial statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

Corporate Governance Requirements under Section 7 & 9 of the Listing Rules issued by the Colombo Stock Exchange.

CSE Section Reference	CSE Requirement	Status of NPPLC
7.6	Content of Annual Report (Refer page No. 2 and 3 )	✓
7.10.1 (a) to (c)	Non-Executive Directors	✓
7.10.2 (a)	Two or one-third of Non-executive Directors, whichever is higher should be independent.	✓
7.10.2 (b)	Each Non- Executive Director should submit a declaration of independence/ non independence	✓
7.10.3 (a) to (d)	Disclosures relating to Directors	✓
7.10.5 (a) to (c)	Remuneration Committee	✓
7.10.6 (a) to (c)	Audit Committee	✓
7.13.1 (a)	Minimum Public Holding	✓
9.2	Related party Transactions Committee	✓

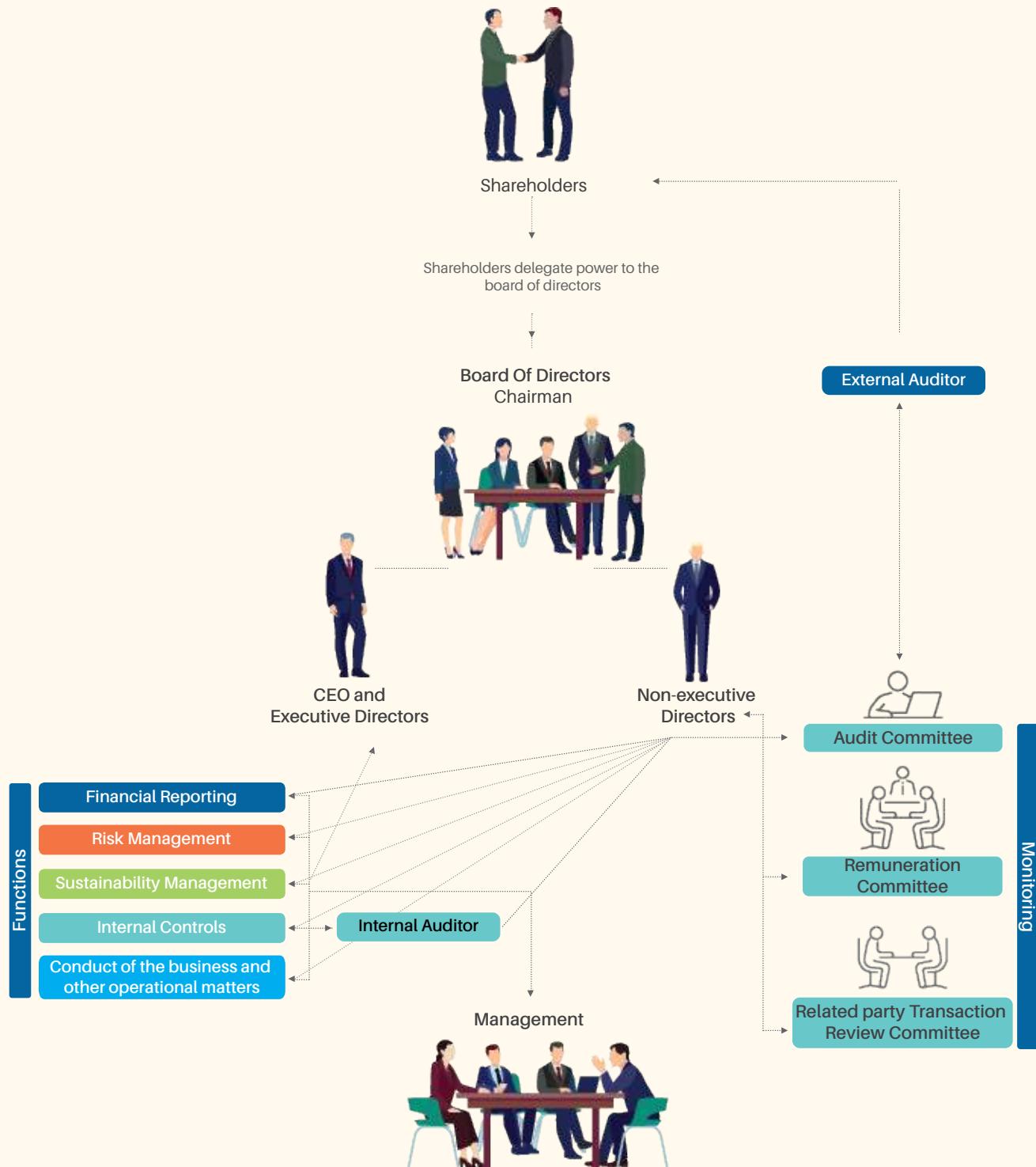
### **Going Concern**

The Directors have continued to use the 'Going Concern' basis in the preparation of the financial statements, after careful review of the financial position and cash flow status of the Company. The Board of Directors believes that the Company has adequate resources to continue its operation for the foreseeable future.

# Corporate Governance

## CORPORATE GOVERNANCE STRUCTURE

GRI 2-9



# Audit Committee Report

## Composition of the Committee

The Committee consisted of three Independent Non-Executive Directors of the ultimate parent Company namely Dr Jayatissa De Costa P.C., Mr. Prasanna Fernando and the Chairman of the Committee, Mr. J F Fernandopulle. Audit Committee Chairman is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The committee comprises the following members.

Mr. J. F. Fernandopulle	Chairman	
Mr. Prasanna Fernando	Member	
Dr. Jayatissa De Costa P.C.	Member	

 Independent Non- Executive Director

## Charter of the Committee

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
2. Review the system of internal controls and risk management.
3. Monitor and evaluate the effectiveness of the internal audit function.
4. Review the Company's process for monitoring compliance with laws and regulations.
5. Review the independence and performance of the external auditors.
6. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The principal activities of the Committee are detailed below:

## Meetings

The Audit Committee held 05 meetings during the year under review.

- 12th May 2022
- 30th May 2022
- 10th November 2022
- 14th February 2023
- 16th February 2023

The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of the Strategic Business Units (SBUs) were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

## Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major business units of the Group.

The Group Internal Audit Manager was invited to be present at all Audit Committee deliberations. A summary of the salient findings of all internal audits and details of the investigations carried out by the Internal Audit Department for the period was presented. The responses Heads of the SBUs with respect to the internal audit findings were reviewed and where necessary corrective actions were recommended and implementation monitored.

## Internal Controls

During meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements.

A comprehensive Management Report and Accounts are produced highlighting all the key performance indicators pertaining to the Company's SBUs which

is reviewed by the Senior Management on a monthly basis. SBU Boards review performance on a quarterly basis.

## Financial Statements

The Committee reviewed the Group's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. The committee also reviewed the adequacy of disclosure in the published Financial Statements.

## External Auditors

The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure their independence as Auditors has not been compromised.

The external auditors kept the Audit Committee informed on an on-going basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken when necessary.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending 31st March, 2024 subject to the approval of the shareholders at the next Annual General Meeting.

## Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Group, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been complied with.



J F Fernandopulle  
Chairman of the Audit Committee  
29th August 2023

# Remuneration Committee Report

## Composition of the Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, consist of three Independent Non-Executive Directors of Richard Peiris and Company PLC, Dr. Jayatissa De Costa P.C, Mr. Prasanna Fernando and Mr. J. F. Fernandopulle.

Dr. Jayatissa De Costa P.C.	Chairman	
Mr. Prasanna Fernando	Member	
J. F. Fernandopulle	Member	

 - Independent Non- Executive Director

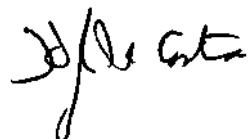
## Meetings

The Committee met on several occasions during the financial year.

## Remuneration Policy

The Committee is proposed to the Board for reviewing the remuneration of the Executive Director/Chief Executive Officer and to recommend appropriate remuneration benefits and other payments.

The Remuneration policy of the Company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimize long term shareholder value. The Committee took into account, competition, market information and business performance in deciding the overall remuneration policy.



Dr.Jayatissa De Costa P.C.  
Chairman  
29th August 2023

# Related Party Transactions Review

## Composition of the Committee

The Related Party Transactions Review Committee consisted of three Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando (Independent Non-Executive Director) and Mr. J F Fernandopulle. (Independent Non-Executive Director)

The committee comprises the following members.

Dr. Jayatissa De Costa P.C.	Chairman	
Mr. Prasanna Fernando	Member	
Mr. J. F. Fernandopulle	Member	

 - Independent Non- Executive Director

The Group Chief Financial Officer attended meetings by invitation. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.

## The Objectives of the Committee,

- To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Richard Pieris & Company PLC and all its listed subsidiaries are carried out and disclosed in a manner consistent with the CSE listing rules.
- To advise and update the Board of Directors on the related party transactions of each of the listed companies on a quarterly basis.
- To ensure compliance with the CSE listing rules on the Related Party Transactions.

- To review policies and procedures of Related Party Transactions of the Group.
- To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee reviewed the policy framework for adoption on Related Party Transactions for Richard Pieris & Company and all its listed subsidiaries. In such process the committee considered and reviewed Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

The monitoring system in place to capture the information pertaining to Related Party Transactions and to determine that the transactions are in comply with statutory and regulatory requirements.

The Committee held 04 meetings on a quarterly basis during the period. The activities and views of the Committee have been communicated to the Board of Directors where appropriate.

- 30th May 2022
- 12th August 2022
- 21st December 2022
- 30th December 2022

## Related Party Transactions during the year 2022/23

Details of the related party transactions entered into by the Group/Company are disclosed on pages 196 to 198.

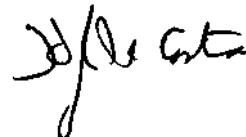
## Declaration

Annual Report of the Board of Directors on the Affairs of the Company, Pages 145

to 150 for the declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2022/23, except what was disclosed in the note no. 33."

## Disclosures

A detailed disclosure of all the related party transactions, including recurrent and non-recurrent related party transactions, that are required to be disclosed under Section 9.3.2 of the Listing Rules of the CSE has been made in Note 33 to the financial statements given from pages 196 to 198 in the report.



Dr. Jayatissa De Costa P.C.  
Chairman

29th August 2023

# Risk Management

The meticulous implementation of robust risk management practices plays a pivotal role in realizing our strategic objectives, fostering sustainable value creation, and serves as a fundamental pillar of our business model.

Risk can be defined as being any situation or event that could affect the achievement of Company objectives and effectiveness. Managing risk can mark the fine line between the success or failure of a business. It is therefore paramount that the intelligent and proactive management of risk is essential for the long-term continuity of a Company. Risk management contributes value by creating an early warning system that positions the organization to make adjustments to the strategy and business model that capitalize on market opportunities and emerging risks before they become common knowledge in the industry.

The vigorous governance structure, risk management process, corporate social responsibility and internal audit procedures are immensely critical to be a good corporate citizen in dynamic business environment. Continuous practice of good corporate governance always aids a sustainable flow of operations along with a transparent operational structure.

## Risk governance framework

Governance Level	Function	Area of focus
Board of Directors	Governance and risk oversight at corporate level	<ul style="list-style-type: none"> <li>Set the tone on risk management culture.</li> <li>Maintain sound and effective risk management and internal control system.</li> </ul>
Audit Committee	Review the process by which the entity's significant risks are identified and ensure that the Board is fully apprised of these risks.	<ul style="list-style-type: none"> <li>Review the effectiveness of risk management process, develops and oversees implementation of risk management strategies.</li> <li>Review of changes to the risk management program.</li> <li>Oversight of the adequacy and comprehensiveness of risk reporting from management.</li> </ul>
Internal Audit Function	Assessing and improving risk management, assessing the system of internal controls and governance processes.	<ul style="list-style-type: none"> <li>Define and monitor the risk management process and mitigate the impact using tools and actions.</li> <li>Plan and execute assurance activities to ensure there are policies and procedures in place to support the effectiveness of the internal control system.</li> </ul>
Functional Managers	Identify and evaluate and mitigate risks related to business functions.	<ul style="list-style-type: none"> <li>Communicating the Company's desired tax risk profile and approach to tax risk management.</li> <li>Identify risk related to each business unit.</li> <li>Consult on risk mitigation in the respective unit</li> <li>Monitor and control the risks.</li> <li>Providing assurance to the Board that the existing tax risk management framework will allow all significant transactions and events to be assessed as part of every commercial decision relating to each transaction.</li> </ul>
Estate level managers	Ensure the risk mitigation actions are implemented correctly and timely.	<ul style="list-style-type: none"> <li>Responsible for the ongoing management of the risks and ensuring that all of the control activities are adequate.</li> <li>Implement risk mitigation actions in estates.</li> <li>Evaluate the risk mitigation actions at the estate level.</li> </ul>

In the process of corporate governance, risk management plays a vital part where risk are proactively identified, evaluated, managed and reported. This is a paramount importance in the plantation sector, due to the known fact that the climate change have had a significant impact in the past.

Priority is given to risks based on the impact and the likelihood of occurrence. A step going beyond traditional risk management, while taking actions to minimize the downside of the risks. Improved decisions are taken to capitalize on the potential opportunities as well. NPPLC is exposed to a multitude of risks when reaching for its realization of vision, mission and corporate objectives. The Board of Directors therefore places special emphasis on the management of risks and together with the Management Committee, ensures that a sound system of controls including financial, operational and compliance controls are in place, and reviews regularly the effectiveness of such controls, to safeguard shareholder investments.

It is essential to maintain a risk management process as it enables the Company to manage risk effectively and efficiently. In response to this, a multi-step Risk Management Process is in operation, where potential threats or risks, whether internal or external to the business, are identified and evaluated.

The Diagram below shows the above steps of risk management in overall context of Namunukula Plantations PLC.

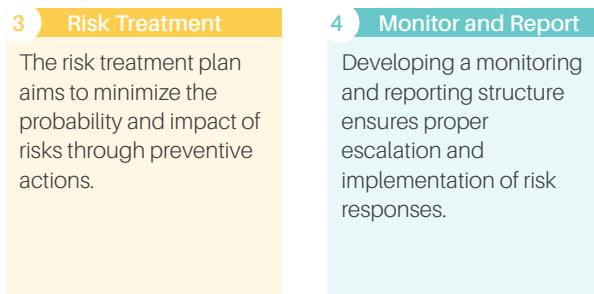
#### 1 Risk Identification

To ensure effective management, Risks and Opportunities identification is precise and specific.



#### 2 Risk Assessment

Quantitative and qualitative assessments are essential for comprehensive risk evaluation, analyzing probability, impact, and financial implications.



#### 3 Risk Treatment

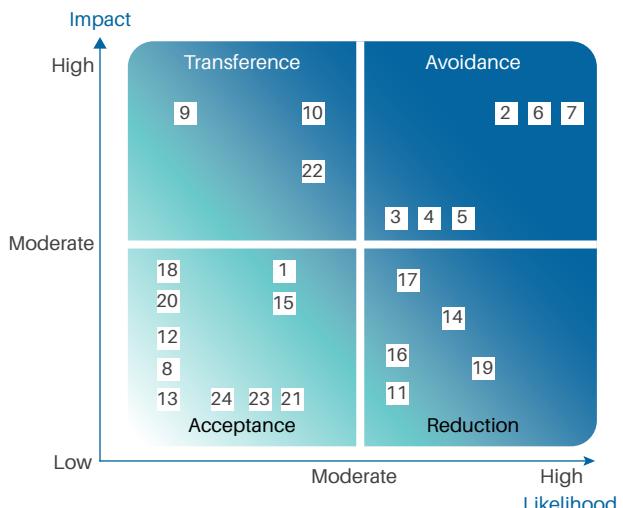
The risk treatment plan aims to minimize the probability and impact of risks through preventive actions.

#### 4 Monitor and Report

Developing a monitoring and reporting structure ensures proper escalation and implementation of risk responses.

Based on the risk level, Company takes appropriate decisions & necessary action to mitigate the risk. If the risk is within the Company's risk appetite, actions will be taken to minimize the risk or accept the risks. In contrary if it is beyond the risk appetite, actions will be taken to transfer or avoid the risks.

Following graph depicts the linking control activities to the risk response.



NPPLC continuously monitors the effectiveness of actions taken in response to risk minimization strategies implemented to verify the appropriateness of the implemented strategies.

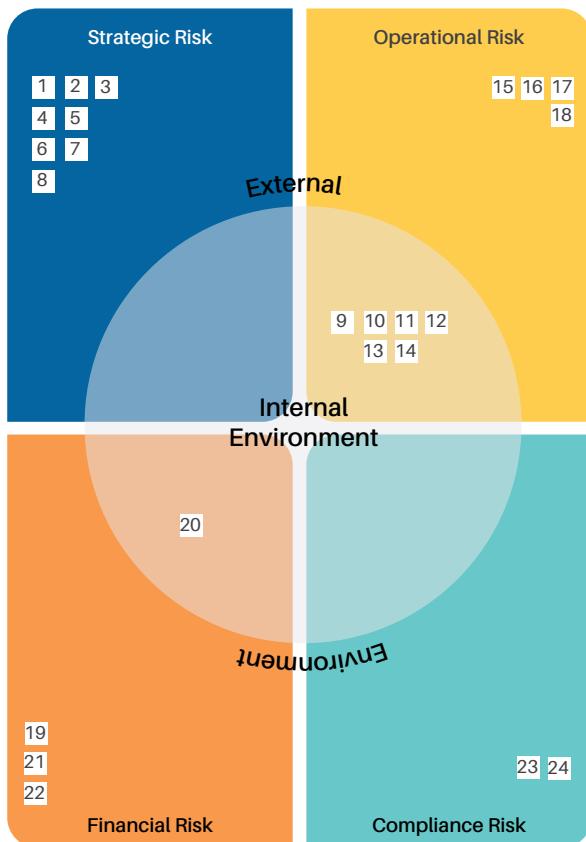
In risk monitoring, the Company is expected to evaluate the effectiveness of the strategies implemented as to whether the strategies have brought the expected results by reducing the respective risks within the year. This monitoring process is carried out at different levels of the Company.

The Company maintains a formal mechanism of risk reporting initially by corporate management. The risks are then presented to the Board of Directors, Audit Committee of the Company and other responsible top management, if required. Finalized and approved risk strategies are communicated to the ground level for implementation.

Ultimately, to review the risk management process, the gross risk (assessment of risk before risk minimization strategies are being implemented) is compared with the net risk (assessment of risk after risk minimization strategies are being implemented) and the impact to continue with the sustainable risk management cycle is documented.

This diagram overleaf summarizes examples of key risks in these areas and shows that some specific risks can have both external and internal drivers and therefore overlap the two areas.

# Risk Management



Strategic Risk	
1 Economic Crisis	5 Government Policy on oil palm expansion
2 Volatility of Oil Palm Prices	6 Climate Changes
3 Auction Prices	7 Wage Structure
4 Social Pressure against Oil palm expansion	8 Pandemic Risk
Operational Risk	
9 Production Risk	15 Technological Risk
10 Credit Risk	16 Human Capital and Labour Risk
11 Asset Risk	17 Value Chain
12 Internal Controls	18 Information Systems Risk
13 Inventory	
14 Procurement Risk	
Financial Risk	
19 Investment Risk	21 Interest Rate Risk
20 Liquidity and Cash Management	22 Inflation and Currency Risk
Compliance Risk	
23 Compliance with applicable legislation and internal policies	24 Tax Compliance Risk

Company identified above mention risks in accordance with risk impact and risk level. Risk impact demonstrate the severity of the impacts associated with the risks while the risk level indicates the probability of the occurrence. NPPLC's risk management plan of key risks are presented as follows,

## STRATEGIC RISK

### 01.Economic Crisis

Risk Impact: Moderate Risk Level: Moderate

The Sri Lankan economy is currently facing a significant crisis due to a combination of adverse factors and policy errors with high inflation, the misalignment of the exchange rate, Power cuts, fuel and gas shortages and Rising global food and energy prices This situation poses several risks to businesses operating in the country.

#### Company Objectives

- Management of the day to day operations without any interpretations.
- Minimizing the drop in productivity due to the insufficient inputs.

#### Risk Minimization Strategies

- Ongoing observation of future economic prospects and movements.
- Expanding the use of renewable sources of energy such as solar power, wind, bio gas.
- Reducing dependency on imported agrochemicals and fertilizer by using organic Fertilizer and Effective and efficient utilization of available fertilizer stocks.

**02. Volatility of Oil Palm Prices**

Risk Impact: High Risk Level: High

Price Volatility arises mainly from global Crude Palm Oil market forces and import duty on Crude Palm Oil. This could potentially impact to Possible Revenue shortfalls against the expected amount and ultimately affect to our market place and competitive advantage.

**Company Objectives**

- Minimizing the risk associated with the oil palm prices.

**Risk Minimization Strategies**

- Continuous monitoring of global CPO prices.
- Improve the product quality and increase production quantity.
- Investment in the joint venture AEN, where the entire crop is processed.

**03. Auction Prices**

Risk Impact: High Risk Level: Moderate

The tea & Rubber market remains volatile due to global factors such as geo political tensions in key import destinations for Sri Lanka teas & Rubber, economic depression in key world economies, fluctuations in interest rates, exchange rates and world oil prices, etc. influencing demand and the price of tea & Rubber.

**Company Objectives**

- Minimizing the risk associated with the auction prices.
- Ensuring the best price is obtained at the auctions.

**Risk Minimization Strategies**

- Upgrade the quality level of products to be acceptable to premium market buyers.
- Spread risk through crop diversification and change grade mix to cater customer requirements.
- Obtain international standards and quality accreditations to maintain attractive prices.
- Continuous monitoring of market price trends and predicting future variations.

**04. Social Pressure against Oil palm expansion** GRI ➔ 2-6

Risk Impact: Moderate Risk Level: Moderate

It was unable to replace the aging palm due to opposition from various groups to Palm Oil expansion and cultivation. It became difficult to sustain the crop yields. To reduce this risk, the Company has to allocate additional resources, which represents an opportunity cost.

**Company Objectives**

- Assessing the environmental impact without bias.
- Maintain best social relationship as responsible corporate citizen.

**Risk Minimization Strategies**

- Organize public awareness campaigns.
- Village integration programs.
- Engagement with pressure groups.
- Offer employment opportunity to community.

**05. Government Policy on oil palm expansion** GRI ➔ 2-6

Risk Impact: Moderate Risk Level: Moderate

Changes in government policy from current drive to increase import substitution activity for edible oils.

Restriction imposed by government on oil palm cultivation impact to replanting & new planting process of Oil Palm and it creates lower yield and crop due to non-replacement of ageing trees.

**Company Objectives**

- Eliminate the negative perception associated with oil palm planting.

**Risk Minimization Strategies**

- Represent the policy direction through the Planters Association & Palm Oil Industry Association (POIA).
- Rather than planting new oil palm trees, invest in new and replanted coconut trees.
- Engagement with government agencies.
- Affiliation with industry association

# Risk Management

## 06. Climate Changes GRI 201-02

Risk Impact: High

Risk Level: High

We operate in a considerably volatile natural conditions. Due to unpredicted weather patterns and natural environmental conditions our production quality and quantity could get affected.

### Company Objectives

- Minimizing adverse effects due to climate changes.
- Maintain the quality of the crops in spite of climate changes.

### Risk Minimization Strategies

- Change fertilizing cycles to go in par with the climate changes.
- Change the harvesting pattern accordingly.
- Crop diversification.

## 07. Wage Structure

Risk Impact: High

Risk Level: High

Maintaining a positive margin with a rising wage structure under collective bargaining of the farmers & laborers has become a challenging task while maintaining the remaining productivity level.

### Company Objectives

- Compliance to the regulatory wage structure.

### Risk Minimization Strategies

- Improve labour productivity by better HR practices.
- Outsourcing or suspending of non - value adding activities.
- Negotiation with trade unions and stakeholders for a wage structure base on the Productivity and wage negotiations are done with the Employers' Federation of Ceylon and the Planters Association.
- Use technology to fulfill labour deficiencies.

## 08. Pandemic risk

Risk Impact: Low

Risk Level: Low

The organization may still be impacted by the COVID-19 pandemic developments and its possible scenarios since it has not been still over.

### Company Objectives

- Respond to minimize negative effects and other risks and to get organization ready for the potential future developments of disease.

### Risk Minimization Strategies

- Implement fundamental measures for the disease.
- Implement all the recommendations of the local authorities and World Health Organization.

## OPERATIONAL RISKS

### 09. Production Risk

Risk Impact: High

Risk Level: Moderate

Unpredictability in product quality resulting to reduced demand and lead to a drop in market price, market share and reputation. Further this could arise working capital deficiencies.

### Company Objectives

- Minimizing the inconsistencies in product quality.
- Centralizing tea & rubber processing according to High NSA & obtain selling mark advantage.

### Risk Minimization Strategies

- Obtaining regular advice from Industry experts, Tea Research Institute, Rubber Research institute, brokers and customers.
- Close supervising of plucking & tapping operations and manufacturing process.
- Optimizing of Product portfolio to cater specific market segments and develop revenue streams from other projects such as tourism, minor crops and fruits cultivation.
- Conduct quality assessments frequently and identify the improvements required in terms of quality.
- Adhere to quality standards like ISO and HACCP.
- Use Benchmark of introduced measures within the industry.

**10. Credit Risk**

Risk Impact: High Risk Level: Moderate

Risk of being defaulted by customers or other debtors. Maintaining a higher level of liquidity is essential to the industry due to the abrupt nature of it. Hence maintaining a lesser debtor collection day ratio would add value in managing the working capital.

**Company Objectives**

- Minimizing risks associated with debtor defaults.
- Working towards obtaining collaterals from major local customers with high outstanding.
- Follow stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.

**Risk Minimization Strategies**

- Tea & Rubber Sales are made through auction and brokers assure the settlement.
- Long term & Short term borrowings and Lease payments to government are closely monitored and settled without delay.

**11. Asset Risk**

Risk Impact: Low Risk Level: Moderate

Availability of new technological plant and machineries to tea industry and availability of land to cultivate the suitable crops and efficient use of assets is at the medium level.

**Company Objectives**

- Minimizing risks from fire, theft and machinery & equipment breakdown.

**Risk Minimization Strategies**

- Obtaining comprehensive insurance covers for all tangible assets.
- Adoption of stringent procedures with regard to the moving of assets from one location to another.
- Carrying out mandatory preventive maintenance programs.
- Carrying out frequent employee training programs in areas such as fire prevention.

**12. Internal Controls**

Risk Impact: Low Risk Level: Low

By establishing sound internal control systems, we can ensure and safeguard the assets and operational effectiveness and Efficiency.

**Company Objectives**

- Maintaining a sound system of internal control to safeguard shareholders' wealth and Company's assets.

**Risk Minimization Strategies**

- Carrying out system audits and other control mechanisms such as inventory counts and cash counts in every estate by the Central Internal Audit Department of the main Group.

**13. Inventory**

Risk Impact: Low Risk Level: Low

Due to lower demand conditions there is a risk of accumulating produce stocks in the tea factories, we have to ensure these stocks are disposed at the correct time at the auction.

**Company Objectives**

- Reducing stock obsolescence and manage stock holding costs.
- Reducing the risk associated with theft and shrinkage.

**Risk Minimization Strategies**

- Adopting a monthly declaration policy.
- Identifying slow moving stocks and effectively laying out a channel for these to be sold off.

# Risk Management

## 14. Procurement Risk

Risk Impact: Low

Risk Level: Low

Ensuring efficient flow of operations require good relationships with suppliers, which in turn will ensure, discounted prices and quality raw materials to add more value to our products.

### Company Objectives

- Minimizing risk associated with price and availability.

### Risk Minimization Strategies

- Establishing relationships with more than one supplier to buy leaf in order to reduce over-dependency on a single supplier.
- Entering into forward contracts for purchases of certain raw material items.

## 15. Technological Risk

Risk Impact: Moderate

Risk Level: Moderate

To enhance the productivity of the industry that we operate in, we have to consider efficient allocation of technological resources in our plantations. We have to consider new investment in new technological plants, machineries and advanced information technology to ensure a smooth flow of information for control purposes

### Company Objectives

- Keeping pace with the current technological developments and safeguard against obsolescence.

### Risk Minimization Strategies

- Continuous investments in new Machinery and experiments on new methods.
- Mechanization of estate functions up to the highest possible extent.
- Investing in Research & Development activities whenever necessary.
- Implementation of the new computer system in head office and the estates.
- Investing in hardware resources with reputed companies.

## 16. Human Capital & Labour Risk

Risk Impact: Low

Risk Level: Moderate

Heart of the operations is the people we have employed in our plantations. They are the key to our success and the most valuable assets of the Company.

### Company Objectives

- Ensuring a smooth flow of operations without any undue disruptions.
- Minimize the risk associated with unavailability of labour in estates.

### Risk Minimization Strategies

- Maintaining healthy relationships with trade unions through regular dialogues.
- Entering into collective agreements with trade unions.
- Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates.
- To protect ourselves as an employer being successful in motivating, developing, retaining and attracting the best of human capital.
- Implement better HR practices to attract retain high skilled and knowledgeable employees.

## 17. Value Chain

Risk Impact: Moderate

Risk Level: Moderate

Risk due to loss of confidence and relationship with suppliers of inputs, (fertilizers, chemicals, packing materials, bought leaf suppliers) buyers and end customers and risk of non-maintaining manufacturing standards.

### Company Objectives

- Minimizing risk of not meeting profit expectations.

### Risk Minimization Strategies

- Follow a transparent procedure to evaluate quotations of suppliers through RPC group purchasing division.
- Ensure on time payments and settlement for bought leaf suppliers and other commodity suppliers.
- Conducting workshops for bought leaf suppliers to educate to deliver good quality leaf.

**18. Information Systems Risk**Risk Impact: HighRisk Level: Low

With a decentralized information system and accounting system we operate in, we have to ensure those systems are up to date and operate resourceful to satisfy our dynamic needs.

**Company Objectives**

- Minimizing risk associated with security, hardware communication and software
- Maintaining of spare servers mirroring of hard disks with critical data.

**Risk Minimization Strategies**

- Maintaining of spare servers mirroring of hard disks with critical data.
- Introduce sound IT Policy, IS policy and close supervision thereon.
- Data back-ups stored in off-site locations.
- Vendor agreements for support service and maintenance.
- Regular updating of Virus scanners, Firewalls etc.
- Compliance with statutory requirements for environmental preservations.

**FINANCIAL RISKS****19. Investment Risk**Risk Impact: LowRisk Level: Moderate

This involves failure in investments/inability to achieve expected objectives and resulted future profitability and sustainability of the Company.

**Company Objectives**

- Maximizing the return of investment

**Risk Minimization Strategies**

- Inexcusable evaluation of all investment proposals and getting advice from expertise persons.
- Adopting a stringent approval procedure for Capital expenditure, based on the level of investment and the expected pay back.
- Ensure availability and effective utilization of short term facilities where necessary. Realistic investment is made in capital development i.e. replanting, machinery and upgrading plant.
- Maintain cash flow and budgetary control systems for effective monitoring.
- Closely monitor the progress to ensure project deliverables are achieved within the given budgets and timelines.

**20. Liquidity & Cash management**Risk Impact: ModerateRisk Level: Low

Failure to maintain Liquidity and cash management will disrupt the smooth flow of day to day operations and lead to widen the working capital gap of the Company.

**Company Objectives**

- Capitalizing on opportunities to raise funds at lowest possible cost.
- Maximum utilization of the concessionary funding available to Plantation Companies.
- Ensuring proper management of working capital.

**Risk Minimization Strategies**

- Funding of long term assets through Equity and Long Term Loans.
- Ensure availability and effective utilization of short term facilities where necessary.
- Closely monitoring of cash flow in every day and identify ways and managing funds.
- Maintain cash flow and budgetary controls systems for effective monitoring.
- Ensure the Company's ability to repay or refinance is not exceeding.

# Risk Management

## 21. Interest Rate Risk

Risk Impact: Moderate Risk Level: Low

The risk that borrowing cost and investment's value will change due to a change in the absolute level of interest rates. (AWPLR)

### Company Objectives

- Ensuring a strong liquidity position.
- Minimizing adverse effects of interest rate volatility and currency denominated borrowings.
- To ensure cost of borrowing is at the optimum level.
- Maximum utilization of the concessionary funding available to Plantation Companies.

### Risk Minimization Strategies

- Negotiation with Financial institutions for fixed debt servicing arrangements.
- Short term assets to be financed with the short term finance arrangements and long term assets to be financed with the long term arrangements.
- Monitor debt levels constantly and maintain a balance between debt and equity.
- Maintain a better credit rating.
- Maintain efficient treasury management.

## 22. Inflation and Currency Risk

Risk Impact: High Risk Level: High

The risk that arises from the change in price of one currency in reaction to another as well as the changes in real value of the domestic currency.

### Company Objectives

- Minimizing risk associated with the fluctuation in foreign currency rates in relation to proceeds, import payments and foreign currency debt transactions.
- Ensuring effective utilization by coordinating with treasury operations through various hedging techniques such as forward bookings, forward sales, swaps etc.

### Risk Minimization Strategies

- Forward exchange rate agreement with financial institutions.
- Purchasing time of classes of assets are pre arranged to minimize inflation and currency Risk.
- Follow internal currency risk management strategies like leading, lagging and external currency risk management strategies.

## COMPLIANCE RISKS

### 23. Compliance with applicable legislation and internal policies

Risk Impact: Low Risk Level: Low

The Company is subject to special regulations and litigation risk will lead to loss of reputation as well as legal costs.

### Company Objectives

- Eliminate the non-compliance and reduce the inability to understand the legislative and statutory requirements.

### Risk Minimization Strategies

- The Company is developing a set of measures and internal controls to ensure its legal compliance, including compliance with laws.
- Periodically review and monitor compliance status of statutory and other requirements.
- Seek expert consultant where necessary.

## 24. Tax compliance risk

Risk Impact: Moderate Risk Level: Moderate

Non-adherence to the legal requirements and obligations and systematically and preventively safeguarding the Company's internal policies in the field of taxes will lead to reputational damage and additional costs like fines and penalties.

### Company Objectives

- Reduce the reputation damage which will occur due to non-compliances to tax regulation.

### Risk Minimization Strategies

- Monitor the legal requirements with regard to tax regularly.
- Implement strong technical support for tax positions, including opinions from external advisors.
- Maintain strong compliance procedures ensuring accurate and complete tax returns.
- Maintain good working relationships with tax authorities.



# Management Discussion & Analysis



Unveiling the Essence of Performance and Engagement :  
A Comprehensive Expedition into Operational Excellence,  
Stakeholder Collaboration, and Industry Outlook

## Review of Operations

### Review of Operations

The year under review was a unique and extremely challenging, affecting human life due to ever-increasing living costs. Most of the industries faced a daunting task of managing their operational costs.

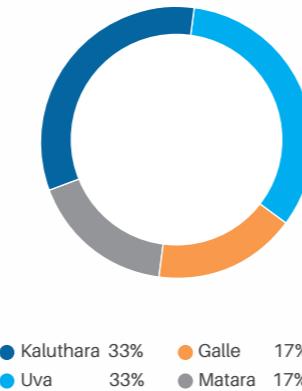
The review of operations focuses on the overall business performance in a year in which the stakeholders had to face many challenges and obstacles to sustain the progress made so far.

In spite of these challenges faced by the Company, it has achieved a remarkable performance never achieved before. We are confident that the company is now in a better position to face future challenges and achieve even greater results.

NPPLC has achieved a gross profit of Rs 3,005 million in FY 2022/23 which is the highest ever profit generated since 1992. Current year's GP is 158% that of previous year. In keeping with the sustainable growth recorded by NPPLC during the year under review, NPL shares at CSE traded at Rs 362.75 by end season which is also the highest share price recorded by a listed RPC.



NPPLC Estates Categorized by Region



#### CAPITAL INVESTMENT

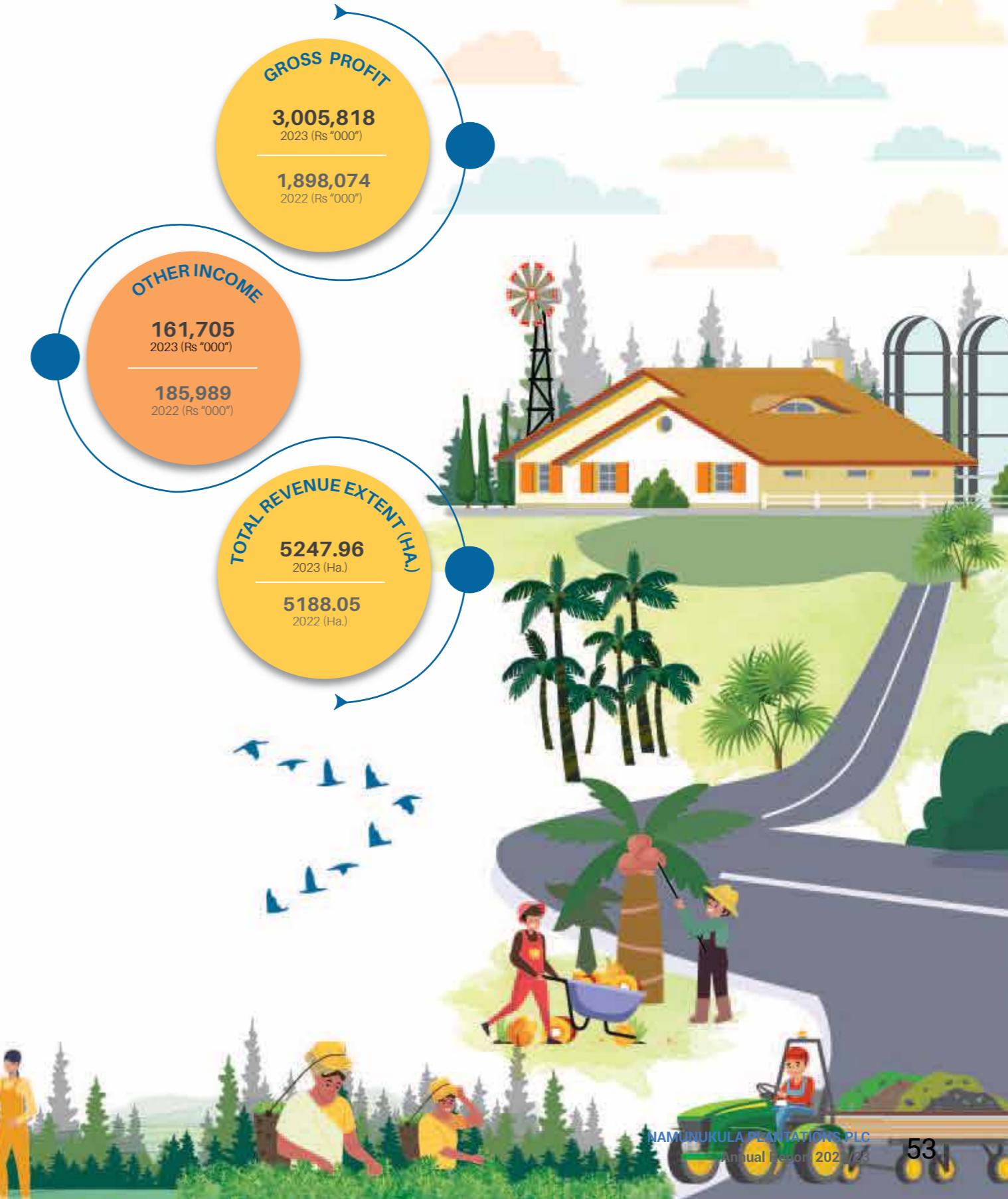
**Rs. 601 Mn**  
(2022/23)

**Rs. 277 Mn**  
(2021/22)

#### STAFF COSTS (WORKERS & STAFF)

**Rs. 1,348 Mn**  
(2022/23)

**Rs. 1,351 Mn**  
(2021/22)



## Review of Operations



# TEA

### Global Tea

The world tea production in the year 2021 was at 6,455 million Kg is an increase of 2.8% that from the previous year. China remained the largest tea producing country with 3,063 million Kg while India and Kenya produced 1,343 million Kg and 537 million Kg respectively.

### National Tea Production

The tea production of Sri Lanka declined by 16% into 251.5 mn kg in the year 2022. This is the lowest production in the

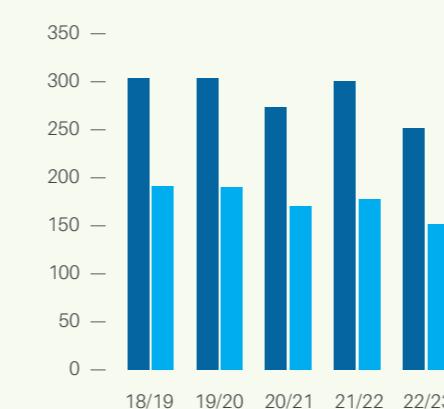
past five years. The tea production in all elevation categories namely high, medium, and low were affected. The main reason for the decline was the shortage of the fertilizer and chemicals due to the ban imposed on importing.

### Low Grown Tea Production

The NPPLC Low Grown sector recorded a tea production of 126,159 kg of tea during the year under review. There is a crop shortfall of 16% that of previous year, mainly due to the reduction of

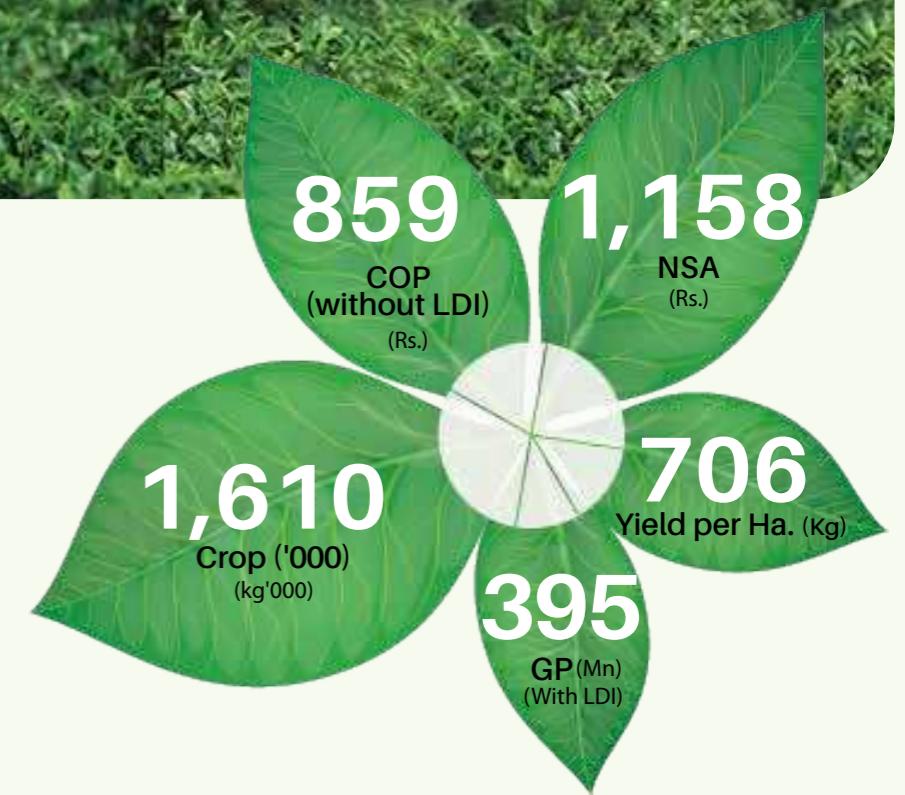
unproductive extents and lack of adequate fertilizer volumes to undertake 3-4 rounds of application per year. Despite the above crop decline, the tea sector recorded a gross profit of Rs 78.49 million for the period under review, against an operational loss of Rs 5.48 million in the previous year. The turnaround in operational performance was mainly due to taking maximum advantage of the attractive prices that prevailed for orthodox black tea.

**Tea Production**



- National Tea Production
- Low Grown Tea Production

The crop from the low grown estates were 126,159 kg. This is a decline of 16% compared to the prior year. As mentioned above, the main reason was the severe shortage of fertilizer in the country.



# Review of Operations

## Low Grown Bought Leaf Operation

The low-grown sector of NPPLC manufactured 427,837 Kg smallholder leaf during the period under review. The crop intake has declined significantly during the year due to the overall reduction of low-grown crops in most of the plantation districts. Lack of fertilizer inputs and chemicals to manage weeds are some of the major contributory factors for the negative performance recorded in the FY. The sales average during the year under review recorded a significant increase over that of last year. The LG elevation average at the beginning of the year was Rs 733.69, whereas in the month of December it remained at Rs 1,534.72, with an increase of over 200%. In the month of December, the LG average recorded the highest at Rs 1,706.22.

In keeping with the attractive sale average that prevailed throughout the season, NPPLC ended up the year with a sale average of Rs 1,414, which is an increase of 233% over last year.

## Low Grown Elevation Average



## Tea Estates in Uva Region

Total annual production was 1.395 million Kg, which included 0.206 million Kg from out growers. The actual crop volume processed in the current FY is 25% below that of crop processed in the previous season. Here again, the major contributory factors were lack of adequate fertilizer inputs and weedicides to manage the fields weeds free status. 21% below forecast.

Despite the above crop decline, the sale average of Uva segment remained at Rs 1110.62 that of Rs 509.79 in the previous year which is an increase of 218%. We were able to improve our tea prices in keeping with the Uva high and Uva Medium sale averages.

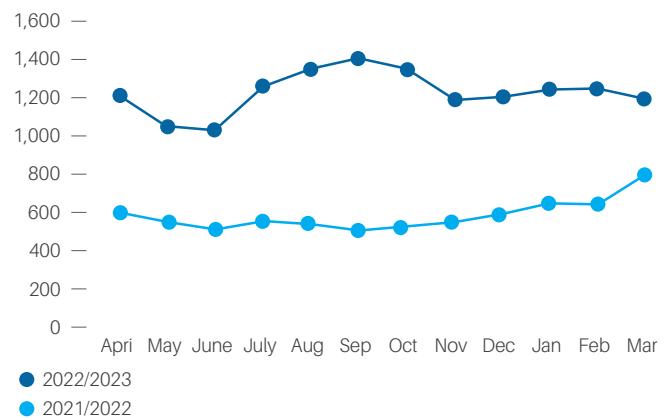
Even though, fuel, electricity, fertilizer and other material costs increased over 60%, we were able to manage our expenditure to

maintain the cost of production at bare minimum.

With all the above improvement the estates in the Uva region made an operational profit of Rs. 396.97 million against Rs. 32 million in the previous year which is an increase of over 1200% which is a very creditable achievement.

Besides, with sundry income, this sector has generated a total profit of Rs 479.28 Mn that of Rs 114.24Mn in the previous year which is an increase of 420%.

## Uva High Elevation Average 2021/22 Vs 2022/23



## Uva Medium Elevation Average 2021/22 Vs 2022/23



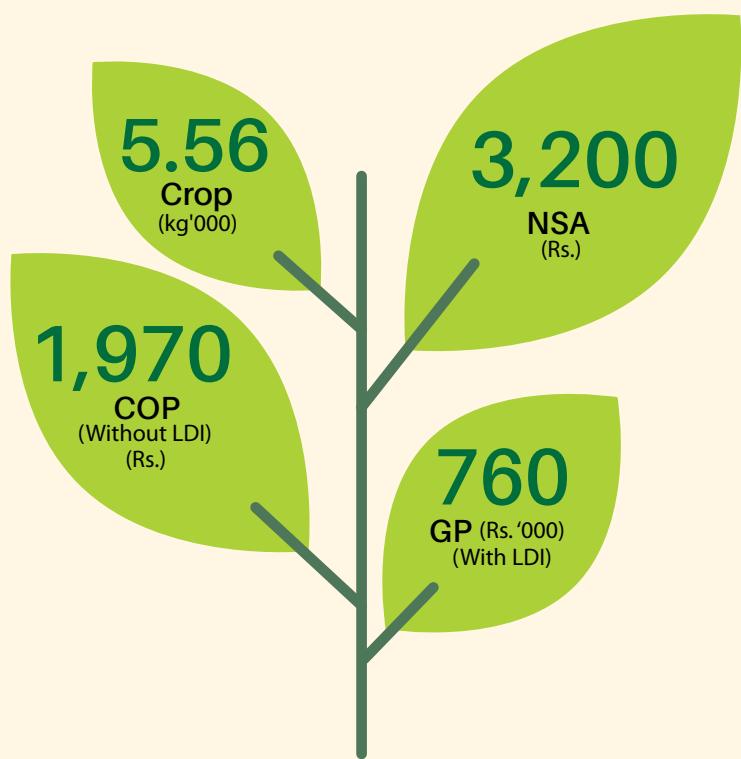


# CINNAMON

During the year under review, the total cinnamon production of the Company has declined to 5,559 Kg by 37% compared to the prior year. The main contributory factor for the production decline as stated earlier was the excessive rainfall recorded during the year exceeding an annual rainfall of 5,500 mm, the highest rainfall recorded during the last 10 years. The continued wet weather in most times resulted in the formation of tender leaves and flowering at regular intervals, thereby preventing peeling and harvesting maximum crop.

Despite the above crop shortfall, we have regularly motivated the estates for production of higher selling grades such as 'C' grade with quality improvement in other cinnamon grades as well. This has facilitated in generating a Gross Profit of Rs 6.84 million for the year which is 34% above that of previous year.

In order to obtain higher prices, estate workers were motivated to produce premium grades such as "C" grades, which fetched higher prices in the market. Together with increases in the prices that prevailed in the market, the Company was able to generate a gross profit of Rs. 6.84 mn, an increase of 34% compared to the previous year.



## Review of Operations

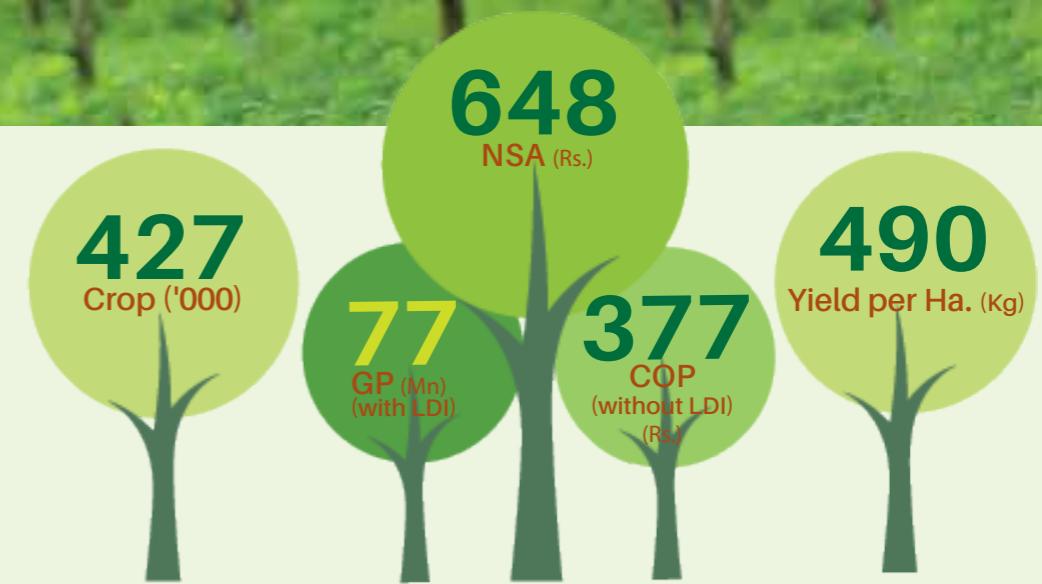


# RUBBER

GRI 201-02

The Rubber production of Sri Lanka in the year 2022 was 70.87 million kg. This is a decline of 8% compared to the prior year. Several factors were contributed to this crop decline. Normally the adverse weather conditions, the shortage of fertilizer, and the spread of Pestalotiopsis. The immature rubber plants were affected too.

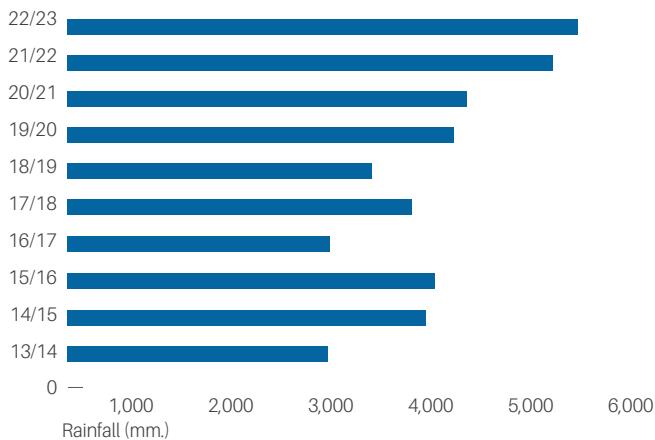
Namunukula Plantations PLC harvested 427,156 Kg rubber in the FY 2022/23 recording a crop shortfall of 29% against that of previous year. The major contributory factors were as highlighted above, the continued rainfall exceeding annual rainfall of 5,500 mm as well as the significant leaf fall due to the spread of "Pesta" disease.



## Review of Operations

The selling prices of rubber sharply increased during the year thus offsetting negative effects of the low crop and high cost of production. In spite of the above crop shortfall, NPPLC took maximum advantage on the prevailed attractive prices at the weekly auctions. The Company has generated a gross profit of Rs 115.83 million which is a creditable achievement. In the previous year the gross profit was only Rs 105.55 million.

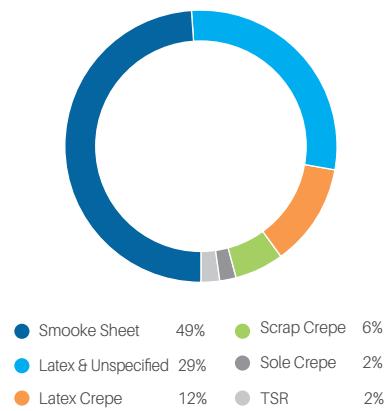
**Annual Rainfall Details - Last 10 Years**



NPPLC achieved the above performance due to regular management intervention and timely action initiated to eliminate vacant tapping blocks, a continued higher tapper productivity coupled with stringent cost control measures implemented during the year under review.

The national rubber productivity of different segments in the year 2022 is given below.

**Rubber Productivity by Different Types**



NPPLC produces Latex Crepe, field latex for centrifuge rubber production and unprocessed scrap, taking advantage of the prevalent market demand, locally.



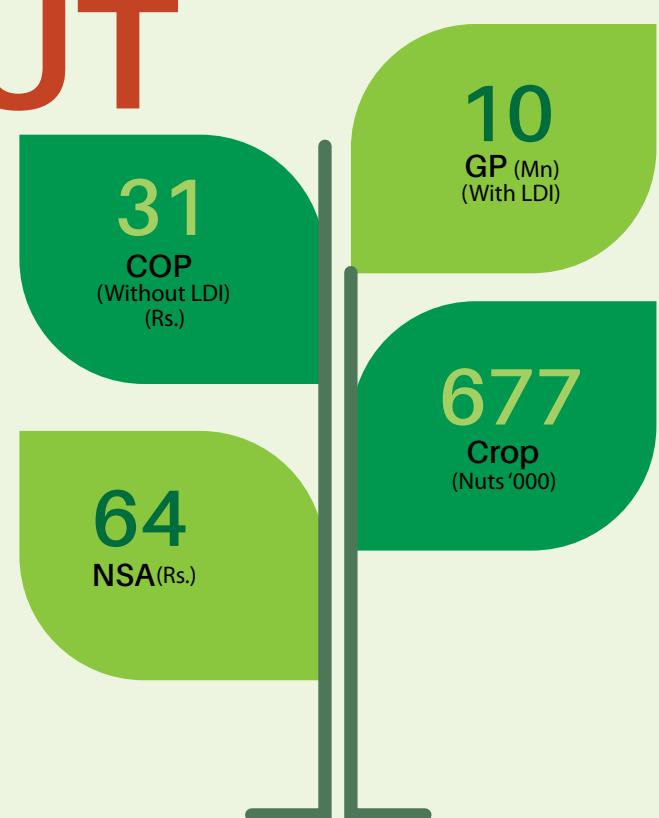
# COCONUT

NPPLC estates have recorded an annual production of 676,577 nuts during the year under review. This year production is 10% below that of previous year.

The Weligama Leaf Disease that has affected the coconut land in Matara district is a contributory factor for the production loss.

Despite recording a crop shortfall, NPPLC has generated a Gross Profit of Rs 18.77 million in the FY 2022/23. The operational costs have marginally increased during the year under review having had to absorb, increased cost of input material, fuel etc.

NPPLC has also taken a strategic decision to expedite under planting of coconut and replace the old palms with a view to increase the stand of young palms during the next 05 years.



## Review of Operations



NPPLC has an extent of 2,500 Ha cultivated in Oil Palm. Although the Company aimed at further expansion of OP cultivation. This has been restricted with the ban imposed by the government. The nursery plants established for further expansion are now overgrown and have to be abandoned, thus causing losses. The global CPO price during the year under review has further declined. The main contributory factor for the said steady decline was excessive production volumes reported in countries

such as Indonesia and Malaysia. The declining trend in CPO prices adversely affected the local purchase price of FFB offered by AEN factory. Nevertheless, the Company recorded a GP of Rs 2,598 billion from this sector which is 27% above that of profits generated in the previous year. We are confident that OP sector of NPPLC continues to remain as the "Golden Crop" and will continue to remain generating much higher profits during the next couple of years.

## Review of Operations

### Capital Investment

The Company continues to focus on the need for capital investment in its plantations in order to achieve long term goals for sustaining the productivity, profitability and ultimately the viability of all plantations.

Although during the recent past, the investment on Oil Palm planting were given top priority, with the government decision to ban new planting of Oil Palm the capital investment has been limited to maintain the field extents already planted.

In view of the above, the capital investment on rubber replanting and coconut under planting were given due priority with higher investment.

NPPLC has invested a sum of Rs 362.28 million during the year under review for field development. The Company has also spent Rs 54.7 million on factory development focusing on product quality improvement.

### Future Strategies & Goals

The demand for edible Palm Oil particularly in Asian countries is projected to increase. As such, we could expect world CPO prices to remain at USD 1,000 or improve thereon, thereby positively impacting on the local price of CPO, as well as the FFB buying price, in the FY 2023/24. The crepe rubber prices currently remain around Rs 600 per kg while RSS trading at Rs 450. The natural rubber prices is expected to remain at this level which means, the operational costs need to be well managed to earn profits.

The current auction price for orthodox tea averaging above USD 4.00 is very encouraging. The Company continues to insist and ensure collection of good quality raw material from small holders to achieve maximum advantage on the current market.

Namunukula Plantations PLC with 05 major plantation crops is no doubt, one of the most diversified companies among all RPC's. The potential to generate a higher income from Oil Palm sector YOY is invaluable. The shareholders have well realized this fact and it is one of the key factors to maintain NPPLC shares valuing over Rs 360 the highest among the all listed RPC's. We have declared a dividend of Rs 14 per share and that will justify our commitment to ensure higher return on investment to all our stake holders.

# Economic & Industry Overview

## WORLD ECONOMIC OUTLOOK

According to statistical projections, the global economy is expected to experience a decline in growth to 2.8% in 2023, compared to the estimated growth of 3.4% in 2022. This decline is projected to occur despite an easing of supply chain issues, but growth is expected to improve slightly to 3.0% in 2024. The forecast for 2023 is slightly higher than expected, which indicates that some economies have shown resilience. However, it is still below the average growth rate of 3.8% that was observed between 2000 and 2019.

### World Economic Growth Rate



Additionally, the global inflation rate is expected to decrease from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024. However, these levels are still higher than the 3.5% average inflation rate that was observed between 2017 and 2019. The projections for inflation are closely linked to fuel and non-fuel commodity prices, as well as interest rates. In 2023, it is expected that oil prices will decrease by approximately 16%, while non-fuel commodity prices will fall by about 6.3%. Global interest rates are also expected to increase due to tightening policies by major central banks since October, due to inflation and the

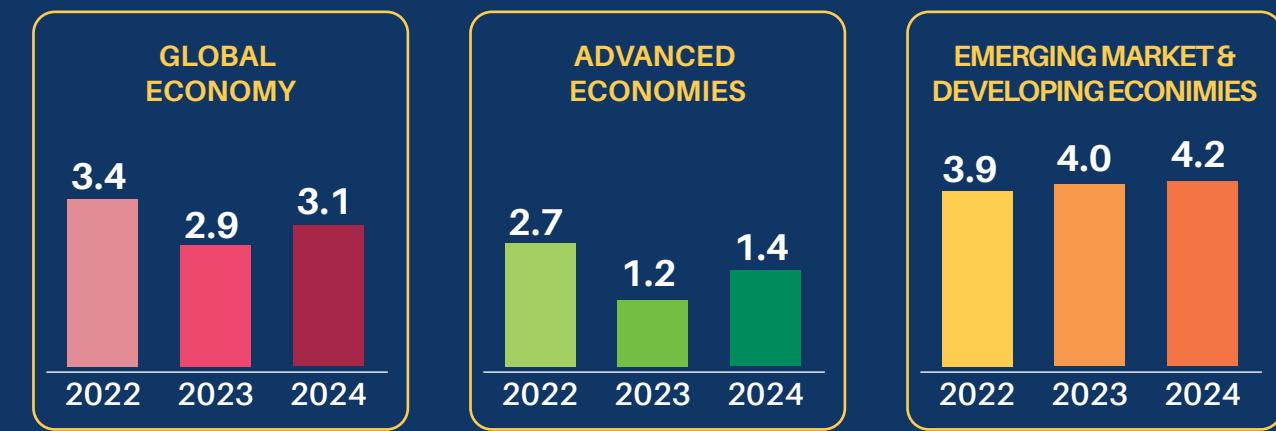
on-going Russia-Ukraine conflict. These factors are the measures to the projected low growth and disinflation in 2023.

However, China's recent re-opening after the COVID-19 pandemic has led to a faster-than-expected economic recovery, which could positively impact the global economy in the future.

Advanced economies like the US, UK, and Japan are expected to experience a significant decline in growth, which is likely to affect around 90 percent of advanced economies in 2023. This decline is attributed to several factors, such as the COVID-19 pandemic, global trade tensions, and geopolitical uncertainties. However, there is some hope for recovery in 2024, with a projected growth rate of 1.4 percent.

In contrast, emerging markets and developing economies in Asia, Europe, the Middle East, and Central Asia are expected to experience modest growth, with half of them potentially having lower growth in 2023 than in 2022. The forecasts for emerging and developing economies in Asia show an expected increase in growth in 2023 and 2024, reaching 5.3 percent and 5.2 percent, respectively, following a

## WORLD ECONOMIC OUTLOOK UPDATE JANUARY 2023 GROWTH PROJECTIONS



# Economic & Industry Overview

deeper-than-expected slowdown in 2022 caused by the impact of China's economy.

China's growth is expected to rise to 5.2 percent in 2023 due to rapidly improving mobility, then decrease to 4.5 percent in 2024 and remain below 4 percent over the medium term.

India's growth is projected to decline from 6.8 percent in 2022 to 6.1 percent in 2023 due to several factors, including high inflation and supply chain disruptions. However, the forecasts predict a growth rate of 6.8 percent in 2024, mainly because of resilience in domestic demand, highlighting the importance of economic policies that can support India's economic recovery.

In general, the current outlook for financial stability suggests that while the risks to global growth have decreased since October 2022, there are still a number of factors that pose a significant threat. These include the ongoing conflict between Russia and Ukraine, the ongoing COVID-19 pandemic and the disruptions it has caused to supply chains, as well as the rise in food and energy prices. These shocks to energy and food prices, along with cross-border risks, policy divergence, de-anchoring of inflation expectations, and debt vulnerabilities in some emerging markets, all contribute to a downwardly skewed distribution of expected growth outcomes. As a result, there is a great deal of uncertainty about the economic and policy outlook, making it a challenging environment for policymakers and increasing the likelihood of policy mistakes.

In the middle of the year, some risk assets like equities and corporate bonds showed gains, but in September, there was a sharp decline in these assets as investors pulled out of taking risks. This decline in asset prices has been further worsened by deteriorating market liquidity. There has also been a rise in key indicators of systemic risk such as dollar funding costs and counterparty credit spreads as market conditions have worsened in recent weeks. Due to rising rates, deteriorating fundamentals, and large outflows, borrowing costs have significantly

increased in emerging markets. This has had a severe impact on vulnerable economies, with 20 countries either in default or trading at distressed levels. Unless there is an improvement in market conditions, there is a risk of further sovereign defaults in frontier markets.

(Source: World Economic Outlook published by International Monetary Fund / World Bank )

## Sri Lankan Economy At A Glance

The Sri Lankan economy contracted by 7.8 percent in 2022 on a year-on-year basis, marking its highest contraction in history. This initially led to supply disruptions, including severe shortages of consumer goods, energy sources such as fuel and electricity, and inputs for various industries. To address this situation, the Central Bank and the government implemented essential policy measures, including unprecedented adjustments to policy interest rates to mitigate inflationary pressures and prioritization of essential imports to minimize foreign exchange outflows. These measures helped to control demand pressures, minimize disruptions in the supply chain, and improve the availability of critical imports, including fuel and materials for industries, gradually stabilizing the economy.

### Annual GDP Growth of Sri Lanka



## GDP, GDP Per Capita

The GDP per capita increased to Rs. 1,088,667 (US dollars 3,474) in 2022, compared to Rs. 794,376 (US dollars 3,997) in 2021. The rise in GDP per capita in rupee terms was driven by a significant increase in GDP at current prices, although GDP per capita in US dollar terms declined due to the substantial depreciation of the Sri Lankan rupee against the US dollar throughout the year. Furthermore, the GNI per capita was estimated at Rs. 1,060,654 (US dollars 3,388) in 2022, compared to Rs. 776,523 (US dollars 3,907) in 2021.

The Gross Domestic Product (GDP) at current market prices was estimated at Rs. 24,147.7 billion in 2022, reflecting a 37.2 percent increase in rupee terms compared to Rs. 17,600.2 billion (US dollars 88.5 billion) in 2021. The higher growth in GDP at current prices primarily reflects the impact of increased price levels during the year, as evidenced by the surge in the GDP implicit deflator to 48.8 percent in 2022 from 8.5 percent recorded in 2021.

## Inflation

Sri Lanka experienced high inflation rates during several periods due to transitory supply side disruptions, especially weather related, and surge in international commodity prices together with the lagged effect of monetary expansion largely to support deficit financing. Nevertheless, Sri Lanka maintained low and stable levels of inflation for over a decade, abetted by continuous improvements to policy formulation and policy communication, while addressing supply concerns temporarily through government intervention by reducing certain taxes on essential commodities, importation of certain commodities, imposing maximum retail prices for certain commodities, even within the limited fiscal space.

As a result, monetary policy tightening efforts have been increased in 2022 to avoid inflationary expectations from becoming loose and to counter demand-driven pressures. These policies, together with improvements in supply-side pressures, have resulted in a decrease of inflation along the expected path of disinflation beginning in October 2022.

Headline inflation peaked in September 2022 and has been on a steady disinflation path since then. Reflecting the impact of monetary policy and other measures, headline inflation is expected to return to a single digit level towards late 2023 and remain within the targeted level over the medium term.

Accordingly, year-on-year headline inflation, as measured by the CCPI, which was recorded at 12.1 per cent at the end of 2021, accelerated to 69.8 per cent in September 2022. The unprecedented acceleration in headline inflation was primarily caused by a significant rise in food prices and other supply-side disruptions, a sharp depreciation of the Sri Lanka rupee against the US dollar and the subsequent adjustments in administered prices, such as energy and transport prices and their spillovers, and persistent aggregate demand pressures due to the lag effect of monetary accommodation over the past few years. However, at the

end of 2023, the CCPI based headline inflation declined to 50.3 percent as a result of policy implementations. Following the same trend, the NCPI based headline inflation recorded a 50.1 at the end of 2023. Further, core inflation based on the CCPI has accelerated during the nine months ending September 2022, reflecting underlying demand-driven pressures, before moderating thereafter, albeit at a slower pace than headline inflation.

## Exchange Rate Movement

During the first half of 2022, the Sri Lankan rupee experienced high levels of volatility and saw its largest historical depreciation against the US dollar. This was before stabilizing around the guidance band introduced in May 2022. The Central Bank's intervention in the domestic foreign exchange market, along with the use of moral suasion, helped maintain the Sri Lankan rupee in the range of Rs.200-203 per US dollar at the beginning of 2022. However, a significant shortage in liquidity in the domestic foreign exchange market, the widening spread between the official exchange rate and the 'grey market rate,' and worsening global conditions continued to exert pressure on the exchange rate, necessitating a measured adjustment in the exchange rate that was allowed in early March 2022.

Unfortunately, the subsequent large overshooting of the exchange rate by market forces, amidst uncertainties, caused the Sri Lankan rupee to depreciate substantially by 41.4 per cent against the US dollar by the end of April 2022. To reduce the significant volatility caused by excessive speculation and its negative spillover effects on the economy, the Central Bank implemented a daily variation band as a temporary measure to manage intraday volatility in the exchange rate during this period. This helped curtail large fluctuations of the exchange rate, mostly driven by excessive speculation, amidst unprecedented BOP pressures.

From May 13, 2022, a new exchange rate determination arrangement was introduced, based on the weighted average spot market exchange rate of the

USD/LKR interbank transactions. Under this new arrangement, a middle exchange rate was announced by the Central Bank, with a variation margin on either side of the middle spot exchange rate. This helped limit the annual depreciation of the Sri Lankan rupee to 44.8 per cent against the US dollar during 2022. However, the Sri Lankan rupee still depreciated against other major currencies, including the euro, pound sterling, Japanese yen, and Indian rupee, by the end of 2022 due to cross-currency exchange rate movements.

## Agriculture Industry Overview

During 2022, the agriculture sector faced challenges that hindered its performance. These challenges came from the supply side, such as severe shortages of fertilizers and other agrochemicals, significant increases in production costs, and disruptions in fuel supply. These issues led to lower crop yields and quality, making it hard for farmers to meet their production targets and impacting the agriculture sector's overall growth and success.

The Volume Index of Agricultural Production (VIAP), which measures the output of the agriculture sector, recorded a significant contraction in 2022. The overall VIAP contracted by 19.4 per cent, year-on-year, during 2022, compared to a year-on-year growth of 2.1 per cent in 2021. Most of the sub-indices, including paddy, tea, rubber, livestock and livestock products, indicated a decline. Fruits recorded a significant improvement, along with the coconut, compared to the previous year.

The agriculture sector experienced a contraction of 4.6% in value-added terms in 2022 compared to a growth of 0.9% in 2021, mainly due to significant contractions in total fishing, rice growing, and animal production. Growing of tea, vegetables, other cereals, and rubber also declined during the year. However, forestry and logging, agriculture support activities, growing of oleaginous fruits (including coconut), spices, and fruits increased. Despite the challenges faced, there was a positive turnaround in the last quarter of the year due to the improved availability

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of agricultural inputs and fuel, as well as favorable weather conditions.

## Tea

In 2022, tea production totaled 251.50 million kilograms, recording a significant decline of 47.99 million kilograms from 299.49 million kilograms in 2021. Therefore, 16.0% of the year-on-year decline was due to acute shortages of fertilizers and agrochemicals in the country, which had a delayed effect on tea production. Inaccessibility to chemical fertilizers and agrochemicals, particularly urea-based fertilizers and weedicides, significantly impacted the reported yield losses during the year.

The production of high, medium, and low-grown tea, which together contributed to around 22%, 16%, and 62% of the total tea production, respectively, declined in 2022. Specifically, high-grown tea production declined by 13.8%, medium-grown tea production declined by 21.2%, and low-grown tea production declined by 15.4%.

Further, the tea sector faced an increase in production costs in 2022 due to elevated prices of chemical fertilizers and other agricultural inputs combined with domestic shortages of these inputs. Additionally, utility prices, including fuel, electricity, and water, were adjusted upward, further impacting the sector's competitiveness in global tea markets. At the same time, the prices at the Colombo Tea Auction (CTA) reached their historically highest level in 2022. Accordingly, the average tea prices for high, medium, and low-grown tea reported year-on-year increases of 94.6 percent, 93.5 percent, and 110.8 percent, respectively, in 2022. Amidst the cost increments and yield losses, the government initiated several loan schemes, replanting programs, awareness sessions, etc. to elevate the infrastructure and make quality improvements.

## Rubber

In 2022, the rubber industry faced a myriad of challenges that contributed to a second consecutive year of declining rubber production. One of the most significant factors was adverse weather conditions

in rubber-growing areas, such as heavy rainfall and flooding, which hampered the growth and development of rubber trees.

Another major issue was the shortage of fertilizers and agrochemicals, which had a severe impact on the growth of immature rubber plantations. The shortage caused stunted tree growth, leading to delays in the tapping stage and reducing land productivity in the future. In addition, the spread of Pestalotiopsis disease also contributed to the decline in rubber production.

Despite an increase in local rubber prices to historically high levels in 2022, productivity and tapping limitations prevented any plausible improvements in production. This situation was exacerbated by the significant increase in production costs, which increased by 30.3% to Rs. 288.00 per kilogram by the end of the year.

Furthermore, the COVID-19 pandemic had a significant impact on the demand for rubber in the industrial sector, particularly the medical glove industry. The decline in demand for medical gloves in both domestic and global markets led to a contraction in domestic consumption of raw rubber by the industrial sector by 12.4% to 117.3 million kilograms in 2022.

Overall, these factors contributed to a 7.8% decrease in total rubber production to 70.9 million kilograms in 2022. The decline in rubber production and consumption poses a significant challenge to the rubber industry and the Sri Lankan economy as a whole.

## Coconut

In 2022, the coconut sector experienced a record high in annual production with a total of 3,391 million nuts, marking an 8.7% increase from the previous year. The production of desiccated coconut also increased by 5.2%, reaching 35,030 metric tons, while coconut oil production saw a notable increase of 59.4% to 68,590 metric tons due to restrictions on imports of coconut and palm oil and the availability

of adequate nuts for oil production. Additionally, coconut milk powder production increased by 15.8% year-on-year, while coconut cream and coconut milk production recorded contractions of 12.5% and 0.9%, respectively. These impressive growth figures were largely due to favourable weather conditions, including well-distributed rainfall and ideal air temperatures in the main coconut growing areas. Despite the limited application of chemical fertilisers during 2022, the positive effects of the weather outweighed the negative consequences on the coconut yield. However, the lag effect of insufficient fertiliser application could affect the yield in the near future. The average retail price of coconuts increased by 8.9% in 2022, reaching historically high prices, while the government made efforts to improve the sector's productivity during the year, aiming to promote the sector.

## Other Crops

Despite issues with domestic supply chains and fertiliser availability, the minor export crop sector maintained its growth momentum in 2022. According to the Department of Export Agriculture (DEA), the production of minor export crops increased by 30.6% YoY, reaching 186,962 metric tons, with cinnamon, clove, cardamom, coffee, cocoa, nutmeg, areca nut, and betel leaves all showing growth, while pepper production declined. The government's decision to maintain restrictions on the importation of several minor export crops to curb import expenditure and combat rising prices domestically amidst increased global demand encouraged farmers to actively cultivate these crops, resulting in improved sector performance. While total export volume contracted by 7.0% YoY, export earnings in rupee terms increased by 44.8% YoY. Earnings from cinnamon exports recorded a significant growth of 50.1% YoY in 2022, largely contributing to the growth of export earnings from the minor export agriculture sector. To further strengthen the sector, the government implemented measures with the support of public and private sector stakeholders.

On the other hand, following a bumper harvest in 2021, the production of other field crops (OFCs) experienced a notable decline, largely driven by domestic shortages of fertiliser and other agrochemicals, as well as supply chain disruptions. Overall, OFC production in 2022 decreased by 37.5% YoY to 526,803 metric tons, with a 37.8% decline in production during the 2021/2022 Maha season and a 36.8% decline in the 2022 Yala season. However, this drop was largely mitigated through imports, which placed a burden on the country's import expenditure in 2022.

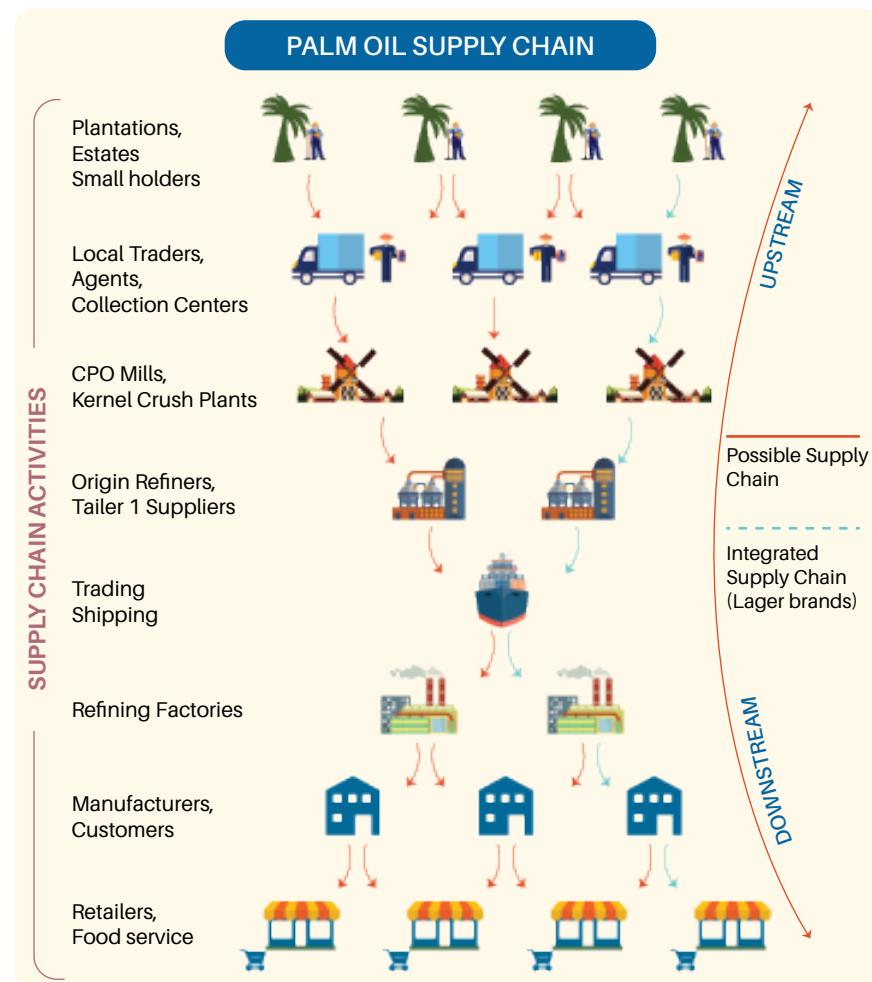
### **Oil Palm**

Palm oil is a type of edible vegetable oil that comes from the fruit of the African oil palm tree, scientifically known as *Elaeis Guineensis*. Originally native to Africa, oil palm trees were brought to South-East Asia over a century ago for use as an ornamental tree crop. There is another species of oil palm tree, the American oil palm (*Elaeis Oleifera*), which is native to tropical Central and South America but is mainly used locally for oil production. Two types of oil can be produced from the fruit of the African oil palm tree: crude palm oil (CPO), which comes from squeezing the fleshy fruit, and palm kernel oil (PKO), which comes from crushing the kernel, or the stone in the middle of the fruit. Both CPO and PKO are raw materials that can be refined to produce end-use products.

Refining processes similar to those used in the oil/petrol chemical industry are used to produce end-use products from CPO and PKO. The standard feedstock that emerges from the refining process is Refined, Bleached, and Deodorised Palm Oil (RBDPO), which is commonly used in discussions of upstream palm oil uses. Palm oil is a ubiquitous ingredient found in numerous products, including pizza, doughnuts, chocolate, deodorant, shampoo, toothpaste, lipstick, animal feed, and biofuels.

Until recently, the global processed food industry consumed approximately 72 per cent of all palm oil production. The personal care and cleaning products industry consumed 18 per cent, and the

biofuel industry consumed the remaining 10 per cent. However, recent data suggests that biofuel use, especially in Asia, is now the fastest-growing area of demand for palm oil. Nearly a quarter of global palm oil consumption is now for biofuels, despite declining demand in Europe.



### **Palm Oil Prices**

In common with other agricultural commodities, palm oil is subject to large price swings, linked to market demand. In the past, periods of rising and high prices have been associated with accelerated tropical forest destruction as the price signal coming from the market has incentivised growers to expand the area under cultivation for oil palm, whereas low and falling prices have tended to have the opposite impact, leading to lower rates of forest conversion.

In 2022, the global palm oil market continued to experience fluctuations due to various factors, including supply and demand dynamics, weather conditions, and geopolitical tensions. In the first half of the year, prices remained elevated due to supply shortages caused by labor shortages and production disruptions in major producing countries like Indonesia and Malaysia. The price of crude palm oil (CPO) reached its highest level in nearly 13 years, trading at around \$1,370 per tonne in July 2022.

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However, in the second half of the year, palm oil prices started to decline due to easing supply concerns and weakening demand from major importers like India and China. By December 2022, the price of CPO had fallen by more than 25% from its peak in July, trading at around \$1,015 per tonne.

Meanwhile, palm oil prices spiked to over US\$1,300 per tonne in November 2021, and rose again to nearly US\$1,500 per tonne in early March 2022 due to the ongoing conflict between Russia and Ukraine, leading to general turmoil in commodity markets. As of May 2023, palm oil prices have remained elevated, with the price hovering around US\$1,200 per tonne.

Looking ahead to 2023, market analysts expect palm oil prices to remain volatile due to ongoing supply and demand imbalances. Weather conditions and production levels in major producing countries will continue to play a significant role in determining prices, and changing consumer preferences and government policies related to biofuels and sustainability could impact global demand for palm oil.

Geopolitical tensions and macroeconomic factors, such as the ongoing Russia-Ukraine conflict and rising inflation and interest rates in major economies, could also affect palm oil prices in 2023. The limited availability of land suitable for oil palm cultivation, coupled with the increasing demand for biofuels, especially in Asia, may continue to support higher prices in the palm oil market. Overall, palm oil prices are likely to remain highly sensitive to a wide range of factors in 2023, making it difficult to predict future price trends with certainty.

### Global Palm Market Overview

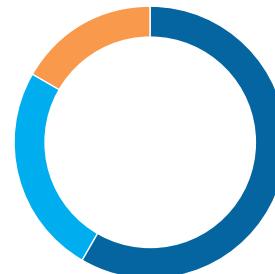
The increasing demand for palm oil due to growing awareness of its health benefits is one of the primary trends driving market growth. Furthermore, the use of palm oil as

a substitute for petroleum-based diesel to reduce carbon buildup in diesel engines is providing a positive outlook for the market. According to palm oil market statistics, the demand for palm oil has multiplied over the years. The palm oil outlook suggests that India is the leading consumer of palm oil, with the majority of it being consumed in food, followed by other industrial uses. In China, another major importer, the rising demand from sectors such as food, feed, and oleochemicals is driving the palm oil market. In the European Union, palm oil is increasingly used as a feedstock for biodiesel production. Meanwhile, the North American palm oil market is being driven by the increasing use of palm oil in cooking and as a feedstock for biodiesel production.

To meet the demand, worldwide palm oil production has increased in volume in recent years. In the marketing year 2021/22, global production of palm oil reached almost 76.61 million metric tonnes, an increase from approximately 73.8 million metric tonnes in 2021. Forecasts predict production will reach 90.42 million metric tonnes by 2028. Indonesia remains the leading producer of palm oil, with a forecasted production of 46 million metric tonnes in 2023/24. Malaysia, the second-largest producer of palm oil, is home to most of the leading palm oil companies. Furthermore, import volumes of palm oil have increased globally over the past few years. According to the World Bank, the average price for palm oil stood at \$1,131 nominal U.S. dollars per metric ton in 2021.

Palm oil consumption is expected to increase to approximately 76 million metric tonnes by 2022/23 compared to the declined consumption of 71.1 million metric tonnes in 2021/22. In 2021/22, India was the leading palm oil importer in the world, with estimated imports of 7.8 million metric tonnes, a 7.1% decrease from the prior season's 8.4 million metric tonnes (2020/21).

### Global Palm Oil Market



- Food Production
- Energy
- Consumer Products

### Agricultural Exports

Agricultural exports registered a decline in earnings resulting mainly from the lagged effect of inadequate fertilizer availability, with an overall contraction of 5.9 per cent in 2022, compared to 2021.

The lower export earnings recorded by spices were driven both by lower volumes (mainly pepper and cloves) and lower prices (cinnamon). The decline in earnings from coconut-related products was due to lower kernel export prices. However, earnings from minor agricultural products recorded a notable increase during 2022, reflecting the impact of higher export volumes of certain products. The increase of areca nuts exports to India under the free trade agreement and sesame seeds led this growth in the minor agricultural products sector.

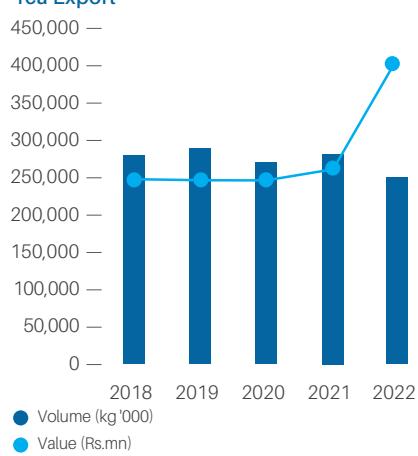
Also, despite the average increase in tea prices, earnings from tea exports declined primarily due to a larger drop in volumes. In 2022, cumulative exports totaled 250.19 million kilograms, indicating a decrease of 35.82 million kilograms compared to 286.01 million kilograms in 2021. However, the revenue from tea exports in 2022 amounted to Rs. 411.09 billion, showing an increase of Rs. 147.74 billion compared to the Rs. 263.35 billion in 2021, making it the highest ever recorded in a calendar year. Additionally, the average export price (FOB) of tea rose by 8.7 percent to US dollars 5.03 per kilogram during 2022, compared to US dollars 4.63 per kilogram in the preceding year. The increase in

#### Sources:

- [https://www.fern.org/fileadmin/uploads/fern/Documents/2022/Palm\\_oil\\_production\\_consumption\\_and\\_trade\\_pattern.pdf](https://www.fern.org/fileadmin/uploads/fern/Documents/2022/Palm_oil_production_consumption_and_trade_pattern.pdf)
- <https://www.expertmarketresearch.com/reports/palm-oil-market/requestsample>
- <https://www.expertmarketresearch.com/reports/palm-oil-market>

average tea prices during the year can be partly attributed to the decline in the quantity supplied to the CTA amid a decrease in local production, while the depreciation of the Sri Lankan rupee also contributed to the price hike in terms of the local currency.

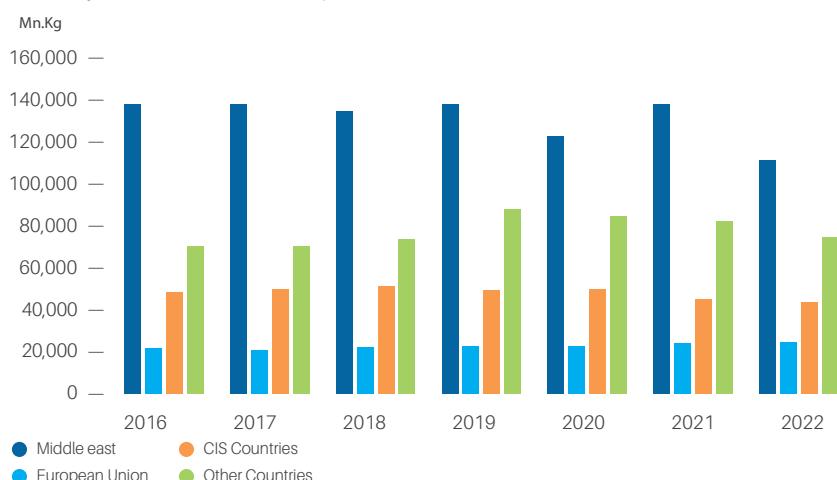
#### Tea Export



Middle East has emerged as the number one major importer of Ceylon Tea following a 14.7% decrease in volume in 2022. Iraq accounted for 37.67% of imports in the region. Other notable importers of Ceylon Tea include the UAE, Turkey, China, Libya, and Azerbaijan. Import volumes for both Russia and Ukraine declined by 9.59% and 43.54% respectively in 2022. Moreover, countries such as Chile, Syria, and Saudi Arabia experienced a decrease in tea imports during the reviewed period. It is worth noting that imports to Iraq, Israel, and Azerbaijan have shown significant increases.

In 2021, Iraq emerged as the leading importer of Ceylon Tea, and import volume increased by 1.86% in 2022. Turkey moved down to the third position, while Russia became the second largest importer during 2022. Iran dropped to the fifth position with a significant decrease in imports. Turkey became the fourth largest importer in 2022 with a considerable decline in export volume compared to the previous year.

#### Country Classification of Tea Exports



#### Cinnamon Export

In 2022, export earnings from cinnamon experienced a remarkable year-on-year growth of 50.1%, making a significant contribution to the overall growth of export earnings from agricultural crops. This growth can be attributed to strategic measures taken by the government, including the efforts of the Export Development Board in collaboration with various public and private sector stakeholders to obtain Geographical Indication (GI) certification for Ceylon cinnamon from the European Union (EU) Commission. The GI certification will further enhance the global recognition of the exceptional quality and unique characteristics of Sri Lankan cinnamon, strengthening its position in the international market. However, the export volume decreased by 3.5% in 2022 compared to the previous year.

#### Cinnamon Export



## Economic & Industry Overview

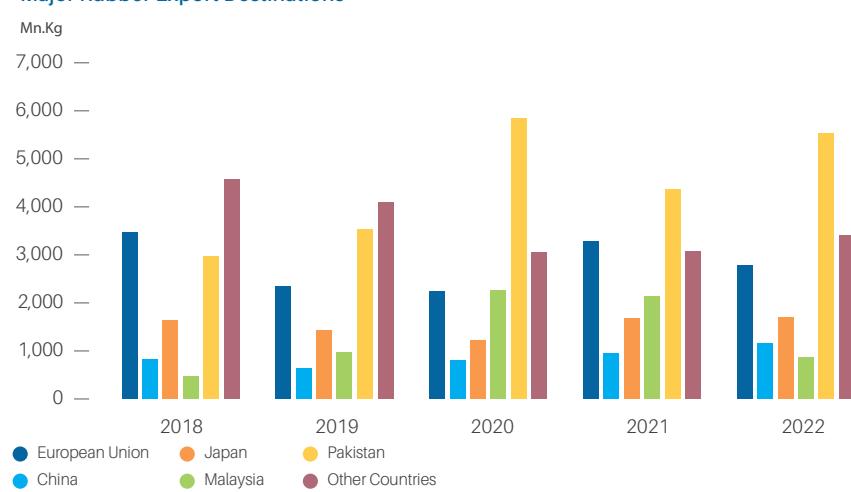
### Rubber Export

In 2022, the export value of rubber witnessed a substantial increase of 52.11% compared to the previous year, highlighting its growing significance in the global market. However, there was a slight reduction of 2.34% in the export volume of rubber during the same period. Pakistan emerged as the primary importer of rubber, demonstrating its strong demand for this commodity. The European Union secured the position of the second-largest importer in 2022, further emphasizing the widespread global demand. Additionally, notable importers of rubber include Japan, China, and Malaysia, reflecting their continued engagement in the rubber trade.

#### Rubber Export



#### Major Rubber Export Destinations



### National Production

Crop	Unit	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Tea</b>											
Low Grown	Kg mn	155.0	183.2	169.9	189.9	192	197.4	183.6	202.4	210	208.2
Medium Grown	Kg mn	40.2	51.0	46.7	47.2	47	45.7	44.5	51	49.2	52.6
High Grown	Kg mn	56.3	65.3	62.2	63.1	64.8	64	64.4	75.4	78.9	79.2
<b>Total</b>	<b>Kg mn</b>	<b>251.5</b>	<b>299.5</b>	<b>278.9</b>	<b>300.1</b>	<b>303.8</b>	<b>307.1</b>	<b>292.5</b>	<b>328.8</b>	<b>338.1</b>	<b>340</b>
<b>Rubber</b>											
Sheet Rubber	Kg mn	34.8	38.4	39.1	37.4	41.3	41.5	39.8	44.4	48.5	62.8
Crepe Rubber	Kg mn	14.5	13.9	13.0	14.4	14.5	11.5	15	11.1	15.3	20.2
Other	Kg mn	21.7	24.5	26.1	22.9	26.8	30.1	24.3	33.1	34.8	47.4
<b>Total</b>	<b>Kg mn</b>	<b>70.9</b>	<b>76.9</b>	<b>78.2</b>	<b>74.8</b>	<b>82.6</b>	<b>83.1</b>	<b>79.1</b>	<b>88.6</b>	<b>98.6</b>	<b>130.4</b>
<b>Coconut</b>											
Desiccated Coconut	Nuts mn	314	298	226	387	222	266	399	326	393	228
Coconut oil	Nuts mn	445	211	48	252	63	67	348	396	318	349
Copra	Nuts mn	11	5	6	22	3	3	6	3	25	0.4
Fresh nut	Nuts mn	13	15	16	21	1	10	30	13	33	21
Powder and Milk	Nuts mn	544	544	462	420	366	274	246	270	248	121
Consumption	Nuts mn	1,848	1,833	1,826	1,807	1,794	1,656	1,787	1,874	1,830	1,826
<b>Total</b>	<b>Nuts mn</b>	<b>3,391</b>	<b>3,120</b>	<b>2,792</b>	<b>3,086</b>	<b>2,623</b>	<b>2,450</b>	<b>3,011</b>	<b>3,056</b>	<b>2,870</b>	<b>2,513</b>
Cinnamon	Mt	23,764	22,872	20,866	20,352	20,398	22,341	18,945	17,707	17,600	17,500

## SRI LANKAN ECONOMIC OUTLOOK

The future outlook for the Sri Lankan economy is characterized by significant uncertainty due to political volatility and imbalances in the fiscal, external, and financial sectors. Growth prospects depend on successful debt restructuring and structural reforms, although fiscal consolidation measures may temporarily dampen these prospects by gradually reducing the fiscal deficit over the medium term. Inflation is projected to decrease, and import compression is expected to lower the current account deficit despite weak global demand. However, additional resources will be needed to address the external financing gap beyond 2023.

There are several downside risks, including a slow debt restructuring process, limited external financial support, a sharper global economic slowdown, and a prolonged recovery from the current crisis's effects. A lower external trade equilibrium could have widespread effects on domestic trade, economic activity, employment, and incomes. Managing the financial sector is crucial due to the rising number of non-performing loans and the significant exposure of the public sector.

Despite the challenges, implementing necessary macroeconomic adjustments is expected to correct imbalances, restore access to international financial markets, and lay the groundwork for sustainable growth. However, these adjustments may initially impact growth and poverty, emphasizing the need to mitigate their effects on the vulnerable. Reducing poverty requires targeted social assistance, expanding employment opportunities, and a recovery in real incomes. On a positive note, the government's reform program, supported by international financing, has the potential to boost confidence and attract fresh capital inflows, which are crucial for revitalizing the labor market and restoring livelihoods.

Considering factors such as the IMF Extended Fund Facility program, debt restructuring negotiations, and ongoing and planned reforms, it is anticipated that the economy will gradually recover starting in the latter part of 2023. These measures aim to provide support and stability and address structural issues to promote sustainable economic growth. Although the recovery process may take time, there is a positive outlook for the economy to regain stability and make progress towards recovery.

Source – CBSL Report 2022  
<https://www.worldbank.org/en/country/srilanka/publication/sri-lanka-development-update-2023>

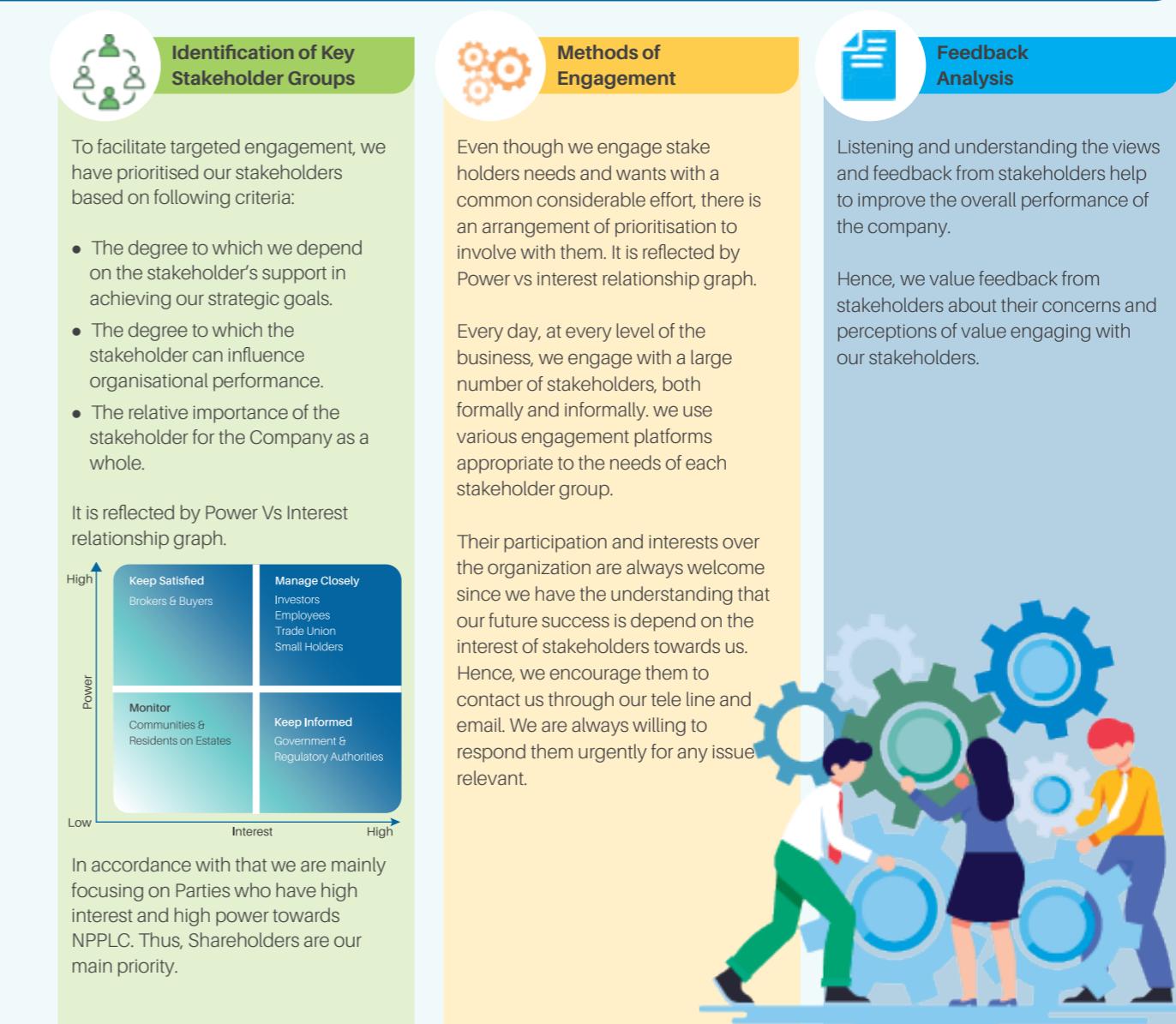
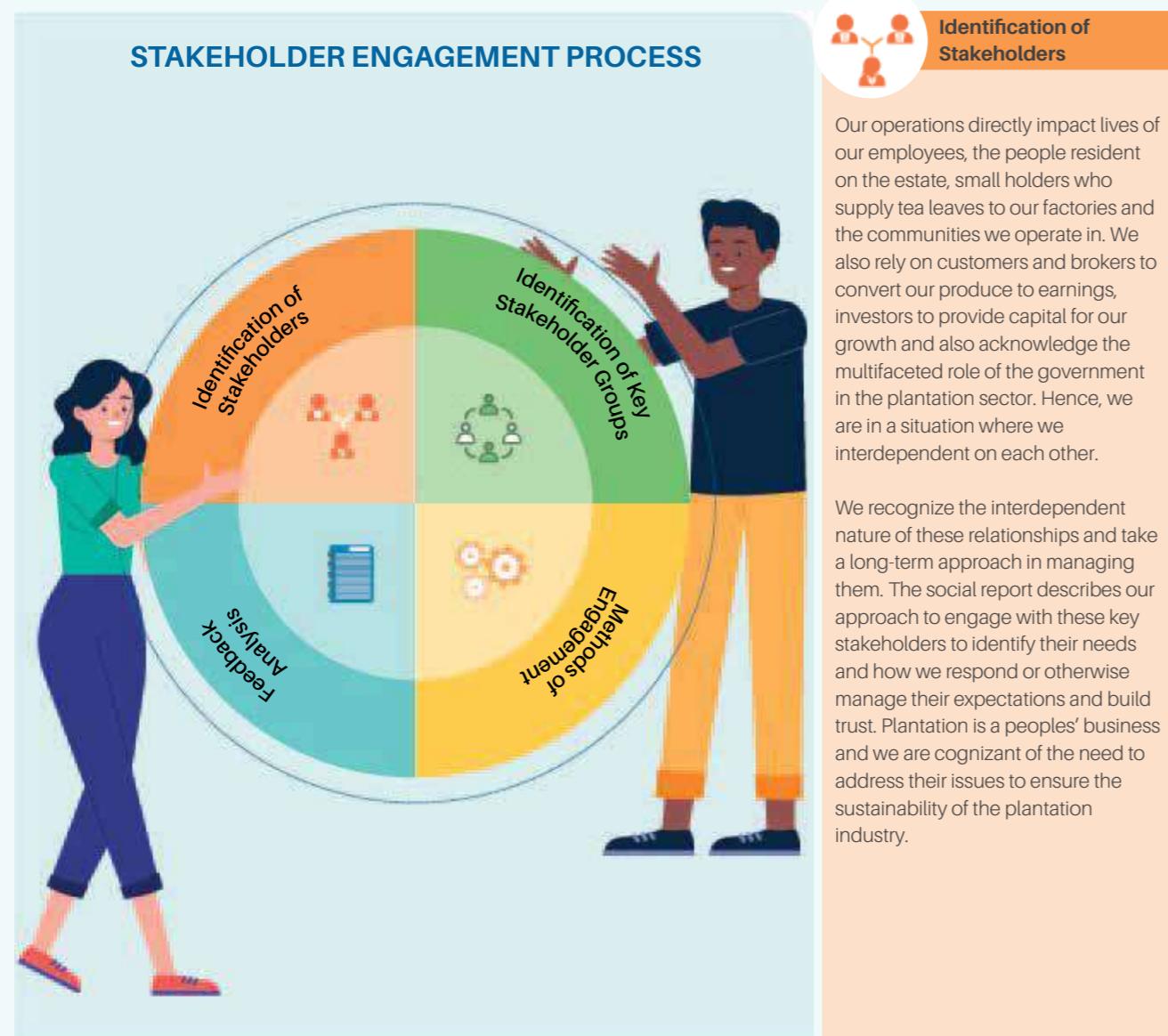
## Stakeholder Engagement

GRI 2-29

### We are a Business of People

Given the challenges brought about by rapid changes in industry dynamics and the impact resulting on our operations, the importance of engaging proactively with stakeholders has taken on added significance. The emerging trends, some of which are unprecedented in terms of magnitude and impact, affect our ability to sustainably deliver value to our stakeholders and in turn derive value from them.

Stakeholders are parties who are affected by our activities and who may reciprocally influence our operations. This comprises individuals and groups with whom we sustain direct relationships, as well as stakeholders along our chain of operations who are affected by our business decisions indirectly, and who may also, through their own decisions, impact our operations. We are keenly aware that the stakeholders' perceptions and behaviour can powerfully impact our ability to carry on our activities and meet strategic goals. Our stakeholder engagement process is presented below.



# Stakeholder Engagement

## Key Stakeholders

We have identified below our key stakeholder groups and summarized the channels we use to maintain dialogue with them. For each group, the engagement varies on a case-by-case basis, and includes formal and informal channels that are used to varying degrees of regularity.

Stakeholder	Relevance to Business	How We Engage	Frequency	Needs Identified	Our Response
Investors	Investors including shareholders and banks provide capital to finance our growth. Shareholders earn a return by way of dividends and appreciation of the share price whilst banks earn interest, commission and fees.	<ul style="list-style-type: none"> <li>Press releases</li> <li>Annual Report</li> <li>Annual General Meeting</li> <li>Interim Financial statements</li> </ul>	<ul style="list-style-type: none"> <li>When required</li> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Increasing financial returns</li> <li>Risk Management</li> <li>Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a consistent bottom line</li> <li>Engaging in greater transparency &amp; Good Governance Practice and responsible</li> <li>Maintaining the Company reputation and credibility</li> <li>Ensure Safeguarding asset quality by implementing good internal control system</li> </ul>
Brokers & Buyers	Our products are sold at the Colombo Auctions and also sent direct to buyers. Brokers assess and catalogue the produce and market it at auctions. Most of the produce sold at auctions is exported.	<ul style="list-style-type: none"> <li>Auctions</li> <li>One to one meetings with Superintendents</li> </ul>	<ul style="list-style-type: none"> <li>Weekly</li> <li>When required</li> </ul>	<ul style="list-style-type: none"> <li>High Quality produce</li> <li>Certifications of quality assurance systems</li> <li>Compliance with certification requirements</li> </ul>	<ul style="list-style-type: none"> <li>Use new technology to improve product quality</li> <li>Respond and take corrective action promptly, as per the brokers &amp; buyers complains</li> </ul>
Small Holders	Small scale plantations and home gardeners sell their tea leaves to our factories which accounts for approximately 32% of leaves processed in our factories. The price is determined according to a formula set by the Sri Lanka Tea Board. We provide fertilizer and agro-chemicals to these small holders for which the cost is recovered from the amounts payable to them providing them with crop financing. We also purchase quantities of other crops for processing at our factories.	<ul style="list-style-type: none"> <li>Village forums</li> <li>Complaint Registers maintained at all estates</li> <li>One to one meetings with Estate Superintendents and Regional Managers</li> <li>Through tea commissioners' division</li> </ul>	<ul style="list-style-type: none"> <li>Frequently</li> <li>Regularly</li> <li>When required</li> <li>When required</li> </ul>	<ul style="list-style-type: none"> <li>Fair price</li> <li>Technical advice on agribusiness</li> <li>Financial support</li> <li>Compliance with certification standards</li> </ul>	<ul style="list-style-type: none"> <li>Pay competitive price for their Green leaf</li> <li>Implement Prompt Settlement system</li> <li>Organize technical sessions &amp; awareness programmes</li> </ul>
Employees	We have 4,656 employees of which 4,290 are workers of plantations. Majority of our employees reside in the plantations and have access to a variety of welfare services provided free of charge. We rely on them for our growth and performance and seek to empower them to reach their full potential.	<ul style="list-style-type: none"> <li>Daily Forums</li> <li>Employee surveys</li> <li>Complaint Registers maintained at all estates</li> <li>Monthly proactive meetings with union representatives</li> </ul>	<ul style="list-style-type: none"> <li>Daily</li> <li>Bi-annually</li> <li>Regularly</li> <li>Monthly</li> </ul>	<ul style="list-style-type: none"> <li>Empowerment</li> <li>Equal Opportunity</li> <li>Job enrichment</li> <li>Housing and Welfare needs for resident estate employees</li> <li>Basic medical facilities for resident employees</li> </ul>	<ul style="list-style-type: none"> <li>Competitive rewards and benefits</li> <li>Training &amp; development</li> <li>Continuation of negotiations</li> <li>Effective Management of grievances</li> <li>Maintain high standards of occupational health &amp; safety</li> <li>Ensure employees' welfare</li> </ul>

Stakeholder	Relevance to Business	How We Engage	Frequency	Needs Identified	Our Response
Communities & Residents on Estates	Residents on our estates, many of whom are families of current or former employees. They are also provided with access to welfare services. Further we are closely involved with the village communities that border our estates as our actions impact these communities and they provide ancillary services. Additionally, resident employees are dependent on the communities for their needs and we work with government and non government agencies to uplift their living standards on a continuous basis.	<ul style="list-style-type: none"> <li>Daily forums</li> <li>Village Forums</li> <li>One to one meetings with Superintendents</li> <li>Complaint Registers maintained at all estates</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Periodically</li> <li>When required</li> </ul>	<ul style="list-style-type: none"> <li>Provision of housing and other facilities</li> <li>Basic medical facilities on estates</li> <li>Access to education for children</li> <li>Socio economic progress of Communities</li> <li>Preservation of environment</li> <li>Financial support for community Development</li> </ul>	<ul style="list-style-type: none"> <li>Engage with the community projects which enhance community lives</li> <li>Act as a good corporate citizen through the CSR activities.</li> <li>Operating child care center, co operative shops</li> <li>Conducting religious ceremony &amp; Provide Finance assistant to Kovil, Temple</li> </ul>
Trade Union	Trade Union Engaged with the Business represent the workers/ Staff Collective agreement and other matters relating to workers / staff, privileges & rights.	<ul style="list-style-type: none"> <li>Collective agreement &amp; bargaining</li> <li>Regular dialogue with the Management</li> <li>Corporative Societies</li> <li>Health &amp; Safety Committee</li> </ul>	<ul style="list-style-type: none"> <li>Frequently</li> <li>Regularly</li> <li>When required</li> </ul>	<ul style="list-style-type: none"> <li>Improve awareness of labour related laws and regulations</li> <li>Proper communication with the trade unions</li> <li>Stand together strongly with regard to institutions who have common interest (ex: EFC / Planters Associations)</li> </ul>	<ul style="list-style-type: none"> <li>Comply with Labour laws, wage structure &amp; other related regulations.</li> <li>Effective management of problem solving</li> <li>Negotiations &amp; bargain</li> </ul>
Government & Regulatory Authorities	The Government has a multifaceted role as the Golden Shareholder of the Company, the lessor of the estates we manage and act as regulator of markets and the environment.	<ul style="list-style-type: none"> <li>One to one meetings at estate level with local government and provincial councils.</li> <li>Government regulatory requirements</li> <li>Payment of relevant taxes to Department of Inland Revenue.</li> <li>One to one meetings at corporate level with relevant ministries</li> </ul>	<ul style="list-style-type: none"> <li>When required</li> <li>When required</li> <li>Quarterly/ Annually/ Monthly</li> <li>When required</li> </ul>	<ul style="list-style-type: none"> <li>Alignment with national strategy</li> <li>Compliance with terms of lease agreements</li> <li>Preservation of natural capital</li> <li>Timely payment of taxes</li> </ul>	<ul style="list-style-type: none"> <li>Fulfill all the regulatory requirements on time</li> <li>Ensure timely settlement of Taxes</li> </ul>

# Materiality Assessment

GRI | 2-23/2-24

We apply the principle of materiality in assessing what information should be included in our integrated report. Therefore, this report is grounded in a holistic view of the triple bottom line approach to address the issues, opportunities, and challenges that materially impacted the NPPLC's performance and its ability to be a sustainable business during the year. While we place emphasis on matters that could have influence our performance, we report them through the six capitals model of value creation recognized by the International Integrated Reporting Council (IIRC).

In this report, we specifically focus on the economic and environmental impact that consistently delivers value to the shareholders and key stakeholders while conserving their rights within the operational boundaries of the organization.

Therefore, we give our attention to the economic and social crisis that has emerged within the country since March 2022 and highlight the impact of the inflationary situation, foreign currency deficiency, and the ban on the import and use of conventional agricultural chemicals on our material matters.

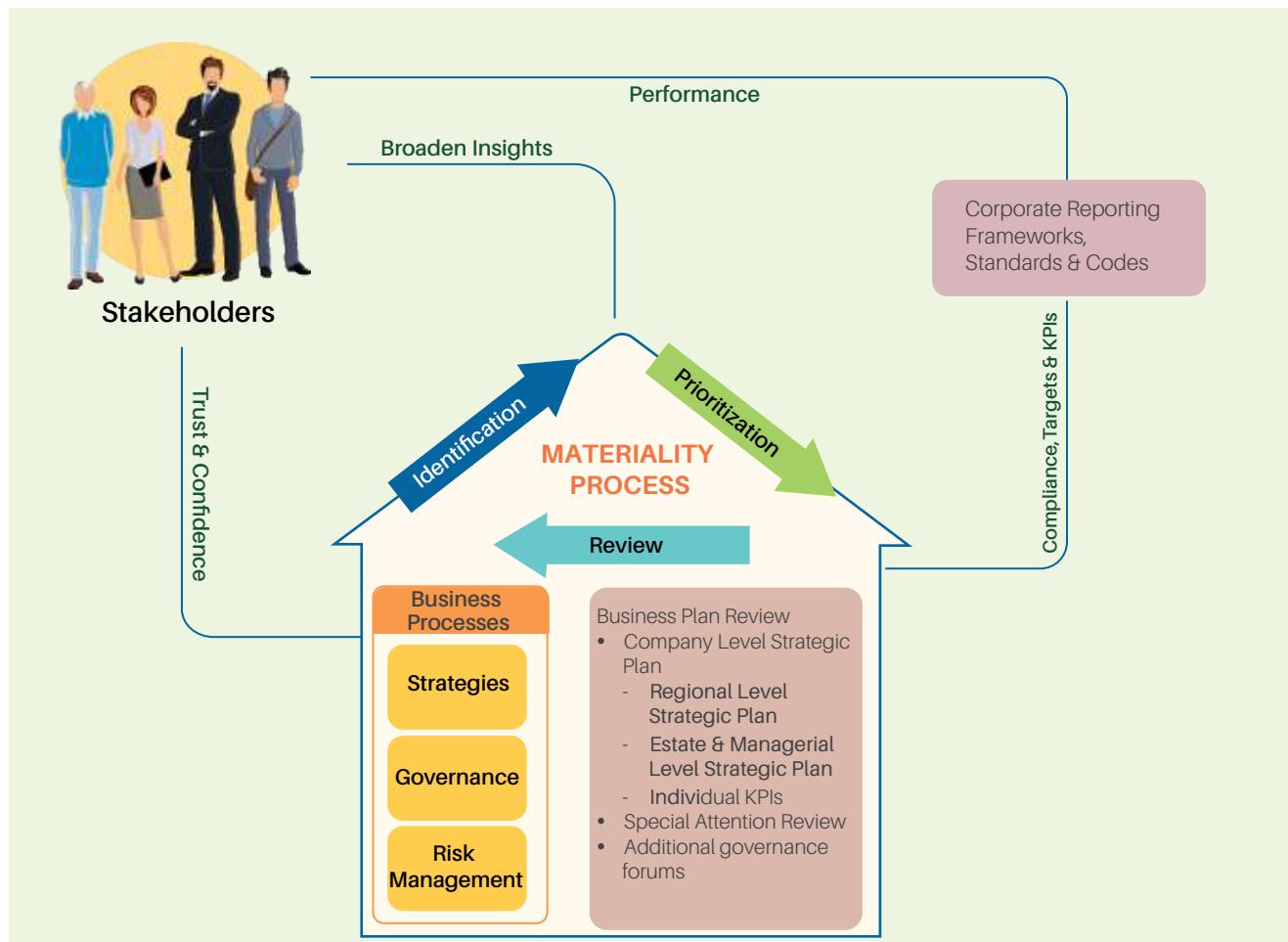
Identifying potential material matters is our responsibility and requires inputs from all business units/estates and an assessment of the risks and opportunities in our operating environment, and input and feedback from our stakeholders are considered. Our material matters inform our long-term business strategies, targets and short-to-medium-term business plans. Ranking the identified issues in order of relevance and potential impact is a collaborative effort. The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

The process is graphically depicted below,

The material issues were identified through desk-based research, comprising a peer review; media scan and review of sustainability thought of leadership from industry experts and associations by considering followings main impact areas & norms.

- Direct financial impact
- Policy related performance
- Industrial based norms
- Organizational peer based norms
- Stakeholder behavior and norms
- Societal norms

Following internal and external information sources were used during materiality assessment



### Internal information sources

- Management discussions & meetings
- Employee discussions & meetings
- Policies & industrial practices
- Annual General Meeting
- Result of internal audit and management system audit carried out

### External information sources

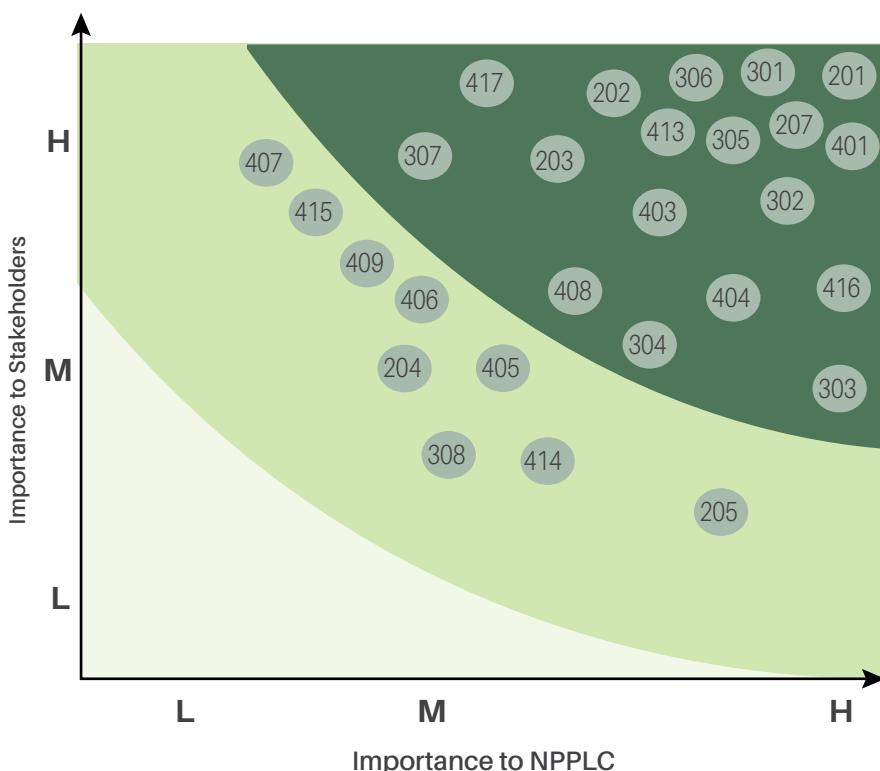
- National policy decisions
- Ongoing Investor Concerns and Expectations
- Reports and articles published by Industry analysts, researchers and investors
- Corporate Social Responsibility projects
- Directives issued by regulators
- Stakeholder Analysis

Our material matters are reflected in our key risks and opportunities and represent the issues that have the most impact on our ability to create sustainable value for our stakeholders and influence our business model. While these issues change over time as new trends and developments shape the macro environment and our stakeholders' needs evolve, the broad themes have remained consistent over the past few years.

Our material matters are prioritized to following six areas

Material Issue	Corresponding GRI Standards No.
Natural Environment	301, 302, 303, 304, 305, 306, 307
Work Environment	401, 403, 404, 405, 406, 407, 408
Local Development	413, 203
Supplier Management	308, 414
Product Responsibility	417, 416
Creating Value for stakeholders & Profitability	201, 202, 204, 205, 207, 415

Our most recent materiality analysis is reflected in the matrix on follows.



# Materiality Assessment

The following table shows the Material topics and our Management approach for those material topics.

GRI 3-3

GRI Disclosure	Why the topic is material	Topic boundary	Management approach	Evaluation of the management approach
301 Materials	Controlling and managing of material usage is important to minimize the waste and to promote sustainability of the operation.	Employees, Suppliers, Management	Our policy is to increase the use of reusable, eco-friendly materials while educating the employees and implement internal control on material usage.	Quality, quantity and the standard of the materials are monitored and ensure the adherence to the policies.
302 Energy	Efficient utilisation of energy is not only the Company need but also a global need and it enables to reduce the energy cost.	Factories and office premises	We focus on promoting renewable energy sources and invest on energy efficient machineries and consumables.	Close monitoring of energy usage is an ongoing process of the Company.
303 Water	This topic is material since water is crucial for the plantation process and water usage decides the level of sustainability of the Company.	Estate, Estate communities, Factories, Corporate office, Society	Company policy is to reduce the waste while ensuring zero harm to water sources and optimum utilisation of water into operation.	Tracking the usage of water and monitoring the agro chemical usage.
306 Waste 2020	This topic is material to NPPLC as this shows our corporate encumbrance.	Estate, Estate communities, Factories, Corporate office, Society	Our policy is to Reduce, Reuse, purification, composting and systematic disposal.	Frequently monitoring and guiding the waste disposal process and compliances to stipulated emission standards.
305 Emissions 2016	"This topic is deemed material as it portrays the organization's environmental impact, particularly in terms of its efforts to effectively manage emissions."	Estate, Estate communities, Factories, Corporate office, Society	We focus on reducing the carbon footprint generated by our operations and manufacturing processes.	
304 Biodiversity	As a plantation-based entity NPPLC is closely linked with the biodiversity of the land owned and leased by us. Hence this is material topic.	Estate, Estate communities, Factories, Corporate office, Society	Company attempts to protect biodiversity by educating society and ensure the sustainable use of the land.	While hunting and felling trees is illegal, the Company also conducts regular community awareness programmes to protect bio assets.
307 Environment compliance	Non-compliance with the environmental regulations and laws would create legal costs and damage the reputation of the Company.	Estate, Estate communities, Factories, Corporate office, Society	NPPLC comply with all environmental laws and regulations.	Monitoring the environment practices to ensure the compliance with environmental laws & regulations.

GRI Disclosure	Why the topic is material	Topic boundary	Management approach	Evaluation of the management approach
401 Employment				
403 Occupational health and safety 2018	These topics are material as they are directly connected with the operations and impact to the growth of the Company.			Monitoring through targets, performance evaluation, internal audits, grievance mechanism and provide training and development.
404 Training & education				
405 Diversity & equal opportunity		Employees	We strive to create a great and safe place to work.	
406 Non-discrimination 2016	This topic is material as it reflects an organization's commitment to upholding fundamental human rights, promoting equality, and fostering an inclusive and diverse workplace.			
409 Forced or Compulsory Labour 2016				
407 Freedom of association	These topics are material as these are related with legal, ethical and social context of the Company.	Employees Community	We comply with the regulation on freedom of association and child labour.	Supplier audits are conducted. Review and revise the collective agreement periodically.
408 Child labour				
413 Local communities	Sound community engagement is important as a plantation Company since they are directly and indirectly involved to the success of the Company.	Local community	Company attempt to enhance the living standard of the local community & social development.	Internal and external audits are conducted to review the accountability of these projects.
203 Indirect economics impact	As a regional plantation Company our indirect economic impact also might be significant to the country's economy.	Society	Company attempt to create direct and indirect economic benefits to employees, suppliers & their families and the society at large.	Review and audit the community development projects. Evaluate the contribution of the Company to domestic oil palm usage.
308 Supplier environment				
414 Supplier social assessment	This topic is material since the suppliers' environmental and social impact will be directly affected to our reputation.	Suppliers	Our policy is to attract and retain suppliers who are free from negative environmental and social impacts.	Conduct a screening process prior to the engagement with the suppliers and review them periodically by site visits and desk reviews.
417 Marketing & labelling	As a trusted plantation Company, maintain product marketing and labelling responsibility is essential.	Customers	Company policy is to adherence to the guidelines set out by the Sri Lanka Tea Board and Ceylon Tea Traders Association.	Conduct compliance audits.
416 Customer health & safety	Health and safety impact of the product shows the quality of the product and affects to the reputation of the Company.	Customers Brokers Employees	Company policy is to assure the criteria of ISO 22000:2005.	Conduct quality check-ups in every production process.

## Materiality Assessment

GRI Disclosure	Why the topic is material	Topic boundary	Management approach	Evaluation of the management approach
201 Economic performance	These topics are material since the direct and indirect impact to stakeholders from the Company decide the success of the Company.	Parent Company, Shareholders, Employees, Suppliers, Society	Company policy is to provide positive impact to our stakeholders and create a win-win situation.	Conduct Internal and external audits.
202 Market Presence				
204 Procurement practices				
207 Tax 2019	Adhering to tax laws and implementing effective tax strategies ensures transparency, accountability, and ethical practices in managing public finances.	Governmant and community	The Company ensures compliance with tax-related laws and regulations.	The Audit Committee and external tax consultants bear the responsibility of overseeing, controlling, and managing the tax-related risks of the Company
205 Anti-corruption	Anti-corruption exhibits the accountability toward shareholders and good governance of the Company.		Anti-corruption is embedded to Company culture. Implement sound corporate governance practices. Proper background check is conducting prior to hire the employees.	Review estate operations and financial records by Head office. Internal, external audits and stock verifications are conducting timely.
415 Public Policy	This topic is material as it showcases the Company's commitment to responsible business practices, including independence, legal compliance, and anti-corruption measures.	Employees, management and local community.	Company maintains an independent stance without making any contributions to political parties.	The internal audit, along with external independent audits on financial matters, ensures the Company's independence.

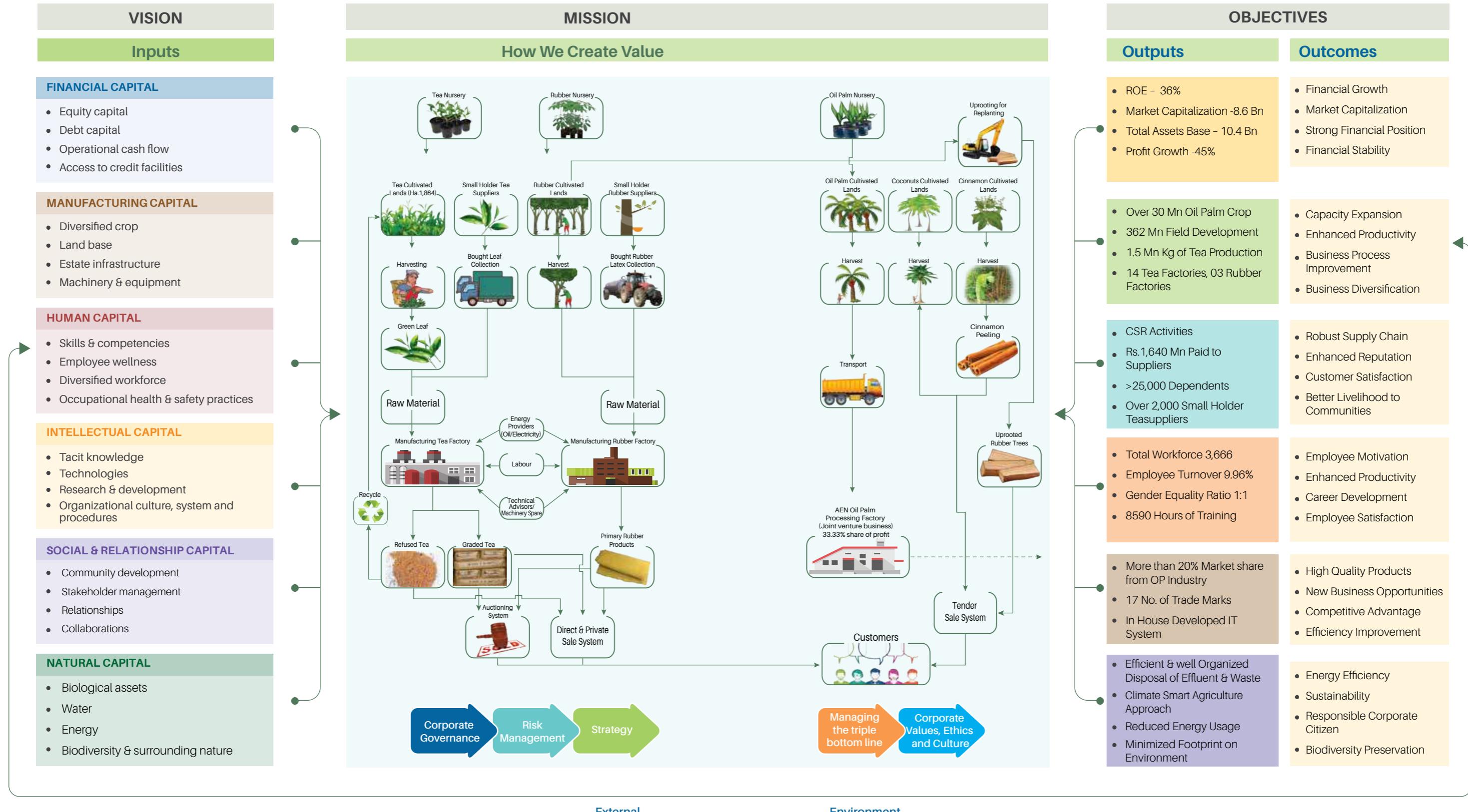


# Value Creation

Unlocking the Path to Value: Crafting Value, Growth,  
and Sustainability through Dynamic Strategies and  
Innovative Practices.

## Value Creation Model

GRI 2-6



# FINANCIAL CAPITAL

Financial Capital includes equity capital, debt capital, and retained earnings. The effective management of financial capital is crucial for the company's profitability, liquidity, solvency, and overall financial health. It enables the company to finance its activities, make strategic investments, manage risks, and create value to its stakeholders. Proper allocation of financial capital is essential for growth, expansion, and innovation. It allows the company to attract investors, access credit, and optimize its cost of capital. Financial capital is a critical driver of the company's success, competitiveness, and long-term sustainability in today's business environment. This chapter provides a comprehensive analysis of financial capital utilization for the stakeholder value maximization.



The integral purpose of managing our financial capital is to maximize our stakeholder value in a sustainable way, while efficiently utilizing funds provided by the company's shareholders, short- and long-term loans, grants, and the reserves earned through careful cost control and revenue generation over time.

## Value Creation through Financial Capital

NPPLC takes a prudent approach to the use of its Financial Capital, ensuring that business operations can be sustained over the long term. The company continued to optimize its assets and liabilities while enhancing capital efficiency through a transformation program that focused on operational excellence.

## Strategic Responses for 2022/2023

- Ensure adequate returns to the shareholders which will depend upon the earning capacity, market price of the share, expectations of the shareholders.
- Ensure optimum funds utilization.
- Sound and fair composition of debt and equity capital.
- Manage assets over liabilities to preserve a steady and healthy financial position through portfolio diversification.



## REVENUE

Namunukula Plantations PLC has achieved an impressive revenue of Rs. 5.4 billion in the financial year 2022–23, surpassing its previous record of Rs. 3.9 billion in 2021/22. This is the highest in the Company's history. This growth can be attributed to efficient management strategies and favorable market conditions, particularly in the oil palm and tea segments.

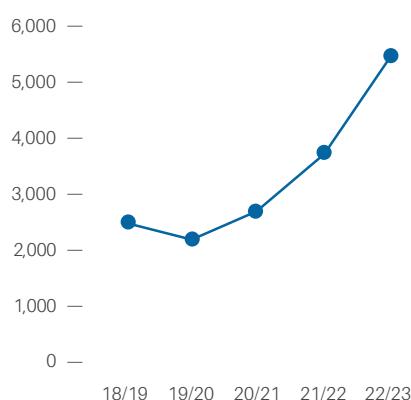
The annual revenue of Namunukula Plantations PLC from 2018/19 to 2022/23 is derived from tea, rubber, oil palm, coconut, and cinnamon segments. The oil palm segment has been the dominant contributor to the Company's revenue, with a topline share of 60.9% in 2022/23, up from 24.9% in 2018/19. The segment's revenue grew from Rs. 958 million in 2018/19 to Rs. 3,268 million in 2022/23, demonstrating a significant increase of 240.3% over the years. This growth can be attributed to the steep rise in oil palm prices, the crop, and efficient management strategies.

The tea segment, which is the second-highest contributor to the Company's revenue, has also experienced steady growth in revenue over the years, with a share of 33% in 2022/23 compared to the previous year. Despite the segment's revenue declining to Rs. 874 million in 2019/20, it recovered substantially and generated Rs. 1,755 million in 2022/23, indicating growth of 100.8% over the years.

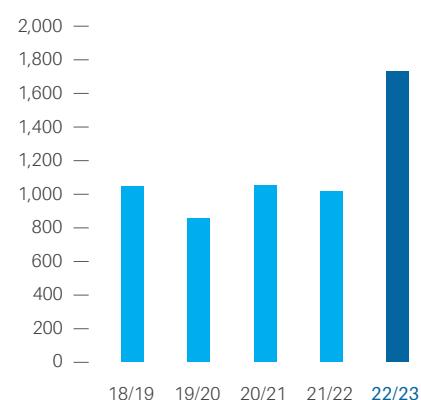
The rubber segment has, however, experienced fluctuations in revenue over the years. Although the segment's revenue increased from Rs. 284 million in 2020/21 to Rs. 299 million in 2021/22, it then declined to Rs. 277 million in 2022/23, indicating a decrease of 7% compared to the previous year.

The coconut and cinnamon segments have exhibited an overall decline in revenue, although with slight fluctuations. The revenue from coconut segment

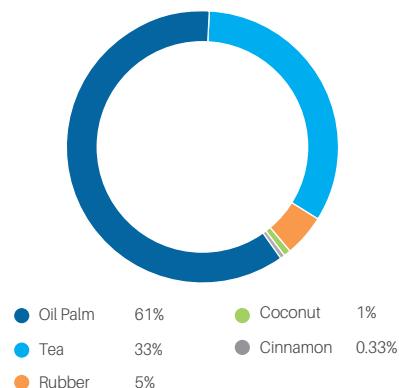
## Revenue (Rs.Mn)



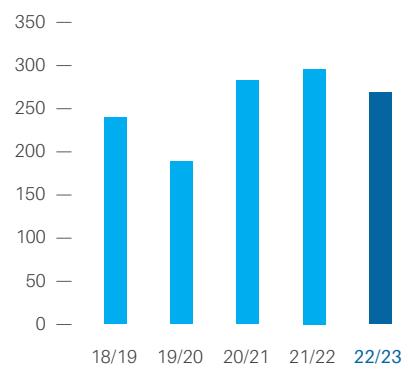
## Tea (Rs.Mn)



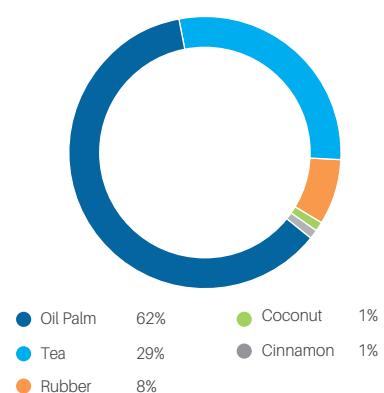
## Revenue Composition 2022/23



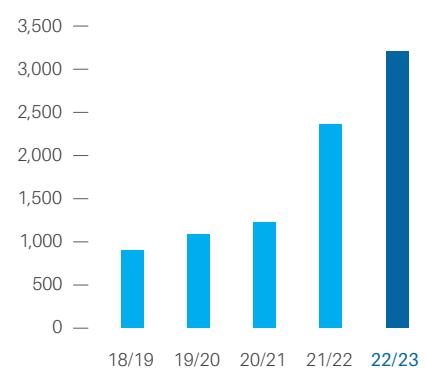
## Rubber (Rs.Mn)



## Revenue Composition 2021/22

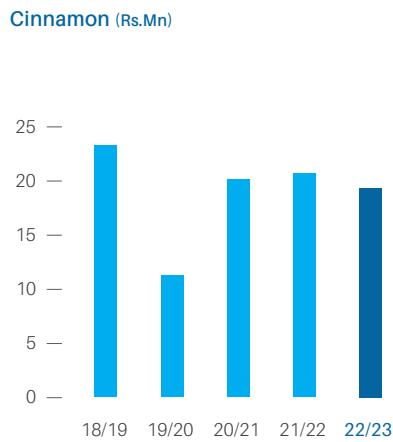
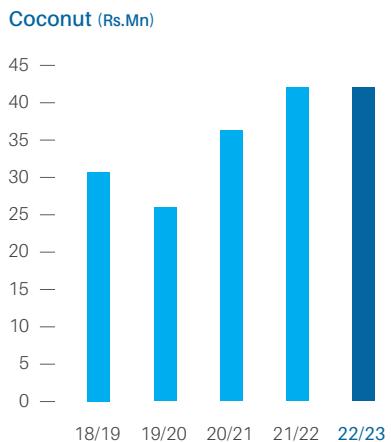


## Oil Palm (Rs.Mn)

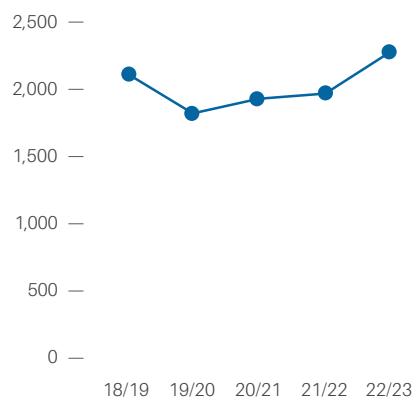


## Financial Capital

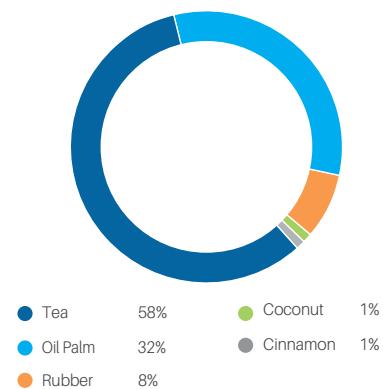
has remained stable, ranging between Rs. 26 million and Rs. 43 million from 2019/20 to 2022/23, while the revenue from cinnamon segment declined from Rs. 23 million in 2018/19 to Rs. 18 million in 2022/23, indicating a decrease of 24% over the years.



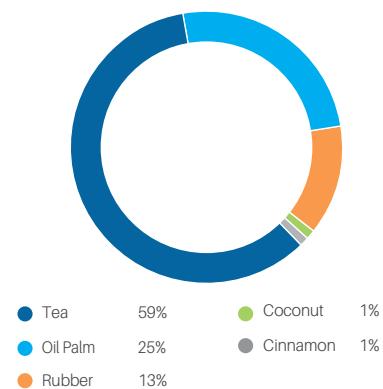
### Cost of Sales (Rs.Mn)



### COS Composition 2022/23



### COS Composition 2021/22



### COST OF SALES

As per the cost of sales analysis for NPPLC from 2018/19 through 2022/23, it can be observed that the Company's cost of sales has fluctuated over the years, ranging from Rs. 2,077 million in 2018/19 to Rs. 2,355 million in 2022/23. The highest cost of sales was recorded in 2022/23, representing a 18.3% increase from the previous year.

The increased cost of sales can be attributed to several factors, including ongoing economic crisis and inflationary situations in Sri Lanka, which have led to rising costs of labor, raw materials, and other production expenses.

The cost of sales composition indicates that tea continues to be the major contributor, accounting for 58% of the total cost of sales in 2022/23 fiscal year. Despite a slight increase in the cost of tea production, the Company managed to maintain its profitability due to favorable market conditions and increased demand for its products.

The rubber segment, on the other hand, witnessed a decline in the cost of sales, with a decrease of 24% from the previous year. However, the oil palm segment experienced a significant increase in the cost of sales, with a rise of 50% from the previous year. This can be attributed to the ongoing economic crisis and inflationary situations in Sri Lanka, which have led to an increase in the cost of inputs such as fertilizers and labor. Therefore, the Company is closely monitoring this segment with the view of taking the necessary measures to improve its efficiency.

The contribution of the coconut and cinnamon segments to the total cost of sales remained relatively insignificant, at 1% each. Further, the Company continues its focus on cost control measures and exploring new ways to optimize its production processes to improve profitability.

## PROFITABILITY

### Gross Profit

The Company's gross profit has been consistently increasing over the past five years. In the fiscal year 2022/23, the gross profits increased to Rs. 3,006 million from Rs. 1,898 million in the previous year. This represents a growth rate of 58% and can be attributed to the strong performance of the oil palm segment, which contributed 84% of the total gross profit in FY2022/23.

Although the tea segment recorded a gross loss of Rs. 65 million in previous year. After a substantial improvement in this year, that is reached Rs. 395 million and is expected to continue on a positive trend in the future. The rubber segment also recorded a significant increase in gross profit, from Rs. 37 million in FY2021/22 to Rs. 77 million in FY2022/23.

The oil palm segment remained the largest contributor to the Company's gross profit, with a significant increase of 32% from the previous year, reaching Rs. 2,522 million in FY2022/23. The coconut segment recorded a decline in gross profit, from Rs. 15 million in FY2021/22 to Rs. 10 million in FY2022/23. The cinnamon segment also showed a slight improvement, recording a gross profit of Rs. 0.77 million in FY2022/23, compared to a gross loss of Rs. 2 million in the previous year.

Overall, the Company's gross profit composition for FY2022/23 consisted of 13% from the tea segment, 3% from the rubber segment, 84% from the oil palm segment, 0.03% from the cinnamon segment, and 0.3% from the coconut segment. While the Company wishes to focus on the oil palm segment, the prevailing ban on the oil palm has caused the Company to focus on other segments such as Tea, Rubber, and Coconut.

### OTHER INCOME

Other income of NPPLC increased significantly in the fiscal year 2022/23, reaching Rs. 1,006 million, representing a growth rate of 253.25% compared to the previous year.

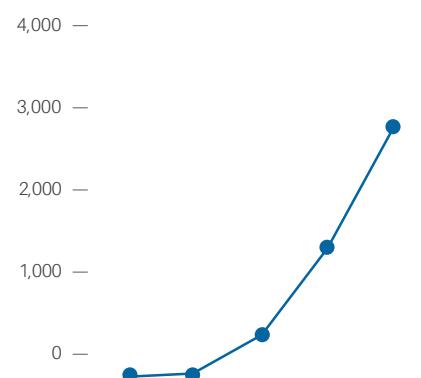
The main contributor to other income was interest income, which amounted to Rs. 99 million in 2021/22 and increased by 754% to reach Rs. 845 million in 2022/23. This was primarily due to the increase in the Company's cash reserves, which were invested in higher-yielding financial instruments.

The second-largest contributor to other income was the sale of refuse tea, which generated Rs. 78 million in 2021/22 and increased by 17% to reach Rs. 91 million in 2022/23. However, the refuse tea prices have increased and the volume has reduced during the period.

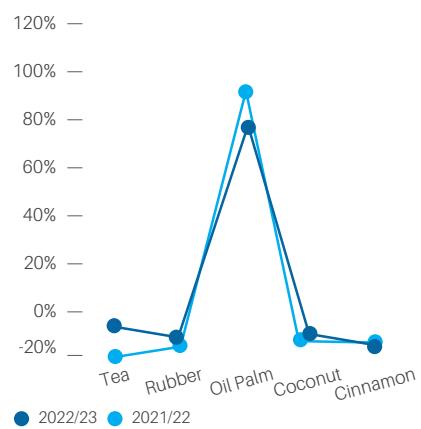
Profit on the sale of uprooting rubber trees also contributed significantly to other income, amounting to Rs. 55 million in 2022/23 and it was a 19% decrease compared to the Rs. 69 million in 2021/22. The Company generated additional revenue by selling these rubber trees during the period.

Amortization of government grants also contributed to other income, amounting to Rs. 6 million in both 2021/22 and 2022/23. Income from consumable biological assets, which did not yield significant income in the past, generated Rs. 18 million in 2021/22 but decreased to Rs. 1 million in 2022/23, representing

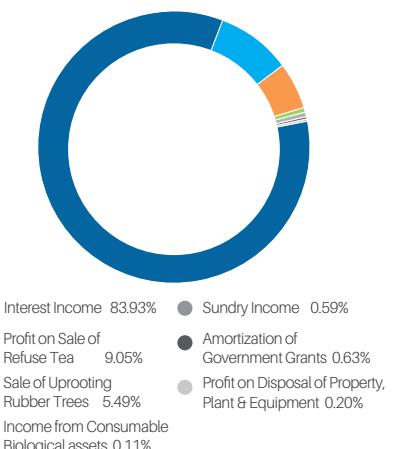
### Gross Profit (Rs.Mn)



### Gross Profit Composition %



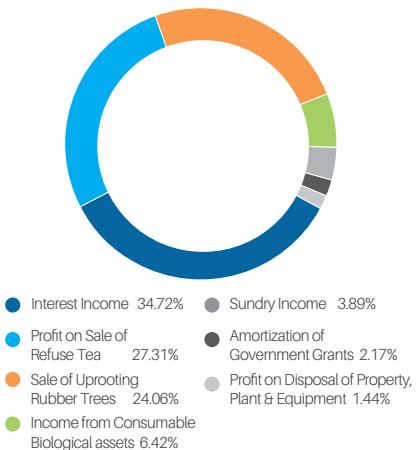
### Other Income Composition 2022/23



# Financial Capital

a decline of 94%. Income on disposal of property, plant & equipment amounted to Rs. 2 million in 2022/23 compared to Rs. 4 million in the prior year, a decrease of 51%. Sundry income amounted to Rs. 6 million in 2021/22. However, it was a decline of 46% compared to the previous period.

## Other Income Composition 2021/22



## COST MANAGEMENT

### Administration cost & Management fee

In 2022/23, administrative expenses increased by 86% to Rs. 118 million, compared to the previous year. While measures implemented by management to reduce fixed overheads and exercise tight control mechanisms had caused a decrease in administrative expenses in earlier periods, the sharp increase in 2022/23 denotes that these measures have been offset by several factors, such as inflationary pressures, higher employee costs, and other operating expenses resulting from adverse economic conditions in the country.

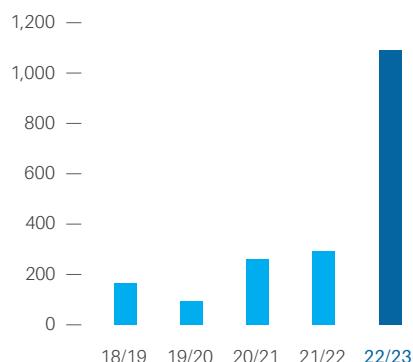
The management fee paid to RPC Plantation Management Services (Pvt) Ltd. increased significantly in 2022/23 to Rs. 499 million, a substantial increase of 55% compared to the previous fiscal year. This increase in the management fee is mainly due to an increase in EBITDA.

## Finance Cost

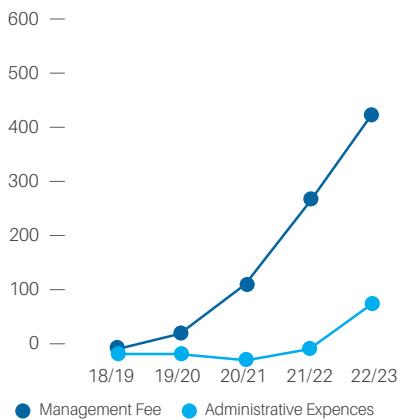
The finance cost of NPPLC primarily comprises of interest payments on government lease rentals, long-term and short-term loans, and overdraft interest. In the fiscal year 2022/23, the Company experienced a 11% increase in financial cost, amounting to Rs. 63.85 million, as compared to the previous year. While the interest rate increased during the financial year, the decision taken to settle debts out of the profits generated helped to mitigate the effects of the increasing interest costs.

Despite the increase in financial cost, NPPLC was able to mitigate its impact by closely monitoring its financial cost and taking appropriate measures to manage its debt levels and financing activities. As a result, the Company was able to maintain a lower financial risk towards its overall financial performance as it is essential for the Company to constantly monitor its financial cost and manage its financing activities to maintain a healthy financial position and ensure long-term sustainability.

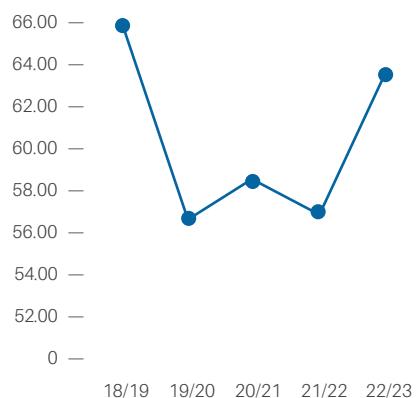
## Other income (Rs.Mn)



## Cost Management (Rs.Mn)



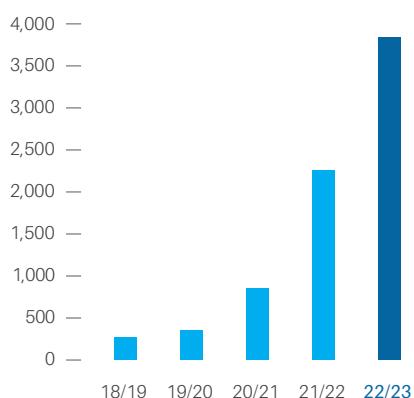
## Financial Cost (Rs.Mn)



## PROFIT BEFORE TAX

In the fiscal year 2022/23, the Profit Before Tax (PBT) of the Company increased significantly by 78% to Rs. 3,578 million compared to the previous year. The growth of revenue, which resulted in a higher gross profit during the year resulted in this.

PBT (Rs.Mn)

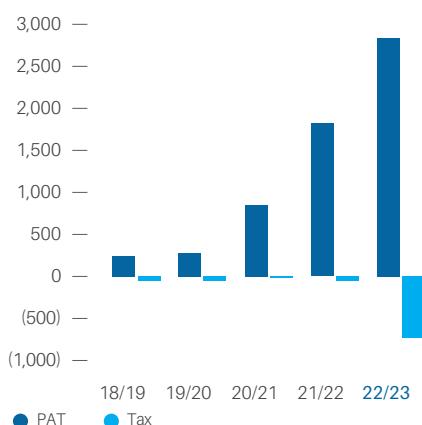


## TAX EXPENSE

GRI 207-2

Tax Expense for the year also increased significantly to Rs. 764 million, marking a 1,023% increase from the previous year. The main reason for this has been the provision for deferred taxation. With the higher tax rates, which are expected to take effect in 2024/25, additional provisions have been made for timing differences that arose in the previous years. This is not expected to recur unless there is a change in the two rates.

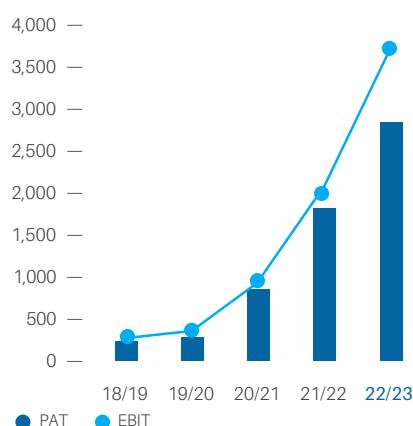
Tax Expenses vs PAT (Rs.Mn)



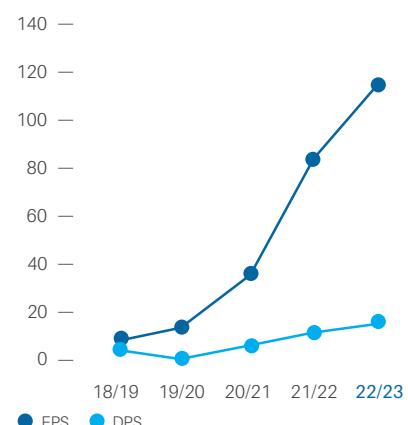
## EBIT and PAT

In the financial year 2022/23, the Company witnessed growth in both earnings before interest & tax (EBIT) and profit after tax (PAT), indicating a robust financial performance. The EBIT increased by 77% to Rs. 3,642 million. Profit after tax increased by 45% to Rs. 2,814 million. This is due to the higher profits achieved by the Company despite the large tax increase.

EBIT &amp; PAT (Rs.Mn)



## EPS & DPS (Times)



## Company Assets

The Company's total assets have been steadily increasing over the past five years and reached Rs. 10.4 billion in 2022/23, which represents a significant growth rate of 38% compared to the asset base recorded as Rs. 7.6 billion in previous year. The growth in total assets can be attributed to increased investments in fixed assets, such as property, plant, and equipment, biological assets, and higher levels of working capital.

Furthermore, the increase in total assets indicates NPPLC's solid financial footing and its strategic approach to positioning itself for future success as a strong and growing business entity. Therefore, the steady growth in total assets is a positive signal that the Company is on a strong trajectory towards success.

The composition of the assets base reveals some significant changes from the previous year. In 2021/22, the largest proportion of the Company's assets was comprised of bearer biological assets, which accounted for 41% of total assets. This figure decreased to 31% in 2022/23. Moreover, the increase in other current assets from 36% to 48% in 2022/23 indicates that the Company is holding a larger amount of liquid assets, such as cash and short-term investments, which can be utilized to fund current operations or future growth.

## Basic Earnings per Share (EPS) and Dividend per Share (DPS)

The EPS for the Company has shown a steady increase over the years. It was at 10.79 in 2018/19 and reached its peak at 118.48 in 2022/23. This indicates that the Company has been consistently profitable and has been able to generate more earnings per share for its shareholders over time.

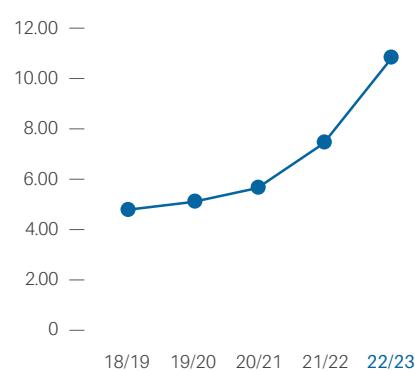
With the unprecedented levels of profits achieved, the EPS has increased by 45% in 2022/23. The dividend paid has also increased by 40% compared to the previous year, resulting in a dividend per share of Rs. 14.

This is due to the Company's sustainability of earnings growth and stability in market conditions.

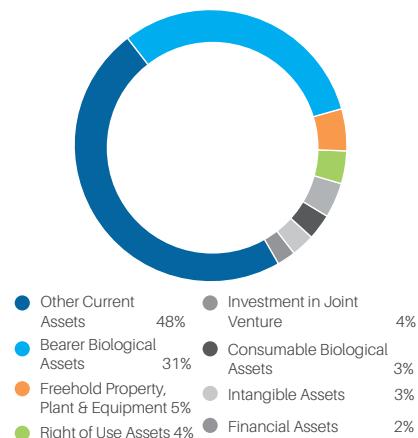
# Financial Capital

The decrease in the proportion of bearer biological assets indicates a shift in the Company's strategic focus, possibly towards a more diverse range of assets. However, the Company's investment composition in freehold property, plant, and equipment increased from 4% in 2021/22 to 5% in 2022/23, suggesting a continued focus on fixed assets.

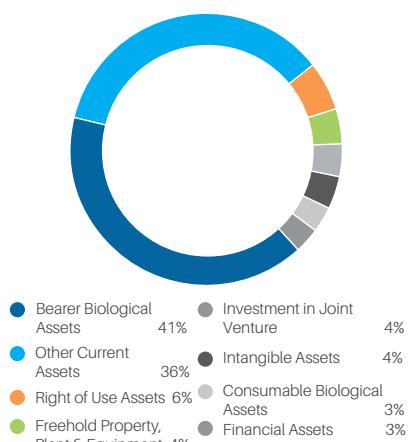
## Total Assets (Rs.Mn)



## Total Assets Composition 2022/23



## Total Assets Composition 2021/22

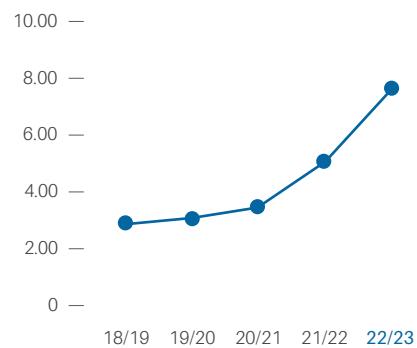


Overall, the composition of the Company's assets base reflects a prudent balance between investing in long-term growth through fixed assets and maintaining liquidity through current assets while the shift in asset composition reflects the NPPLC's strategic response to changing market conditions or opportunities.

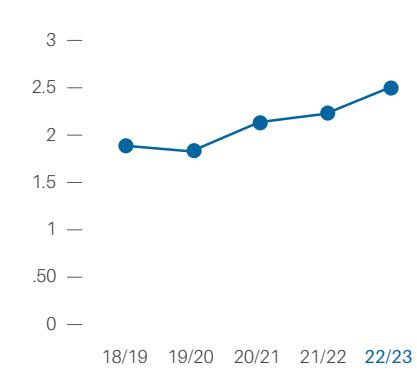
## Equity

The Company's equity base has demonstrated a remarkable growth trajectory, with the most recent fiscal year showing a particularly significant increase. This increase is a testament to the Company's sound financial management and strategic decision-making and bodes well for its future prospects. In 2022/23, the total equity reached Rs. 7.9 billion, reflecting an impressive increase of 45% compared to the previous year. The increase is largely attributable to growth in retained earnings and timber reserves, which accounted for 49% and 10% of the increase, respectively.

## Total Equity (Rs.Bn)



## Total Liabilities (Rs.Bn)

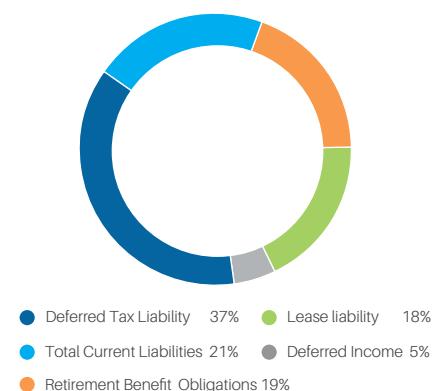


## Company Liabilities

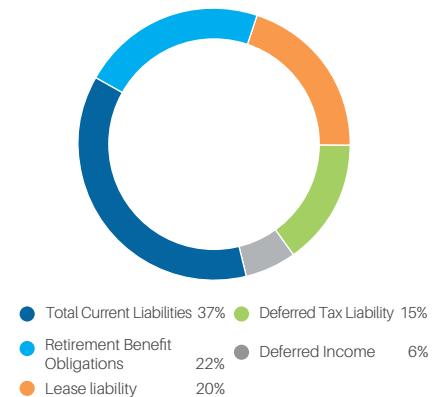
The Company's total liabilities increased by 20% in 2022/23 compared to the previous year, reaching Rs. 2.5 billion. Non-current liabilities make up the majority of the Company's liabilities, which is the primary contributor to the increase in total liabilities. Retirement benefit obligations and deferred tax liabilities are the two largest non-current liabilities, representing 19% and 37% of total liabilities in 2022/23, respectively.

Deferred income and lease liabilities are also significant non-current liabilities, accounting for 5% and 18% of total liabilities in 2022/23, respectively. Current liabilities, on the other hand, will make up 21% of total liabilities in 2022/23, a decrease from 37% in the previous year. The decrease in current liabilities can be attributed to the decline in trade and other payables, dividend payables, and interest-bearing loans and borrowings during the period.

## Total Liabilities Composition 2022/23



## Total Liabilities Composition 2021/22



## ROE, ROA AND LEVERAGE

### ROE

Comparing the ROE in 2022/23 with the preceding years, we observe a steady improvement in performance. The Company's ROE increased significantly from 10% in 2018/19 to 36% in both 2021/22 and 2022/23. The return on equity (ROE) of 36% in 2022/23, signifies that for every unit of equity invested by shareholders, NPPLC generated a return of 36%.

The consistent and impressive ROE in 2022/23 demonstrates NPPLC's ability to effectively utilize its equity base to generate profits and create value for its shareholders. This indicates efficient allocation of resources, sound operational performance, and successful execution of the Company's strategic initiatives.

The sustained high ROE over the years, with no decline in 2022/23, reflects NPPLC's commitment to maintaining profitability and delivering sustainable returns. This consistent performance reinforces investor confidence in the Company's ability to generate stable and attractive returns on their investment.

### Assets to equity

In 2022/23, NPPLC achieved an asset to equity ratio of 1.32, reflecting a significant improvement compared to the previous year. This indicates that NPPLC financed its assets with 1.32 times its equity, demonstrating a healthy balance between internal funding and external financing.

The declining trend in the asset to equity ratio over the years showcases NPPLC's success in strengthening its financial position and reducing its reliance on external sources of funding. This trend highlights NPPLC's ability to generate internal funds and build a stronger equity base, positioning the Company for sustainable growth and increased resilience.

By consistently strengthening its equity base, NPPLC has not only demonstrated financial prudence but also earned the trust and confidence of its investors and stakeholders over the time. This confidence is evident in their continued support and investment, contributing to the Company's improved asset to equity ratio.

Moreover, the lower asset to equity ratio in 2022/23 signifies NPPLC's commitment to managing financial risks and maintaining a solid foundation. With a larger proportion of assets financed by equity, NPPLC is better positioned to withstand economic uncertainties and navigate potential challenges, safeguarding the interests of its shareholders.

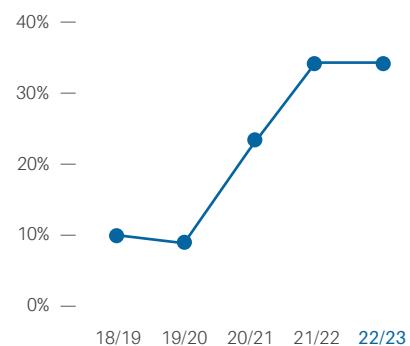
### ROA

In 2022/23, NPPLC achieved an impressive return on assets (ROA) of 27%, continuing its upward trajectory of profitability. This signifies the Company's ability to generate substantial earnings relative to its total assets.

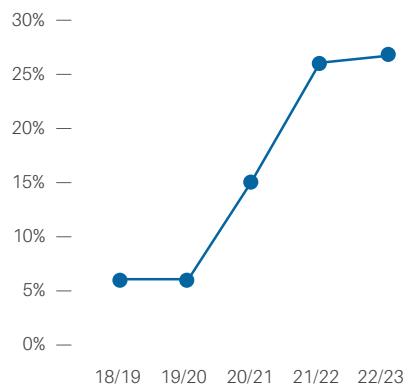
Comparing the ROA in 2022/23 with previous years, NPPLC has consistently improved its performance. The ROA increased steadily from 6% in 2018/19 to 27% in 2022/23, showcasing NPPLC's effective utilization of assets to drive higher returns and enhance overall profitability.

The higher ROA in 2022/23 indicates NPPLC's ability to generate greater earnings per unit of assets deployed, signifying improved operational effectiveness and financial performance. This strengthens the Company's competitive edge, market positioning, and long-term sustainability.

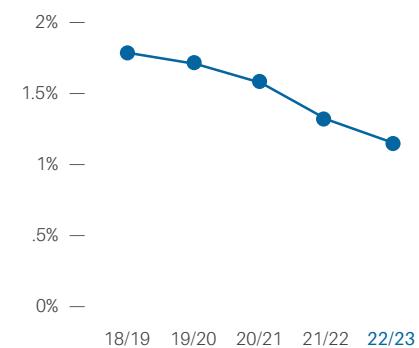
### Return on Equity (ROE) %



### Return on Assets (ROA) %



### Assets to Equity %



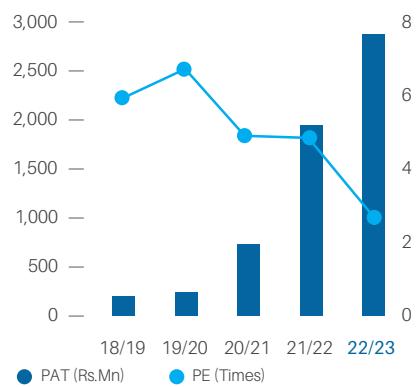
# Financial Capital

## PRICE EARNINGS RATIO

In 2022/23, NPPLC experienced a 45% increase in its net profit after tax (PAT), reaching Rs. 2,814 compared to previous years. This surge in profitability showcases the Company's effective cost management strategies, revenue growth initiatives, and operational efficiency.

When analyzing the price-to-earnings (PE) ratio for 2022/23 in comparison to previous years, a declining trend becomes evident. The PE ratio declined from 4.72 in 2021/22 to 3.06 in 2022/23, indicating a decrease in the market's valuation of NPPLC relative to its earnings.

### PE Vs PAT



## CAPITAL EXPENDITURE

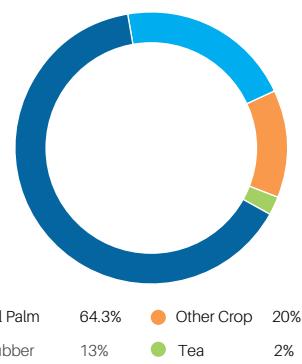
In 2022/23, the Company's capital expenditure showcased notable changes in allocation across various crop categories. From the total expenditure of Rs. 660 million, the allocated amount of Rs. 362 million on capital expenditure for maintaining current operational levels as well as future expansion of the Company. The allocation for tea saw a substantial increase, growing from 0.3% in 2021/22 to 2.0% in 2022/23 indicating the Company's emphasis on enhancing and expanding its tea-related operations, potentially focusing on production, processing, or exploring new opportunities within the tea industry.

The allocation for rubber remained relatively stable, with a slight decrease from 14.2% in 2021/22 to 13.0% in 2022/23.

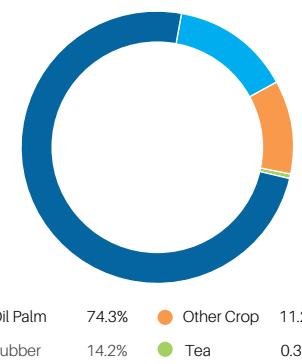
Despite a decrease in allocation, oil palm continued to represent a significant portion of the Company's capital expenditure, with 64.3% in 2022/23 compared to 74.3% in 2021/22 indicates the Company's ongoing commitment to oil palm activities, such as harvesting and processing of existing oil palm plantations.

The allocation for other crops such as cinnamon, coconut, and timber experienced a substantial increase, rising from 11.2% in 2021/22 to 20.7% in 2022/23. This depicts the Company's strategic focus on diversification and exploring new crop opportunities, allowing them to capitalize on emerging market trends and customer preferences.

**Capital Expenditure 2022/23**



**Capital Expenditure 2021/22**



## FINANCIAL FEASIBILITY

NPPLC's cash flow analysis showcases positive trends in net operating cash flow, indicating improved profitability and operational efficiency. In 2022, the Company generated a net cash flow of Rs. 1,750.21 million in operating activities, which increased by 54% to Rs. 2,688.90 million in 2023.

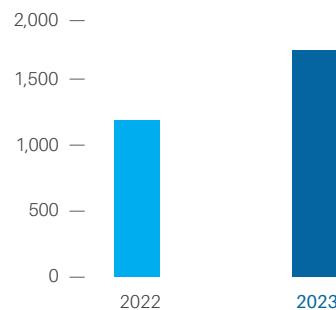
The negative cash flows from investing and financing activities reflect the Company's strategic focus on long-term growth and prudent financial management.

The Company had a cash outflow of Rs. 158.60 million in investing activities in 2022, which further increased by 182% to Rs. 447.18 million in 2023.

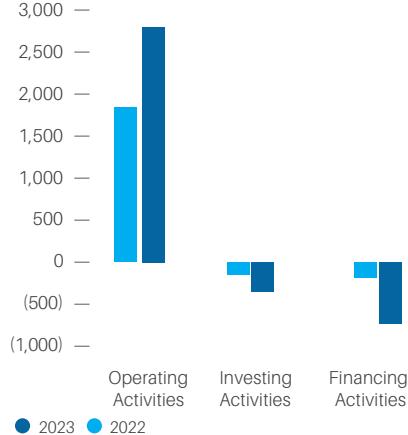
The cash outflow from financing activities was Rs. 224.91 million in 2022 and increased by 159% to Rs. 582.26 million in 2023.

In 2022/23, the Company witnessed a significant net increase of Rs. 1659.47 million, reflecting a 21% growth compared to the net cash flow of Rs. 1366.71 million in the

**Net Cash Flow (Rs.Mn)**



**Operating, Investing & Financing Cash Flows (Rs.Mn)**



previous year. This positive trend highlights the Company's ability to generate more cash inflows than outflows, resulting in a strengthened cash position. Further, this positive increase in cash and cash equivalents signifies a bolstered liquidity position, providing the Company with financial flexibility and resilience to support its future endeavors and navigate potential challenges.

### WORKING CAPITAL MANAGEMENT

A positive working capital ratio signifies that the Company possesses a greater value of current assets in comparison to its current liabilities, indicating sufficient liquidity to fulfill short-term financial obligations. This achievement can be attributed to the effective management of inventory, accounts receivable, and cash flow.

Based on the provided data, the Company's working capital has experienced a 134% increase, rising from Rs. 1926 million in 2022 to Rs. 4514 million in 2023. This substantial growth indicates a notable improvement in the Company's capacity to meet short-term obligations and finance its day-to-day operations.

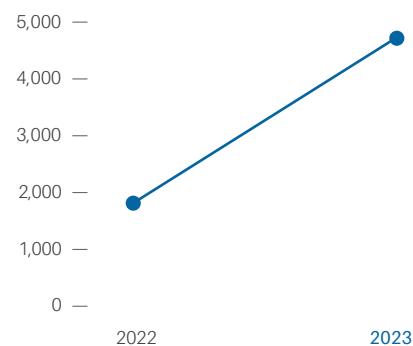
The rise in working capital from 2022 to 2023 is a reflection of the reduction of current liabilities and the increase of current assets. This is a result of various factors, including enhanced sales and revenue generation, effective cost management, and efficient resource utilization during the period. Therefore, this suggests that the NPPLC is well-prepared to fulfill its obligations, seize growth prospects, and effectively navigate potential financial hurdles in the future.

### VALUE ADDED STATEMENT - 2022/23

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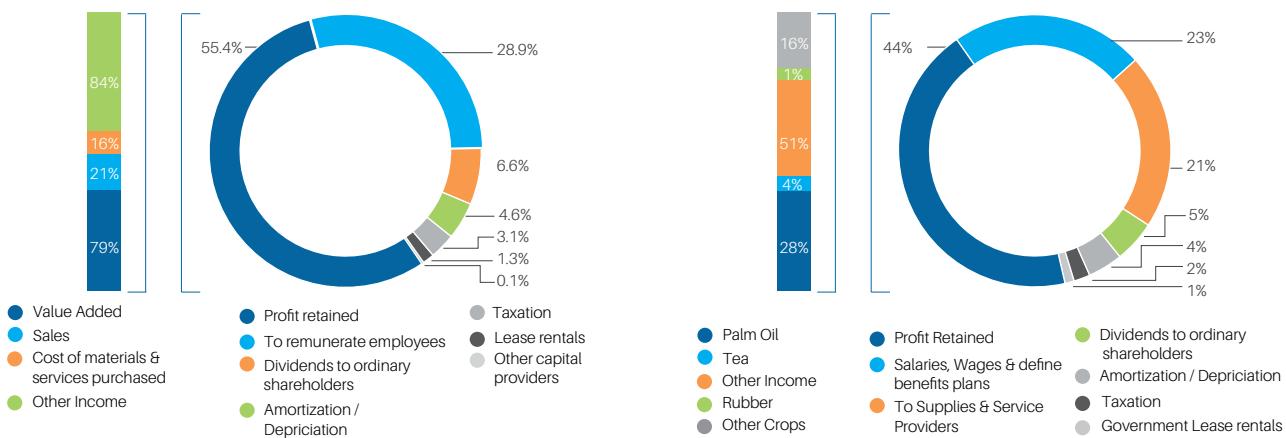
	2022/23 Rs. '000	%	2021/22 Rs. '000	%
Sales	5,360,825		3,888,486	
Other income	1,006,420		284,899	
	6,367,245		4,173,385	
Cost of materials & services purchased	1,362,120		556,864	
<b>Total Value Added</b>	<b>5,005,125</b>		<b>3,616,521</b>	
<b>Applied as follows :</b>				
<b>To remunerate employees</b>				
Salaries, Wages & define benefits plans	1,446,621	28.90	1,415,817	39.15
<b>To reward providers of capital</b>				
Dividends to ordinary shareholders	332,500	6.64	237,500	6.57
Other capital providers	4,097	0.08	1,990	0.06
<b>To the Government</b>				
Taxation	153,182	3.06	2,372	0.07
Government Lease rentals	63,577	1.27	58,922	1.63
<b>To Replace assets</b>				
Amortization / Depreciation	232,252	4.64	217,660	6.02
<b>To expand the Company</b>				
Profit retained	2,772,897	55.40	1,682,260	46.52
<b>Total</b>	<b>5,005,125</b>	<b>100</b>	<b>3,616,521</b>	<b>100</b>
Value Added per Employee - Rs.'000	1,365.28	-	951.72	-
Value Added % of Turnover	-	93.36	-	93.01

### Working Capital (Rs.Mn)



## Financial Capital

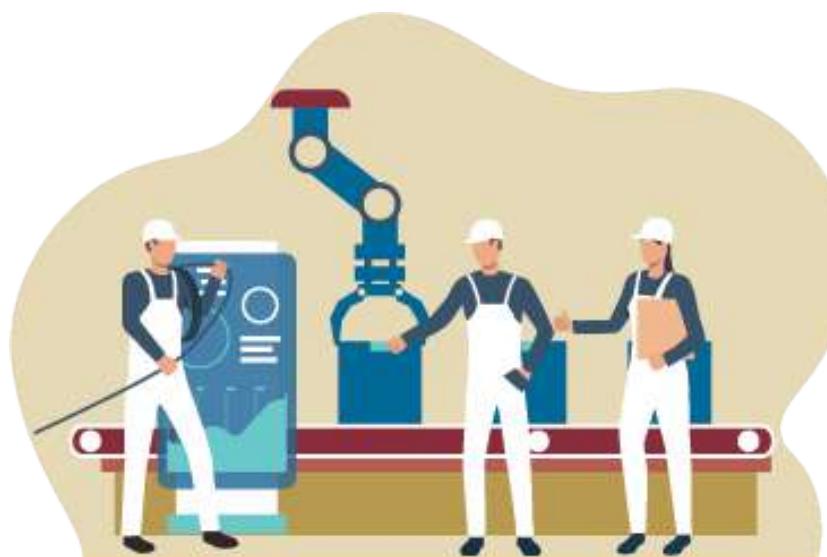
Source of Income	2022/23 Rs '000	%	2021/22 Rs '000	%	2020/21 Rs '000		2019/20 Rs '000	%	2018/19 Rs '000	%
Tea	1,755,010	27.56	1,115,873	26.74	1,169,043	39.11	873,829	38.93	1,157,244	45.29
Rubber	277,177	4.35	299,379	7.17	284,354	9.51	186,550	8.31	243,733	9.54
Palm Oil	3,268,127	51.33	2,409,254	57.73	1,230,214	41.16	1,049,363	46.75	957,761	37.48
Other Crops	60,511	0.95	63,980	1.53	55,459	1.86	37,616	1.68	55,589	2.18
Total	5,360,825		3,888,486		2,739,070		2,147,359		2,414,326	
Other Income	1,006,420	15.81	284,899	6.83	250,103	8.37	97,208	4.33	141,113	5.52
<b>Total</b>	<b>6,367,245</b>	<b>100</b>	<b>4,173,385</b>	<b>100</b>	<b>2,989,173</b>	<b>100</b>	<b>2,244,567</b>	<b>100</b>	<b>2,555,440</b>	<b>100</b>
<b>Utilisation of Income</b>										
<b>To remunerate employees</b>										
Salaries, Wages & define benefits plans	1,446,621	22.72	1,415,817	33.92	1,345,915	45.03	1,307,437	58.25	1,285,295	50.30
<b>To providers of funds</b>										
Other capital providers	4,097	0.06	1,990	0.05	4,670	0.16	3,727	0.17	16,199	0.63
To Supplies & Service Providers	1,362,120	21.39	554,603	13.29	508,400	17.01	273,094	12.17	517,324	20.24
<b>To Providers of Capital</b>										
Dividends to ordinary shareholders	332,500	5.22	237,500	5.69	201,875	6.75	-	-	201,875	7.90
<b>To the Government</b>										
Taxation	153,182	2.41	4,633	0.11	2,312	0.08	22,627	1.01	28,678	1.12
Government Lease rentals	63,577	1.00	58,922	1.41	61,969	2.07	55,758	2.48	53,459	2.09
<b>To Replace assets</b>										
Amortization / Depreciation	232,252	3.65	217,660	5.22	195,909	6.55	192,184	8.56	173,895	6.80
<b>To expand the Company</b>										
Profit retained	2,772,897	43.55	1,682,260	40.31	668,123	22.35	389,740	17.36	278,713	10.91
	<b>6,367,245</b>	<b>100</b>	<b>4,173,385</b>	<b>100</b>	<b>2,989,173</b>	<b>100</b>	<b>2,244,567</b>	<b>100</b>	<b>2,555,440</b>	<b>100</b>





# MANUFACTURED CAPITAL

The manufactured capital refers to the tangible assets and advanced technologies utilized by a company in its production processes for tea, rubber, coconut, oil palm, and cinnamon. These assets and technologies are integral to the efficient creation of value within the company's operations. Furthermore, manufactured capital not only provides operational support, but also significantly impacts a company's financial performance and overall value. Hence, in this section, investors and stakeholders are provided with invaluable insights into the company's capacity to generate profits and create sustainable long-term value through its manufactured capital.



The NPPLC's manufactured capital is optimally utilized for the creation of value for its stakeholders and to ensure the achievement of goals and objectives of the company and achieving long-term sustainability. Company's business models elaborate the sustainable income and capital growth of the company through this disciplined application of the manufactured capital in terms of manufacturing operations, infrastructure, innovations, and fixed assets. This section focuses on the manufactured physical objects available for use in our production and day-to-day operations.

## Value Creation through Manufactured Capital

Optimum utilization of manufactured capital increases productivity and low-cost production, which provide sustained returns and capital growth for all stakeholders. The growth of returns depicts the high quality and new product development of the company, which creates value by improving prices.

### Strategic Responses for 2022/2023

- Best practices in procurement.
- Operational efficiency and improvements.
- Investment good agricultural practices.

Biological Assets		As at 31 March 2023 Carrying Value (Mn)
Tea	Mature Immature	263 8
Rubber	Mature Immature	536 151
Coconut	Mature Immature	122 88
Oil palm	Mature Immature	1,517 475
Cinnamon	Mature Immature	51 9
Mixed	Mature	5
Fixed Assets / Tangible Assets		
Buildings		163
Plant, Machinery and Equipment		147
Motor Vehicles		159
Computers, Furniture and Fittings		4



NPPLC's manufactured capital is optimally utilized for the creation of value for its stakeholders and to ensure the achievement of goals and objectives of the Company and achieving longterm sustainability. Our business models elaborate the sustainable income and capital growth of the Company through this disciplined application of the manufactured capital in terms of manufacturing operations, infrastructure, innovations, and fixed assets. This section focuses on the manufactured physical objects available for use in our production and day-to-day operations.

#### • Acquisition of Machinery and Equipment

Due consideration is given to quality and standards when procuring machinery and equipment. All procurement is systematically carried out as per standard procedures and guidelines. In case of minor procurement, we call for three quotations from the general list of suppliers. Bulk and large-scale procurement is undertaken through the group commercial division.

We contemplate financial as well as non-financial criteria to evaluate the procurement process. In order to maintain high standard, we give priority to the machines and equipment that have efficiency in energy usage, low emission and safety features.

#### • Maintaining steady yield through sustainable practices

Due to maturity and other factors, yield of plants will decrease. Therefore, NPPLC initiate efforts to have a constantly growing yield through regular practices in line with the Sustainable scope of the Company. Under that we strive to preserve the land asset while maximizing efficient utilization. As an eco-friendly Company NPPLC has started using bio fertilizers instead of agro chemicals. NPPLC is supposing to achieve cost effectiveness and safeguard of soil as well as quality improvement of harvest. Compost pits are established in many Estates for covering their fertilizer requirements.

With the objective of obtaining a persistent return from the investment, NPPLC is always concerned about the replacing of the old plants which yield very low with new plants. This strategy leads to avoid disruption of stable harvest in the long run of the Company.

During the 2021/22 period, NPPLC embarked on a strategic initiative to diversify its crop portfolio through a coffee planting project. A total of 75.5 hectares of land, spanning Hindagala, Canavarella, Gonakelle, Kandahena, Kinnelan, and Pingarawa, were allocated for this endeavor, with a plan to plant 3,000 coffee plants per hectare.

Throughout this year, the Company diligently focused on the care and maintenance of the coffee plantation. This involved crucial tasks such as regular watering, fertilization, effective pest and disease control, and diligent weed management. NPPLC closely monitored the plantation, ensuring that the necessary resources and expertise were provided to guarantee the success and productivity of the coffee plants.

By venturing into coffee cultivation, NPPLC showcased its commitment to expanding its agricultural footprint and embracing new opportunities in the market. This strategic move not only enhances the Company's crop diversity but also positions it favorably to capitalize on the growing demand for coffee products. NPPLC's meticulous attention to detail and provision of essential resources demonstrate its dedication to achieving optimal results and maximizing the potential of its coffee planting project. This undertaking aligns with the Company's broader vision of sustainable growth, innovation, and excellence in the agricultural sector.

#### • Ensuring Quality and Productivity of Manufacturing

Quality is one of the main values at NPPLC therefore we strive to assure quality of products and the manufacturing process as a responsible Company. Under that NPPLC make efforts to ensure quality

whilst maintain a high productivity in manufacturing.

Proper maintenance of Manufacturing capital reduces the reworks and idle time and ensures the consistent business processes without any interruption. Periodic reviewing, replacing, and servicing is done in accordance with the manufacturer's specifications.

We have always considered technology to be the key in enhancing the effectiveness of our Manufactured Capital and anticipate updating our manufacture and agriculture process with latest technologies. Under that we have purchased new machineries and offered training and knowledge development programs for employees.

#### • Developing Estate infrastructure

GRI ➔ 203-1

Our infrastructure development scope covers construction and renovation of factory buildings and processing areas along with roads, community housing, water, sanitation, education, healthcare, recreation facilities etc. Our resident communities along with plantation sector-based government and non-government organizations, cooperate with us in this concern. Development projects are carried out by reputed contractors selected through formal tender procedures.

#### • Capital Investments in 2022/2023.

During the year under review the Company's investment in manufactured capital is as follows.

##### Capital Investment (Rs.Mn)



# Manufactured Capital

Overall, there has been a significant increase in both tangible assets and immature plantations investment from the previous year, indicating a higher level of capital expenditure. The investment in tangible assets experienced notable growth, while the investment in immature plantations showed fluctuations over the years.

The investment in tangible assets for 2022/23 significantly increased compared to the previous year, with an investment of Rs. 235 million compared to Rs. 4 million in 2021/22. Investing in tangible assets such as modern machinery, equipment, and tools can improve the efficiency of manufacturing processes, reducing costs and increasing productivity of the organization.

The investment in immature plantations for 2022/23 showed a significant increase to Rs. 362 million compared to Rs. 273 million in 2021/22. Immature plantations represent a long-term investment in the sustainability and growth of the plantation sector. By investing in new plantations, NPPLC can ensure a continuous supply of crops, which is essential for our operations and the overall productivity.

There have been significant increases in investment across various tangible assets categories for the current year (2022/23) compared to the previous year (2021/22). The investments in equipment, computers, motor vehicles, and plant & machinery have shown notable growth, indicating a higher level of capital expenditure in year.

Tangible assets enable streamlined production processes, automated operations, and increased productivity. Efficient utilization of tangible assets can lead to cost savings, reduced downtime, and enhanced overall operational performance of the organization. By investing in modern and efficient equipment and tools, a Company can reduce our operating costs over the long term, this is beneficial to the less maintenance, repair and use less energy for Company operations.

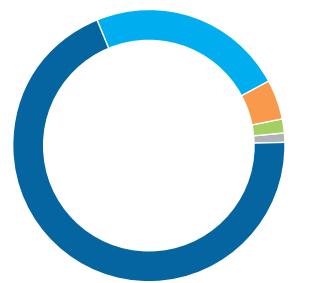
Investing in tangible assets for manufacturing can help plantation companies to improve their operations, increase their productivity, and reduce costs over the long term, resulting in a more competitive business and a better return on investment.

Compared to the prior year (2021/22), investments in an assortment of categories of tangible assets have increased significantly this year (2022/23). An increase in capital expenditure can be seen in the expenditures made in machinery, computers, cars, and other transportation equipment.

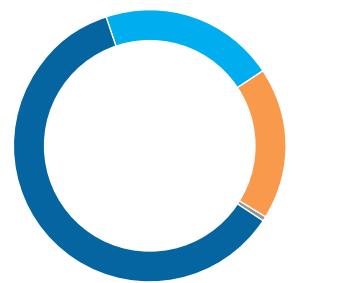
- **Regular Factory Maintenance**

Maintenance takes a significant part of manufacturing capital as it ensures the consistent business processes without any interruption. Regular factory maintenance refers to the systematic and scheduled activities undertaken to keep a factory in optimal working condition. We implement a periodic review on machineries and spare parts on availability and suitability for using. New parts and components are replaced when necessary. Also we have facilitated engineering and technical team with training opportunities and education to update their competency with modern knowledge. Also the maintenance procedures are carried out in accordance with the manufacturer's specifications.

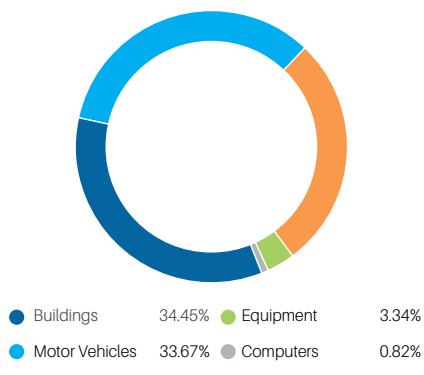
**Invest in Tangible Assets 2022/23 (Rs.Mn)**



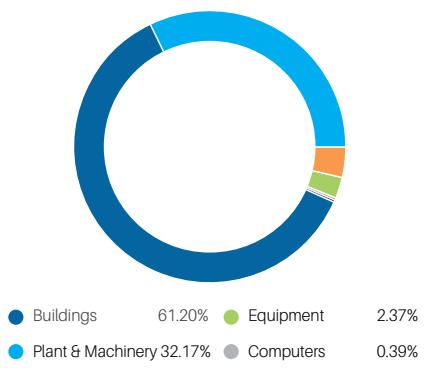
**Invest in Tangible Assets 2021/22 (Rs.Mn)**



**Tangible Manufactured Capital (WDV) 2022/23**



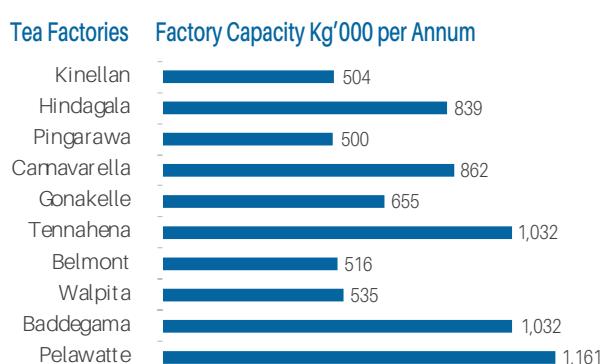
**Tangible Manufactured Capital (WDV) 2021/22**



- Strategic investments in agriculture and manufacturing technologies**

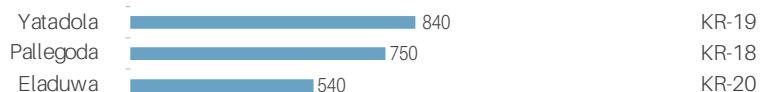
Strategic investments aim to leverage technological advancements to overcome challenges, streamline processes, and drive economic growth. NPPLC always anticipates updating their process with latest technologies. We expect best quality and efficiency by carrying out the strategy. Under that we have purchased new machineries and offered training and knowledge development programs for employees.

#### Our Strength of Manufacturing



Factory Registration No.
MF00243
MF00668
MF00327
MF00105
MF00234
MF00378
MF00736
MF00951
MF00655
MF01283

**Rubber Factories - (Crepe)**      Factory Capacity Kg'000 per Annum



KR-19  
KR-18  
KR-20

**Rubber Factories - (RSS)**      Factory Capacity Kg'000 per Annum



Kg. '000

# HUMAN CAPITAL

Human capital is the strategic differentiators and the foundation behind the journey of success throughout almost all the milestones of our company. Therefore, their competencies, capabilities and experience are valuing and developing by the human resource management practices followed by the company to continuous growth of the human capital. To ingest the best outcome of the human capital, we deliver our best by nurturing them fairly and equally. As a result, our employees have successfully grown and moved forward simultaneously with the company throughout the entire years of operation.



A company's success depends on its ability to attract and retain highly skilled employees, foster a culture of innovation, and encourage ongoing learning and development.

Therefore, we strive to create a great and safe place to work while enhancing the technical capabilities and intellectual potential of them. Being responsible on employees ensuring their growth and their well-being will cover the way for higher level of productivity, boosting the business viability and sustenance in the long-term.

## Strategic Responses for 2022/2023

- Dedicated time to finding the right staff and developing their skills base.
- Embraced wider societal and ethical developments in workforce.
- Developed and maintained healthy working relationships among all the employees.
- Creating a positive work culture, and encouraging work-life balance.
- Minimized and maintained discriminations at a zero level throughout the year.

GRI 406-1

- Preventive mechanisms are implemented to minimize forced/ compulsory labour and there were no any incidents recorded within the 18 estates of the company during the period.

GRI 409-1



## OUR TEAM PROFILE

GRI ▶ 2-7

Our team of 3,666 employees is diverse in the skills, commitment and experiences that they consist with. Our all employees are Permanent and full time employees. Out of total, 52% & 48% our employees are women and male respectively.

### Total Employees - By Age

EMPLOYEES	
Under 30 Years	266
31-50 Years	2,137
Over 50 Years	1,263
Total	3,666

### Total Employees - By Service Period

EMPLOYEES	
Below 05 Years	1,009
6 - 15 Years	1,182
Above 15 Years	1,475
Total	3,666

### Total Employees - By Employment Type

EMPLOYEES	
Workers	3,321
Staff	289
Executive	56
Total	3,666

### Total Employees - By Gender

	MALE	FEMALE
	1,748	1,918
Total		3,666

### Regional Distribution of Workforce by Gender

GRI ▶ 405-1

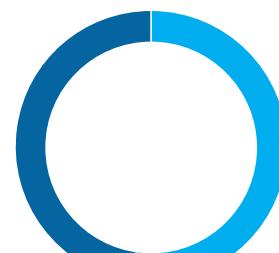
Region	Male	Female	Total
Kaluthara	489	482	971
Galle	276	239	515
Matara	341	157	498
Uva	628	1,031	1,659
colombo	14	9	23

### Governance Bodies & Employee (as per Employee Category) Diversity Representation

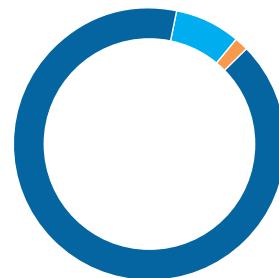
By Gender:

Male			Female	
%	No.	Governance Bodies	No.	%
83	5	Board of Directors	1	17
<b>Employee Category</b>				
100	3	Corporate Management	-	-
100	5	Senior Management	-	-
27	3	Executives-Head Office	8	73
75	3	Staff Head Office	1	25
100	37	Executives-Estates	-	-
77	220	Staff Estates	65	23

### Gender Wise Work Force



### Executive, Staff, Manual Work Force



# Human Capital

By Age:

	<30		30-50		>50	
	No.	%	No.	%	No.	%
<b>Governance Bodies</b>						
Board of Directors	-	-	1	17	5	83
<b>Employee Category</b>						
Corporate Management	-	-	-	-	3	100
Senior Management	-	-	4	80	1	20
Executives-Estates	13	35	5	14	19	51
Executives-Head Office	6	32	4	21	9	47
Staff Head Office	1	25	1	25	2	50
Staff Estates	37	13	168	59	80	28

## TALENT MANAGEMENT

GRI 401-1

We are proactive in our efforts to employ the "best" and "right" talent to our organization. We are an equal opportunity employer and do not discriminate based on gender, age or ethnic representation.

This financial year NPPLC has contributed to the country as a job creator as it has recruited 231 new employees for our estates. In the year under review 365 persons left our organization mainly due to retirement and marriage resulting in change of residence. Greater automation and mechanization of processes in both head office and estates and skill development of staff to adjust enabled us to recruit only on a need basis which has contributed to enhance productivity.

### New Recruitments

by Age Group:

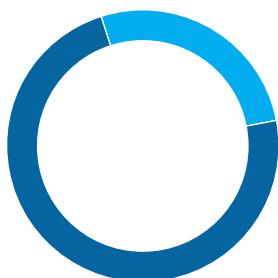
Age	<30	30-50	>50
No of employees	50	139	42
%	22%	60%	18%

### Staff Turnover

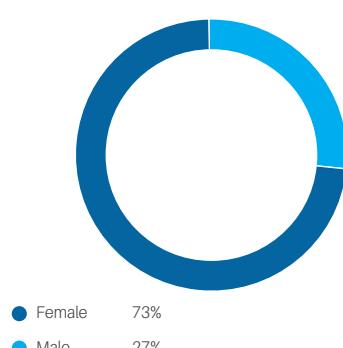
by Age Group:

Age	<30	30-50	>50
No of employees	51	128	186
%	14%	35%	51%

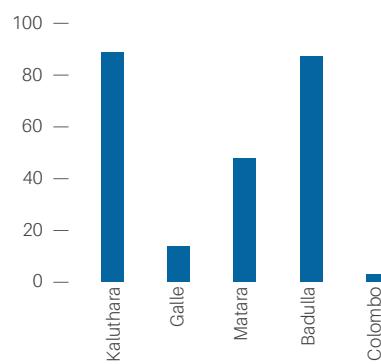
### New Recruitments by Gender



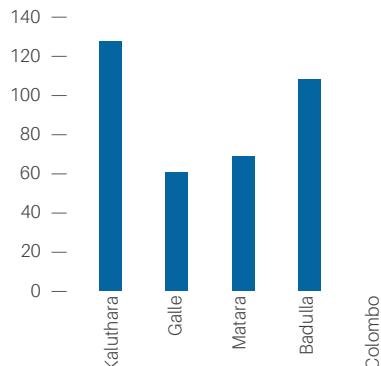
### Staff Turnover by Gender



### New Recruitments by Region



### Staff Turnover by Region



### REMUNERATION & BENEFITS

GRI 2-23/2-30/202-2/401-2

NPPLC employees of all grades enjoy many benefits provided by the Company which invests considerable funding above and beyond legal requirements. We believe these initiatives contribute towards a happier workplace and motivated workforce. We are abided by collective agreements towards the workers & estate staff of the Company (91% employees), and we ensure our employees from becoming economically vulnerable by protecting and respecting their rights through maintaining a considerable wage structure with respect to the requirements of the Wages Board. Estate workers received a basic salary of Rs. 1000/- per day from March 2021 since the wages model was revised by the Wages Board

in February 2021 and the minimum daily wage increased to Rs 1000/- with effect from March 2021 and it is not varied with the gender. Every employee receives same amount without considering the gender or any other special criteria. The gender equality ratio between females and males is 1:1.

In addition to the salaries and wages our employees receive following benefits as well.

Benefits	Staff category				
	A	B	C	D	E
Billet Allowance	x				
Medical Insurance/ Medical funds/ Health Care	x	x	x	x	x
Tea Allowance	x	x	x	x	x
Mobile Allowance	x	x			
Fuel/ Travelling/ Vehicles	x	x			
Water / Gas	x		x		
Electricity	x		x		
Accommodations / Quarters	x		x	x	
Free Drugs				x	
Food Staff Arrangements				x	
Death Donations			x	x	
Maternity Leave and Benefits	x	x	x	x	x
Overtime		x	x	x	

#### Staff categories

A - Executives-Estates      D - Staff Estates  
 B -Executives-Head Office      E - Associates  
 C - Staff Head Office

#### CARRYING OUT EMPLOYEE BENEFICIAL PROGRAMS

GRI ▶ 201-3/303-3/403-6

As the majority of our employees are resident on the estate, the benefits provided vary substantially between those who are resident and those at Head Office due to the varying nature of work. The largest employee category of Workers is provided housing and primary health care. Majority of estates operates a dispensary with a qualified estate medical officer and a midwife. Medicines are provided free of charge. Maternity clinics are available within the estate and a midwife visits regularly. Workers are transported by the Company to the nearest district/base hospital if the need arises. All funeral expenses of Associates are paid by the Company including location of the burial site. Employees injured during work are entitled to compensation, the value of which is determined at a standard rate which can be referred to the Commissioner of Workmen's Compensation in the

event of dispute. We also work in partnership with government and non-government organizations to facilitate the social-economic advancement of the Workers and their families.

Executive grade employees on the estates and all Head Office Employees are enrolled in a Medical Insurance scheme. All estate staff below the executive category are covered by a contributory medical scheme. Female employees are entitled to maternity leave of 84 working days for all births by practicing the labour regulations. Daily paid employees are entitled to a maximum of 17 days paid leave in the following year based on their attendance to work according to the labour laws of the country.

All permanent employees are enrolled in the Employee Provident Fund and Employee Trust Fund as per respective Acts. Accordingly, employees contribute 8% of their salary to the Employee Provident Fund whilst we contribute 12% and 3% for Employee Trust Fund. Gratuity is provided for the employees under the Gratuities Act of 1983 and it is paid to all the employees with over 5 years of service at the rate of 14 days wages for every completed year of service.

	Company contribution	2023	2022
	Rs.'000	Rs.'000	
E.P.F./E.S.P.S./C.P.P.S.	12%	113,849	116,309
E.T.F.	3%	28,719	29,647
Gratuity		153,154	95,760

#### Women Empowerment

As a peoples' business we have taken following actions to encourage women employment.

- Maternity leaves and payments - According to Government Regulations 84 working days are offered as paid Leave for all child births.
- A proper value is offered to female workers, as we are paying wages according to a structured salary system and there is no disparity with male salary.
- Creating a culture of zero tolerance for harassment and take complaints seriously.
- Day care centers have been established hence female workers can attend to work as their children are looked after.

# Human Capital

## MATERNITY LEAVES

GRI ▶ 401-3

	2022/2023	2021/2022
Entitled for maternity leave	1,888	2,003
Availed maternity leave	27	23
No.of employees that return to work	27	21
No.of Employees that returned and still employed	27	20
Return to work rate	100%	91%
Retention Rate	93 %	72%

## OCCUPATIONAL HEALTH AND SAFETY

GRI ▶ 403-1/403-8/403-3(2018)

Namunukula Plantations is fully complied with the Factory Ordinance, No 45 of Act 1942, Workman's Compensation Ordinance of 1935 and collective agreements with Staff & labour unions. Health & Safety Committee has been appointed at estate level with representation from field, the factory, divisions of the estate and medical staff which is headed by an Executive.

While we have been in the midst of unprecedented circumstances due to the ongoing COVID-19 pandemic, we have ensured that our commitment to employee health and safety by following the guidance provided by the World Health Organization and national authorities. All most all the employees are representing in the Health & Safety Committee and serious issues can be presented to the Manager for attention. Meetings are held whenever necessary and issues raised are reported to the Superintendent of the Estate. These joint management worker health and safety committee arrangements of estate management with employees and representatives of them are dignified with the collective agreement arrangements with the union representatives and management.

We are providing following health & safety coverages to our valuable employees continuously

- Maternity Benefits
- Death Grants
- Medical Aid Scheme
- Workmen Compensation

## INDUSTRIAL SAFETY AWARDS

Pallegoda Rubber Factory awarded the Merit Award in the Western Province at the Industrial Safety Awards organized by the Department of Labour.



## TRAINING AND DEVELOPMENT

GRI ▶ 404-1/404-2

Our regular training calendar includes customized programmes to add value to our employees.

- Skill Development Programmes
- ERP System Programme
- Implanting Programme
- Coffee planting programme
- Compost Training
- RA Training

The Company's training and development initiatives play a pivotal role in talent retention and ensured a sustainable competitive advantage as well as served as motivational tools.

Therefore, we aim to create a culture of continuous development to enable them to grow and succeed throughout their careers. During the year the Company has provided 8,590 training hours covering all the staff categories.



# Human Capital

## OFFERING FREEDOM OF ASSOCIATION AND MAINTAINING HEALTHY RELATIONSHIP WITH TRADE UNIONS

GRI 2-30/407-1

We have given the absolute freedom & opportunity for employees to join Estate unions and associations. Our employees are covered by "Worker Collective Agreement". The Collective Agreement covers a number of aspects such as salaries & wages, overtime, statutory contributions, work practices, grievance handling and dispute procedures, trade union action. We are always eager to hear the voice of the employees and their representatives, since they are key to our business, in this case we proactively engage with trade unions of our employees. These Collective Agreements are revised in every 02 years. Our every employee has right to collective bargaining. All employees receive benefits mandated by law and good working conditions.

### Labour Grievance Mechanism

Namunukula Plantations have a regular system to identify issues and solving mechanism. We have facilitated an open-door policy for employees to have direct communication with the superintendent of the estate when they have an issue. Every Wednesday is assigned as Labour Day and it is allocated for addressing labour problems. We always try to offer the best solution for the employees. In the reporting year we did not record any formal grievances related to violations of labour rights including human rights.

### Compliance with human rights, Statutory Laws and Regulations relevant to employment

#### Child labour

GRI 408-1

We do not utilize child labour in our estates. Abolition of child labour promotes economic and human development. We select suppliers who are not engaged in child labour. Further, education until Ordinary Level is compulsory in our

estates. Parents are encouraged to send children to schools daily. The child development officers, guide the worker children until such time they complete Ordinary Level exam.

Child care provided for resident employees in their divisions and welfare officers monitor attendance of children to ensure that they avail themselves of the early childhood development opportunities, nutrition and other measures taken to promote their health and well-being.

### Human Rights Protection

NPPLC always consider about the Human rights of our employees not because of it is a law, because it is a human value. As a Company we value the humanity more than anything and we are not limited to provide those defined human rights. We provide them the freedom, a human desire. If there is any issue with violation of human rights, the employee is able to have an open communication with management and have suitable solutions. There is a day allocated for employees to inform any grievance at the estates.

## ENGAGEMENT WITH THE LOCAL COMMUNITIES

GRI 202-1, 413-1/2

We are highly engaged with the local communities as a plantation Company since many of the inhabitants are directly and indirectly involved in our operations. We've gone above and beyond the employee level on numerous occasions, collaborating closely with the estate and the surrounding community at large. We organize several awareness workshops followed by demonstrations to help them to get better understand on the fundamentals of financial literacy, health, and safety.

We also collaborate closely with a variety of government and non-governmental organizations (NGOs) to deliver high-quality training and awareness programs, as well as study tours. We also work closely with the village communities and have built a connection with them, so that they can raise issues to the estates directly through the Community Development

Forum. Villagers also use the mechanism of complaining through the Grama Sevaka and Divisional Secretariat to convey their grievances.

We shall consult local communities regarding plans for new projects, constructions, diversification or any other operational changes that affect the local communities and their views will be considered in the decision making process also we screening environmental & social impact before starting any major project & operational change. This social impact assessment is applicable for projects where the Environmental and Social screening has identified as a need to assess social risk and impact issues. Its purpose is to identify and analyze potential adverse impacts and to ensure that the needs and conditions of people affected by a proposed project are fully taken into account in project design and that suitable mitigation measures are identified as needed. It should also contribute to enhance opportunities for developmental benefits for affected groups.

The organization hired senior management from the local community including 100% Sri Lankan resident citizens who are expert in the industry to handle all agricultural operations related to our Company and having high management skills as senior management. Well Qualified & industrially experienced head of senior management is coordinating & directing all estate operations. Through this we have given the priority for the local talent and knowledge.

### Investments in community level projects

Many residents in the communities don't have basic conveniences as they do not invest in the upkeep of their residences due to ownership issues. Thus, plantation companies work with the Plantation Human Development Trust to provide them with adequate housing and accommodation to ensure that an acceptable standard of living is maintained within the estates managed by us. The PHDT is an Organization consisting of the Government of Sri Lanka (GOSL), Regional

Plantation Companies (RPCs) and Plantation Trade Unions (TU) formed by the GOSL to implement social development programs to enhance the quality of life of the one million Plantation Community in the Estates managed by the Regional Plantation Companies of which Namunukula Plantations is one. Namunukula Plantations has contributed LKR 8,372,584.52 to PHDT during the financial year. Furthermore, our CSR activities are implemented based on our community and their welfare. Details of our CSR projects are contained at the end of Social & Relationship Capital report in page no 114 to 116.

### AGAINST CORRUPTION

GRI 205-1

As the Management team we are the Agents of shareholders of the Company. Hence, we have responsibility in preventing the corruptions at the Company and Estates to save Shareholders' wealth. Thus, we have applied strong control systems and processes to eliminate the errors and frauds from top to lower level of the organization. Anti-corruption training has been given to our Executive employees with decision authority. All internal operations are conducted as a process of approving. Approval levels are defined based on their level of hierarchy. All accounts prepared by the estates are rechecked by Head office management team with staff. At the estate level watchers are engaged for securing the plantations assets such as factories, machineries, Bungalows, Office premises etc. We receive the service of Group Internal Audit team with the industrial experts' knowledge continuously. Further External auditors visit estates and head office annually.

# INTELLECTUAL CAPITAL

Intellectual capital is the intangible assets that contribute to an organization's value and competitive advantage. It is vital for driving innovation, enhancing productivity, and fostering sustainable growth. Intellectual capital enables organizations to adapt, differentiate from competitors, and create new products and services. It facilitates knowledge sharing, collaboration, and learning, leading to improved decision-making and problem-solving. Additionally, it can be leveraged to attract top talent, build customer loyalty, and enhance reputation. Effective management and utilization of intellectual capital are crucial for success in the knowledge-driven economy, requiring organizations to invest in strategies for identifying, capturing, protecting, and leveraging their intangible assets.



Managing the knowledge based intangible assets is vital importance because such assets can significantly impact company value. NPPLC's intellectual capital consists of our corporate values and culture, market positioning, governance structures, leadership styles, collective knowledge, quality standards, best practices, governance framework, Information systems, other unique systems and processes and also innovative strength.

## Value Creation through Intellectual Capital

Intellectual capital stands as our critical drivers in building and reinforcing our value proposition which gives us a point of differentiation in a highly competitive industry. We work together with our stakeholders to strengthen these intangible assets while focusing on optimizing and creating derived intellectual capital value.

## Strategic Responses for 2022/2023

- Complied with recognised certification guidelines on quality and standards.
- Invested in latest technology, machinery and equipment to improve current processes.
- Developed skills and empower the workforce.



**Best Presented  
AR awards and  
SAARC Anniversary  
Award 2020**  
Agriculture Sector

**GOLD AWARD**

**CA Sri Lanka  
Annual Report  
Award Competition  
2019**  
Plantation  
Sector

**BRONZE AWARD**

**2<sup>ND</sup> HIGHEST  
OIL PALM PRODUCERS IN  
SRI LANKA**

Highest Share price at  
CSE Main Board  
Plantation Sector  
Rs. 362.75

2nd Highest  
Oil Palm Producers  
in Sri Lanka

## TACIT KNOWLEDGE

Company strive to acquire, share, improve tacit knowledge and our procedures ensure that employees have knowledge and possess the required high experience level to drive business goals and strategies. Further, as Namunukula Plantations employs a mix of experienced and newly graduated people, the Company is well poised to benefit from the industrial and fields experience of employees and employees who bring the newest and latest business practices to the Company's business operations.

Company culture incentivizes knowledge sharing behaviour and retain older employees to preserve the tacit knowledge of the Company. Mentoring, Coaching, Workplace collaborations, meetings and brainstorm sessions are used as the knowledge sharing tools by the Company. Since tacit knowledge is mostly experiential, employee training and development become pivotal. We conducted, facilitated and encouraged to participate in training programmes to improve technical, industrial as well as professional knowledge of our employees.

Our board of directors comprises individuals with diverse experience and expert knowledge which shows an appropriate mix of knowledge and experience at the top of the Company to take Namunukula Plantations higher. Senior management consists of well – qualified experts who have been working in the corporate industry for many years.

Overall, Namunukula Plantations' emphasis on gathering, disseminating, and enhancing tacit knowledge via a variety of programs and structures reveals a dedication to ongoing learning, growth, and retaining a competitive advantage in the industry.

## INNOVATION

Innovation is a crucial factor in driving business success, and creating an environment that fosters innovation is critical. We inspire our employees by creating an environment within our business that encourages innovative

thinking and action. We stimulate our employees to be honest and open to convey their ideas while explore initiatives without fear of retribution. As a preliminary step towards innovation we strive to hire people who could understand the vision & align with our culture but have different perspectives and diverse backgrounds. We create work practices to encourage new initiatives and take quick actions to implement employee ideas and suggestion where possible. This approach can also increase employee motivation and engagement as they feel their contributions are valued and appreciated.

## CORPORATE VALUES & CULTURE

The Namunukula Plantations corporate culture is derived from the Company's vision, mission, values, governance framework, leadership structure and corporate hierarchy, and our approach to risk management. By applying the values of agility, proactiveness, integrity, quality and team spirit, the Company is well-poised to work as one team in an ethical and transparent manner to create value to stakeholders. Agility ensures that capability to sense, create and respond to change quickly and confidently, Proactiveness ensures Behaviour involves acting in advance to deal with future situations, Integrity ensures honesty in all we do by everyone who is a part of the Company, Team spirit ensures the feeling of pride and loyalty that exist among the team members, while Quality allows Commitment to meet business and customer requirement in a satisfactory way.

## CORPORATE INTERNAL PROCEDURES

The Company's adoption of best practices is not limited to only Company processes but also is shared with and promoted to our backward and forward integration partners as part of a broader commitment towards quality improvement across our value chain. The Company's backward integration strategy focuses on developing durable relationships with the small holder base by providing extension services including development programs to enhance adoption of Good Agricultural Practices.

In turn, the Company's forward integration strategy seeks to strengthen our relationships with tea brokers who facilitate the sale of tea through the auction process. We share best practices and other developments in the industry to enable our forward integration partners to understand the depth with which we adopt current and sustainable practices in our production processes thereby enabling the reputation of our products to be improved in the marketplace.

Namunukula Plantations encourages collaboration and cooperation throughout its value chain by extending its best practices to both backward and forward integration partners. This approach not only benefits the Company, but it also helps to enhance quality standards and sustainability of the industry.

## CORPORATE GOVERNANCE SYSTEM & RISK MANAGEMENT

The Company's extensive governance framework, incorporating mandatory requirements and voluntary best practices, alongside a robust risk management model, ensures transparent and ethical management while proactively mitigating risk factors. These elements of intellectual capital contribute to maintaining the Company's corporate reputation in the marketplace. The governance framework outlines procedures that ensure effective and compliant operations, promoting integrity and accountability. Together, these practices form a strong foundation for corporate governance, fostering responsible business conduct and safeguarding the Company's reputation. By upholding transparency, ethics, and proactive risk management, the Company demonstrates its commitment to responsible practices and strengthens its position in the marketplace.

## CROP DIVERSIFICATION

When creating a sustainable agriculture, the most important and the most basic challenge is to make best use from available biophysical and human resources. We have recognized that diversification of agriculture is an alternate way for the regeneration and conservation

# Intellectual Capital

of resources and attempts to diversification which would ensure sustainability in agriculture. Crop diversification makes the way to spread production and income risk over a wider range of crops, thus reducing livelihood vulnerability to weather or market shocks. Monocultures often deplete specific nutrients from the soil, leading to soil degradation. Crop diversification helps break pest and disease cycles and allows for more efficient nutrient use. It can also improve soil structure and reduce erosion, thus enhancing long-term soil health and fertility. NPPLC has recognized Plantations with diverse crop portfolios are better equipped to withstand climate change impacts. Different crops have different tolerances to temperature, rainfall, and other climatic factors.

## In-house Developed Information Systems

In-house developed information systems can be tailored specifically to the organization's unique requirements and workflows. We believe confidential and responsive information systems are critical to stay ahead of the curve. The Company is currently in the process of upgrading the existing MIS system of Mark Sys to ensure the business is fully equipped to optimize information availability to take correct decision taking. An effective and reliable internal information system can give the Company a competitive edge. It can boost user requirement, increase productivity, and help strategic decision-making.

## GROUP SYNERGY

As part of the Richard Pieris Group, part of biggest plantation family and one of the venture partner of a Joint venture arrangement having to manufacture Palm Oil Production called AEN Palm Oil Processing (Pvt) Ltd, we tap into high standards of systems & procedures, Strength of forward integration, highly evolved systems of management and expertise of leading industry professionals in the country.

## International Certifications

- Rainforest Alliance – Sustainable Agriculture Standard



This certification is designed to support certificate holders to maximize the positive social, environmental, and economic impact of agriculture, while offering workers an enhanced framework to improve their livelihoods and protect the landscapes where they live and work. During the year under screening Company obtain Rainforest Alliance certificate for our Hindagala, Kinellan & Kandahena Estates.

- ISO 22000:2018 – Food Safety Management

This Certification covers,

Food safety  
Food quality assurance  
Food hygiene

This ISO 22000:2018 Certificate obtain 05 tea factories of NPPLC namely Gonakelle, Canavarella, Hindagala, Kinnalan and Baddegama which is valid for the scope of manufacturing of orthodox black tea grades.

- GMP (Good Manufacturing Practices for Biological, Chemical and Physical hazards)

GMPs, Good Manufacturing Practices, are implemented procedures and best practices undertaken to remove, reduce and control physical, chemical and biological hazards in the processing environment. Hindagala & Kinellan Estates in Uva range obtain this GMP certificates.

## OUR BRANDS

Our brand is the collective impact or lasting impression from all that experienced by stakeholders with Company. We have remained committed and upheld sustainable agricultural and manufacturing practices to reach out to operational excellence. This has paved the way to position our brands for quality and standards, secure market confidence and attract premium prices, even ahead of the national averages in several instances.

## LEISURE SERVICE

Namunukula Plantations PLC has holiday bungalows in Yatadola, Citrus and Hindagala estates. Renting out these holiday bungalows add value to the NPPLC brand through the recognition of local and foreign customers as a leisure product.

# SOCIAL CAPITAL

Social capital refers to the value and resources derived from relationships, networks, and social connections within a community or society. It encompasses social norms, trust, reciprocity, and social cohesion. In the context of businesses, social capital is important as it can lead to increased employee engagement, collaboration, innovation, and improved organizational performance. Positive social norms fostered by social capital can create a supportive work environment, improve team dynamics, and lead to higher employee morale and productivity. Social capital can also impact stakeholder relationships, customer satisfaction, and competitive advantage. Understanding and leveraging social capital can have significant benefits for businesses in today's dynamic and interconnected business environment.



Social and relations capital of the Company consist the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. It encompasses the norms, and trust that facilitate cooperation and coordination among these stakeholders.

## Value Creation through Social & Relationship Capital

The Company is aware that financial performance and business growth are dependent upon our ability to sustain strong relationships with these external stakeholders and hence, we create an operating climate which enables meeting these stakeholders' expectations in the long term.

## Strategic Responses for 2022/2023

GRI 2-27

- Communicate and gained commitment from internal and external stakeholders.
- Maintain ethics throughout the value chain.
- Collaborate with certification and monitoring bodies to strengthen the operations.



## Social Relationship Capital

### Health & Social Welfare Activities

- Construction of CDCs (Child Development Centres) under World Bank Assisted ECD (Early Childhood Development Project)
- Eye Screening Programmes
- Awareness Programme on Enhancement of Nutritional Status
- Tuberculosis awareness programme

### Mobilization Activities

- Home gardening awareness programmes
- House Hold Cash Management Programme

### Engineering Activities

New Life Housing Programme



## LOCAL COMMUNITY

GRI ▶ 413-1

We believe that the relationship with local community is the food for the soul of the Company and no longer an afterthought or corporate window dressing. Competitive business and social pressures are forcing redefinition of relationships between the Company and the community.

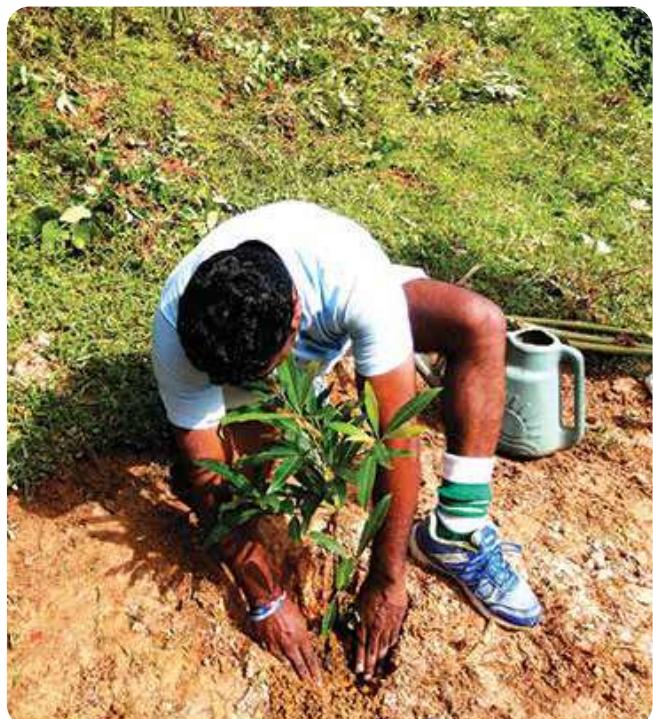
### Our commitment towards local community,

- Investing in community level development projects.
- Conduct proper Grievance System for the community to convey their common needs and issues.
- Carrying out awareness programs on public development. Facilitate community with vocational training programs and scholarship schemes.
- Cooperative relationships with Government and non-governmental organizations for community welfare.
- Consult and get the views of local communities regarding plans for new projects, constructions, diversification or any other operational changes.
- Screen environmental & social impact before starting any major project & operational changes.

As a responsible corporate organization, NPPLC holds deep concern for our social community, recognizing its utmost significance to us. We firmly believe that the well-being and welfare of society are of paramount importance to our Company. The Company has conducted an Awareness Program on Nutritional Status Enhancement intends to educate and empower individuals and communities about the importance of nutrition and its impact on general health and well-being. By enhancing the nutritional status of individuals, the Company can contribute to improving their quality of life and reducing the burden of preventable diseases. A well-nourished population is more likely to be healthier, have improved cognitive abilities, and be more productive.

As a part of our CSR programs, we continued to grant financial assistance to children of all categories of employees to pursue their studies at universities. A monthly payment is granted to all children until they complete their university studies. As of date, NPPLC has granted financial assistance to over 300 children from the inception of this program.

We are conducting a Gardening Awareness Programme led by a PHDT officer and an Agricultural Officer, which has a significant social impact. The program promotes food security, self-sufficiency, and sustainable practices while improving health and well-being. During the economic crisis in Sri Lanka, we are actively promoting and encouraging our employees to engage in personal food cultivation. This initiative aims to empower our employees to become self-sufficient and resilient in the face of



# Social Relationship Capital

challenging times. By cultivating their own food, our employees not only gain access to fresh and healthy produce but also contribute to mitigating the impact of rising food prices and scarcity. We believe that fostering a culture of self-sustainability and resourcefulness will not only benefit our employees but also strengthen the overall well-being of our organization during these challenging times.

The social community holds immense importance to our Company. NPPLC has organized a Soap Making Programme joining with the divisional secretariats aims to empower women in the village by providing them with the skills and knowledge to produce soap. By offering this program, the Company enables women to acquire valuable vocational skills that can enhance their economic independence and financial stability. We are conducted a Tuberculosis awareness program as a responsible Company demonstrates a commitment to public health, contributes to disease prevention and control, empowers communities, reduces stigma, and aligns with corporate social responsibility goals. By actively engaging in such initiatives, companies can have a positive social impact and contribute to the well-being of the community we serve.

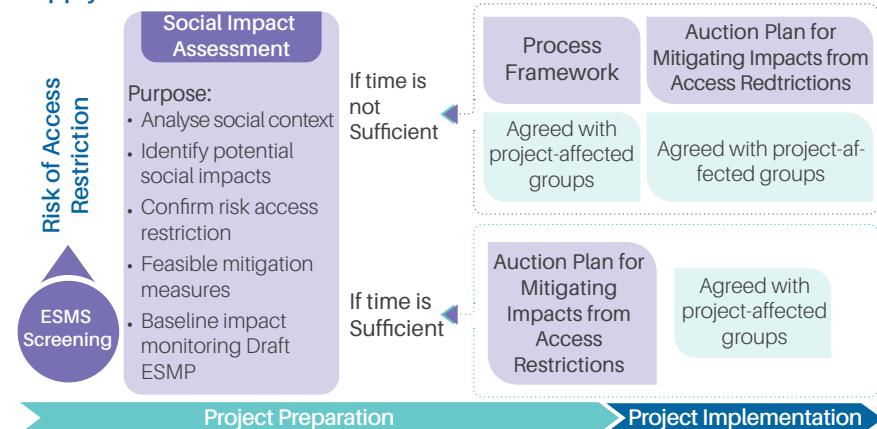
We have initiated water treatment facility projects for our estates and neighbouring villages with the aim of mitigating illnesses. These projects are designed to address the pressing issue of waterborne diseases by providing access to clean and safe drinking water. By implementing these facilities, we are taking proactive measures to ensure the well-being and health of our employees and the surrounding communities. We firmly believe that access to clean water is a fundamental right, and by undertaking these initiatives, we are actively working towards creating a healthier and more sustainable environment for everyone involved.

Over the past few years, we have organized various shade planting projects as part of our initiatives. These projects aim to create and enhance shaded areas within our surroundings. By actively

engaging in these aspire, we prioritize the importance of providing comfortable and cool environments for our employees and visitors alike. The benefits of shade planting extend beyond mere elegance, as it contributes to the overall well-being and productivity of individuals in the area. We are proud to have undertaken these planting projects, as they align with our commitment to fostering a greener and more sustainable future.

## Process of preparing Social Impact Assessment and Action Plan for Mitigating Impacts from Access Restrictions

### Supply Chain of NPPLC



### SUPPLIERS

GRI 308-1/408-1/414-1

NPPLC's procurement practices are handled centrally by the procurement department of Richard Peiris Group through a proper evaluating process. We have a large supplier base because of the diversified operations dispersal of the Company. Company follows a multipronged approach to create value for our suppliers. We are consistent in managing our transactions with them, ensuring professionalism in meeting our payments and contractual obligations.

### SUPPLIER ASSESSMENT

GRI 414-2

The Company has a supplier assessment policy to ensure they are able to deliver the products and services to the quality and standards required by the Company. Our supplier assessment is carried out in accordance with Environmental, Social and other business considerations.

- Environmental considerations - Waste management, Compliance with environmental laws and regulations, Resource consumption.
- Social considerations - Child labour and labour practices, human rights, working conditions, compliance with labour laws
- Other Business Considerations - Governance, legal background, quality assurance, capacity, deliverability

We conduct a supplier assessment for Labour practices and social effect for all our material suppliers. When we are selecting our suppliers, we consider not only the economic factors but also other sustainability factors such as labour practices and social impact as well. We always decry using child labours and unfair labour treatments. Hence as a responsible corporate citizen in the country we prevent from getting supplies from companies which have no proper labour practices.

## PROMOTING LOCAL PROCUREMENT

GRI ▶ 204-1

We always emphasize on local suppliers to retain our generated value within the country. Other than certain fixed assets including tea colour sorter, oil palm picking polls and utilities which are only 1% from the total value of purchases, rest of the purchases were done from domestic suppliers. Also we encourage our supply chain to procure supplies through the local market.

## BUYER, BROKERS AND CUSTOMERS

At NPPLC, we plant, manufacture and dispose. Our end customer focus strategy is driving us to be more aware of producing quality products. Majority of the tea produced is sold at the public auction and remaining percentage sold as direct selling. To obtain higher auction prices against the increasing cost of production our factories focus on the product quality.

Considering our focus on oil palm production significant value addition prospects exist through a joint venture conducted at group level in conjunction with Agalawatte Plantations PLC and Elpitiya Plantations PLC. AEN Palm Oil Processing (Pvt) Ltd (AEN) will provide processing facilities for all of NPPLC's palm oil output, with each Company involved in the joint venture enjoying one third of the ownership and profit generated. We focus on better quality fresh fruit bunches to add more value to our joint venture.



# Social Relationship Capital

## MEMBERSHIP ASSOCIATIONS

GRI ▶ 2-28

In addition, to further improving our production practices we are interacting with some institutions and have obtained membership from those. NPPLC is a member of The Colombo Tea Traders' Association, The Planters' Association of Ceylon, The Colombo Rubber Traders' Association, The Employer's Federation of Ceylon, Species and Allied Products Producers & Traders Association & Palm oil Industry Association of Sri Lanka. Further NPPLC maintains links with key institutes such as Rubber Research Institute of Sri Lanka, Tea Research Institute, Coconut Research Institute, Sri Lanka Tea Board, University of Peradeniya, The Institute of Chartered Accountants of Sri Lanka and the Association of Accounting Technicians of Sri Lanka.



## ENSURING CUSTOMER HEALTH AND SAFETY

GRI ▶ 416-1/416-2

Our tea products are primarily sold through auction systems or directly to buyers, with limited direct interaction with end consumers. However, we recognize the importance of meeting the needs and expectations of our buyers and have proactively invested in obtaining relevant certifications to provide assurances of the quality of our systems and processes across our tea estates and factories. As part of this effort, certain estates within our organization have successfully implemented the ISO 9001-2005 Food Safety Management System, which further reinforces our commitment to delivering high-quality products that meet rigorous food safety standards. Further, NPPLC is pleased to confirm that we have recorded no incidents related to non-compliance with health and safety regulations with respect to the production and sale of our products. This is a testament to our organization's steadfast commitment to ensuring that our operations and products meet the highest standards of safety and quality.

## EXTERNAL ASSURANCE ON QUALITY

NPPLC has obtained ISO 22000 - 2018 food safety management certificate for Hindagala, Kinellan, Canavarella and Gonakelle Estates located in Uva range. Also in Lower range Baddagema Estate has obtained HACCP and ISO 9001-2005 certification.



## RESPONSIBLE INFORMATIVE LABELLING

GRI ▶ 2-27/417-1/417-2/417-3

Our Product labelling of Tea contains all required information as guidelines set out by the Sri Lanka Tea Board and the Ceylon Tea Traders Association on product information and labelling. Our packaging stenciled onto each package, the required product information to support our customers in ascertaining the quality of our teas including Company name, MF Number, Garden mark, Grade, invoice number, Net weight, Tare Weight and Gross weight on our labels.

Incidents of non-compliance with regulations concerning product and service information and labelling have not been reported and no monetary fines were paid during the year under review.

## PRODUCT AND SERVICE INFORMATION AND LABELLING

Our agricultural practices on all estates confirm to the requirements of the Tea Research Institute of Sri Lanka and other certification requirements. We want going ahead with complying with all these labelling requirements specified by regulatory authorities.

## GOVERNMENT AND REGULATORY BODIES

GRI ▶ 2-28/201-4/415/415-1

We are the Company which was privatized in 1992 by the Government of Sri Lanka and we are maintaining a good relationship with the Government. We have managed our plantations effectively and generated a positive value fulfilling the purpose of privatization. Some Financial Assistance and Grants are provided by the

Government through institutions to achieve national goals such as increasing housing facilities and achieving full employment etc. Financial assistance received from Government is as follows,

Institution	Nature of Grant	2022/2023	2021/2022
RRI	Rubber Replant subsidy (Rs.'000)	496	4,446
PHDT	Worker housing projects, Roofing (Rs.000)	0	0

Apart from that, our organization maintains a non-partisan stance and does not engage in any political activities. Additionally, we confirm that no financial contributions were made to any political party during the specified period.

## OUR INDIRECT ECONOMIC IMPACTS

GRI 203-2

### Strengthened the small holder families

Currently, the direct supplier base of tea small holder growers of NPPLC stands at 2187 living around our estates. We are always trying to give additional knowledge, advice, supporting services, to improve their life styles to go beyond traditional marketing approaches. Most of our small holders are giving job opportunities to another few families by offering working in their tea fields, plucking, transporting leafs etc. Therefore, our bought leaf operation is creating indirect employment opportunities to approximately 5,000 families.

### FOREIGN CURRENCY SAVING

Sri Lankan production of oil palm is not sufficient for Sri Lankan consumption. Therefore, every year we have to use more foreign exchange to import palm oil. As the second highest oil palm producer in Sri Lanka we also contributed to this import reduction and foreign exchange saving of the country by fulfilling local requirement of Oil palm.

# NATURAL CAPITAL

The Company's natural capital consists all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of the company. With the continuous growth of the operations and performance of the company during the past period, our attention has been positively increased towards the natural resources, energy consumption, waste management and discharge of effluents with strategic implications as well.



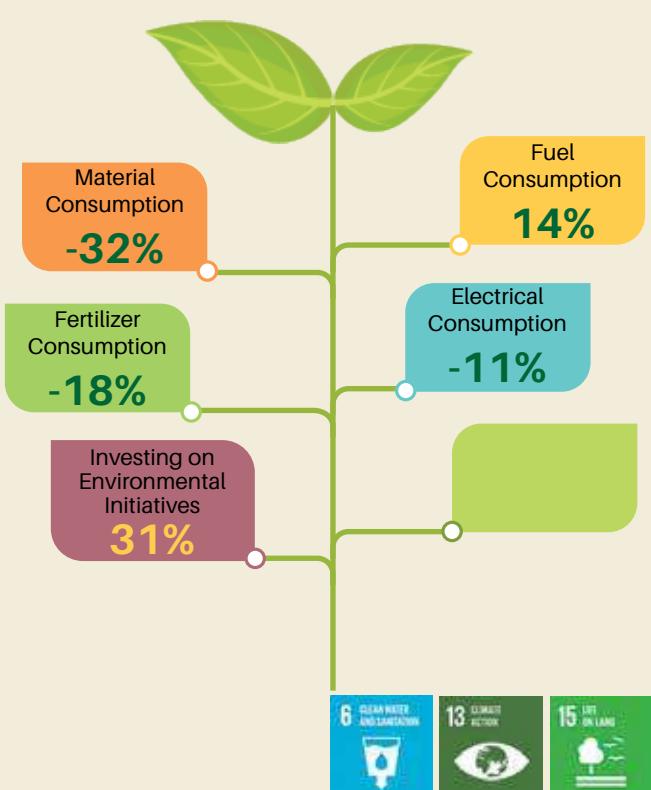
Natural capital is essential for business operations as it provides critical resources. Namunukula Plantations, as a business entity, relies on natural capital to support its operations. Natural capital refers to the natural resources and ecosystems that provide critical resources for business operations, such as water, soil, air, and biodiversity. These resources are essential inputs for agricultural production, and their availability and quality are crucial to the success of the business. By recognizing the importance of natural capital and integrating sustainable management practices into their operations, businesses can enhance their resilience, competitiveness, and long-term success.

## Value creation through Natural Capital

The Company is aware that financial performance and business growth are dependent upon our ability to sustain strong relationships with these external stakeholders and hence, we create an operating climate which enables meeting these stakeholders' expectations in the long term.

## Strategic Responses for 2022/2023

- Manage and reduce environmental footprint to mitigate the potential risks towards the environment.
- Strive towards reducing variables that impact the environment negatively through managing waste.
- Invested on environmental initiatives to protect and conserve biodiversity.
- Satiate water requirements from sustainable sources to ensure the optimal utilization.
- Adhering to established environmental policies to outline business activities with a minimum environmental impact.
- Following sustainable procurement practices that prioritize environmentally friendly products and services.
- Engage with stakeholders, including the local community, to build support for environmental initiatives and gather feedback on the business's environmental performance for continuous improvement.



## MATERIAL MANAGEMENT

GRI ▶ 301-1/301-2

NPPLC consumes a great quantity of materials during operations and manufacturing processes commencing from planting seeds to transportation of products to auction market. Given that many such materials are manufactured using scarce natural resources, we must be responsible in their usage. We believe that the sustainable material management is important part of conserving natural resources, reducing waste and minimizing our footprint on the environment. So following initiatives were implemented to keep up with that responsibility,



- One sided used papers are gathered and reused.
- Staff is allowed to use limited office materials for a period as they need approvals for stationary orders.
- Transforming towards the natural alternatives such as compost and other organic fertilizer categories
- Estate employees are educated for mindful consumption through awareness programmes.
- Replacement of inefficient machineries with efficient ones to reduce the material wastage.

Further, we continuously improving strategies to minimize non-renewable materials and encourage use of recycled materials. As a result, we implemented a system to use refused tea for tea cultivation to fertilize the lands and that resulted for a reduction of fertilizer consumption during the reporting period.

Renewable material used					
	Source	Units	2022/23	2021/22	Change
Bought leaf	External	Kg	1,386,079	2,659,075	-48%
Estate leaf	Internal	Kg	4,650,931	6,802,231	-30%
Rigid tea sacks	External	No.of bags	15,524	32,158	-52%
Multi paper sacks	Supplier	No.of bags	14,439	23,864	-39%
Firewood	Internal/ External	M3	11,603	12,597	-8%
A4 usage	External	Packets	434	442	-2%

Non-Renewable material used					
	Source	Units	2022/23	2021/22	Change
Fertilizer	External	Kg	1,489,534	1,825,655	-18%

(This information is captured from details of purchase orders and information from estates)

## ENERGY MANAGEMENT

GRI ▶ 302-1

Efficient energy utilization is a smart business decision. As a sustainable business entity, it reduces costs, builds reputation, and leads the fight against climate change. The significant portion of energy cost comprises the cost of withering and drying process, where the need of thermal energy is fulfilled by the trees planted specifically for burning purposes. Thus NPPLC has moved into strategies of efficient energy utilization. Since NPPLC's manufacturing process associate with a number of electrical or mechanical powered machineries which consume significant portion of renewable and non-renewable energy sources, energy management became crucial element for the Company. We have in place several initiatives to ensure efficient consumption of energy throughout the operations by complying to rules and regulations. Those are as follows,



- Lighting of Estate Buildings and premises are replaced with LED bulb system and more efficient accessories as a long term cost productive step.
- Rubber factories are not fully covered thus the natural light can be used for manufacturing processes during day time.
- Use of energy efficient machines and equipment.
- Cultivate trees with the purpose of using as fire wood instead of cutting valuable trees.
- Employees and community are educated about mindful energy consumption.
- Maintaining air condition at standard temperature.
- All Estates are monitored closely about their energy consumption on Electricity and fuel.

## Natural Capital

Fuel & energy consumption				
Non-Renewable sources	Unit	2022/23	2021/22	Change
Petrol	Liters	19,652.00	17,462	13%
Diesel	Liters	227,802	199,545	14%
Renewable sources				
Firewood	m3	6,969	12,597	-45%
Electricity consumption	Kwh	1,662,018	1,864,225	-11%

### WATER & EFFLUENT MANAGEMENT

GRI ▶ 303-1/5/303-3

Water is considered as the blood of life because it ensures the existence of living beings. As a plantation Company, large fraction of business processes of NPPLC is driven related to natural environmental conditions with the interaction of water and water sources. Also, as an ethical business entity, we believe the concept of sustainability. Therefore, NPPLC withdraw, consume and discharge water with care about the ecological balance and the quality of life of the local communities in the areas of our operations are carried out. Even though the essentiality of water is less in tea manufacturing process, rubber manufacturing process is based on water presence. We withdraw water for our usage from following sources.



- Surface water - water pumped from rivers, lakes and wetlands
- Ground water
- Harvested Rain water
- Municipal water

Due to the complexity of collecting data we were not able to maintain proper records on water withdrawal of above sources separately. However, below stated data relevant with Head office are directly measured and Estate Details were estimated by using information of statutory standards of Rubber Research institute of Sri Lanka.

Water Withdrawal  
32 Megaliters

Water Consumption  
13 Megaliters

Water Discharge  
5.09 Megaliters

We believe that working with stakeholders such as pressure groups, Researchers, government as well as the general public is critical for us to steward water as a shared resource and account for the needs of other water users of the catchment. However, for now there is no shortage of fresh water resources in operational regions, there are no difficulties in meeting the demand for water for human and ecological demands in our estates. Further, NPPLC is carried out its business operations concerning the potential risks associated with water scarcity, quality and access to water

sources in the region and we have arranged discussions with those stakeholders get to put their heads together for an exchange of ideas and information.

We see this as the process of not only allocating and using water as a resource in a sustainable and efficient manner but more importantly in developing and improving our resources through improved water retention techniques. Our crops do not depend on irrigation for its survival but basically depends on inherent ground moisture levels and to that extent, the retention, preservation and revitalization of ground water levels. This is paramount important in regularizing the flow of water in our streams, water ways a spring and to prevent them from drying out especially at a time when their active flow becomes critical at times of dry weather in meeting the needs of our resident population.

Hence our focus has been to reduce ground temperatures as far as possible, improve the permeability and water retention capacity of our soils, and improve recharge structures so as to reduce or eliminate the surface flow of water direct to the ravines and rivers. Continuous surface flow can be very destructive and environmentally unfriendly doing absolutely no favour to what we strive for.

We carry out a range of initiatives to watershed management mentioned as follows,

- The Company seeks to fulfil part of its requirement from green water sources through rainwater harvesting. Under this resorting to deep draining is used to maximize the harvest of rain water while founding tanks and ponds for water harvesting at strategic locations.
- NPPLC uses water reuse and purification procedures to bring wastewater back into original condition.
- Promote awareness and culture of water saving among employees.

### Wastewater Purification Systems

▶ 303-2/303-4

As Rubber manufacturing requires considerable extent of water NPPLC uses water reuse and purification procedures to bring wastewater back into original condition. Along that process, purified water is used over for production and operational activities. As per RA requirements, NPPLC has constructed soak pits in Estates for cleansing water before release to outside. Also chemical mixed water is released through soak pits and a proper purification process. Also in Yatadola, Pallegoda and Eladuwa Estates, Waste water purification projects are conducted.

During the year 2022/23, the amount of water discharged in processing above Rubber factories after purification stood at 5.09 Megaliters.

## Waste Water Treatment Practices

The waste treatment practices may change according to the volume of rubber processed by each factory and the processing plants are being designed taking in to consideration the maximum volume of latex that will be processed for a day. The major component is the water that discharged form factory to be treated and air pollution, solid management are not major problems hence we will be discussing mainly on the water treatment process adopted by Namunukula Plantation crepe rubber factories.

### End of Process Treatment

Basically wastewater treatment can be divided into pretreatment, secondary treatment, and tertiary treatment.

#### • Pretreatment

The effluent plants that are in place has the rubber trap used for arresting suspended matters they have holding capacity of at least 12 hours with proper baffles to induce continuous up and down flow pattern. It has been designed to reduce suspended solids by 40% to 60%. The equalization tank has one-day detention time, therefore depending of the capacity of the factory some have two equalization tanks, each of them with one-day detention time.

#### • Secondary treatment

Following the primary treatment, the effluent is subjected to the biological treatment and considering the land availability the biological process is subjected to an extended aeration activated sludge type biological treatment process. An aerated work throughout the day to provide the required oxygen for bio degrading if any digestible properties remaining in the effluent.

The above measures will reduce substantial quantity of pollutants particularly BOD and suspended solids. With the primary treated effluent being treated here as secondary and biological treatment unit and it is observed and proved at testing render to secondary treatment by adoption of extended aeration activated sludge process. The biological treated effluent is then released to a settled in a secondary settling tank. The anaerobic as detailed above is followed by releasing the treated water to aerobic ponds where discharge water is left for 15 - 16 days in the anaerobic tanks for further divesting in order to eliminate any risk of discharge water. The ponds are built keeping the required distances from the natural water sources and other water collecting facilities to prevent any contamination.

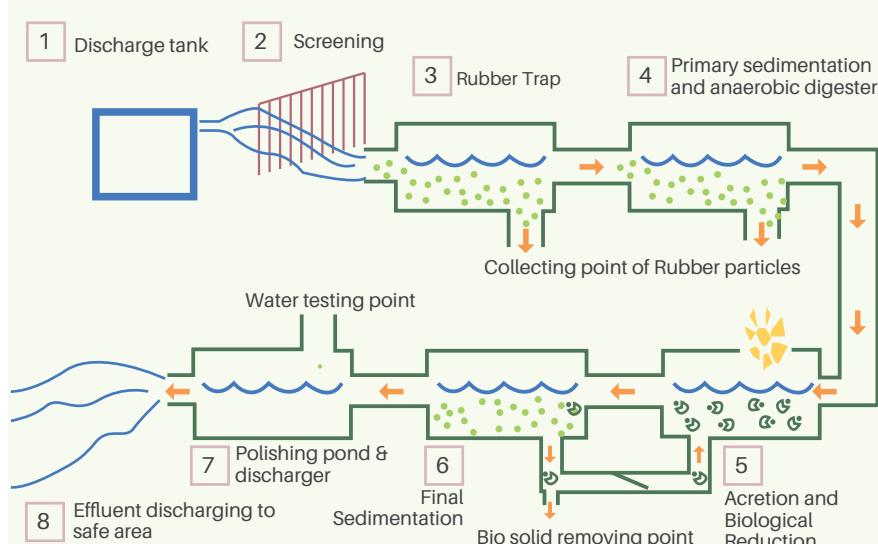
#### • Tertiary treatment

The water discharge from the secondary settling tank is further kept in a Tertiary Treatment Tank for observation of sludge and chemical disorder in the remaining water. Periodically checks are done to ascertain the COD and BOD levels and if the water confine to the required standard there being released.

### Especial Arrangement For Chemical Users To Clean Their Attire Without Waste Water Releasing

Our field of water resources management will continue to adapt to the current and future issues facing the availability and allocation of water. With the growing uncertainties of global climate change and its long-term impacts, the decision-making will be even more difficult. It is likely that ongoing climate change will lead to situations that have not been encountered before. As a result, new management strategies will have to be implemented in order to avoid setbacks in the future.

RUBBER CREPE FACTORY EFFLUENT TREATMENT PLANT DIAGRAM



# Natural Capital

## FOREST MANAGEMENT AND SAFEGUARD OF BIODIVERSITY

GRI ▶ 304-1

Specially Estates in Uva region; Gonakelle, Cannavarella, Kandahena, Pingarawa, Hindagalla & Kinnellan estates as well as in the Low grown agricultural areas are sensitive to certain degree of bio diversity.

We pay close attention to the condition of ecosystems affected by our planting and production activities. Our workers are well trained to deal with wasps and their attacks. Therefore, their instincts induce them to conserve the nature that they are dealing with. As a result, the wasps nests, which are usually threatened by humans in such areas, are conserved as a practice in our estates. The Company activities are directly connected in touch with water streams and the bank lines of small water falls, observing shrub and tree vegetation. We monitor our background environmental conditions in connection with the impact of our activities, which help to minimize our impact to the natural environment.

The ecosystem of a stream or river can be viewed as a system operating in the natural environment, and includes living interactions among plants, animals and micro-organisms, as well as (non-living) physical and chemical interactions. These streams are ecologically importance to maintain the trade of the plantations and the natural environment as well as fulfil the water requirements.

We have timber plantations and forestry management in the Uva estates. These plants are influenced by the natural environment, climate, topography, soil, etc. On the other hand, these plants help to enhance entire ecological system of natural environment and tradeoff between our operations and the natural environment. We remain committed and comply with all the guidelines laid out by the Central Environmental Authority and are engaging to obtain the certificate of the code of ethics of the Rainforest Alliance.

### Strategic Measures

- Educating employees and increasing the awareness to protect biodiversity
- Ongoing tree planting projects
- Promoting value of Biodiversity using signposts
- No fire & No hunting policies

### Ongoing tree planting project

GRI ▶ 304-3

The finest approach of offering gratitude for the precious value added by the nature is gifting her with new trees. Therefore, NPPLC is constantly promoting forest coverage by planting new trees. In addition to planting main crops, NPPLC has implemented lodging shade and green manure trees, fruits and native plants. Hence NPPLC's effort drives beyond the commercial purpose as NPPLC

expects lower local temperatures change the micro climate and conserve water sources through the project.

Invest during the year 2022/23	Rs
Camellia sinensis (tea)	7,070,784.34
Hevea brasiliensis (Rubber)	47,123,374.15
Elaeis guineensis (Oil Palm)	233,090,074.31
Cinnamomum verum (Cinnamon)	416,641.27
Cocos nucifera (Coconut)	44,553,000.12
Timber planting	3,449,080.88
Fruits	26,577,475.44

## GREENHOUSE GAS EMISSIONS MANAGEMENT STRATEGIES

GRI ▶ 305-2/3/4/5/6

As a responsible corporate citizen NPPLC focuses on reducing carbon footprint generated by its operations and manufacturing processes. Factory operations and transportation procedure are identified as the major aspects of emission expulsion.

1. Set Ambitious GHG Emissions Reduction Targets:
2. Sustainable Agriculture and Forestry
3. Low-Carbon Transportation
4. Risk Assessment and Planning
5. Stakeholder Engagement and Education
6. Continuous Improvements
  
1. **Ambitious GHG Emissions Reduction Targets:** Develop ambitious, science-based GHG emissions reduction targets that align with the organization's long-term sustainability goals and are consistent with global climate goals.
  
2. **Sustainable Agriculture and Forestry:** Implement sustainable agriculture and forestry practices that reduce GHG emissions, such as agroforestry, conservation tillage, and reforestation. This can help sequester carbon in soils and vegetation, and reduce emissions from deforestation and land-use change.
  
3. **Low-Carbon Transportation:** Implement strategies to reduce GHG emissions from transportation, such as using low-emission vehicles, promoting public transportation, encouraging telecommuting, and optimizing transportation logistics to minimize fuel use and emissions.
  
4. **Risk Assessment and Planning:** Conduct risk assessments to identify potential climate-related risks and vulnerabilities to the organization's operations and develop adaptation plans to mitigate those risks. This could involve identifying potential disruptions to supply chains, assessing infrastructure vulnerabilities, and developing contingency plans

5. Stakeholder Engagement and Education: Engage stakeholders, including employees, customers, suppliers, and investors, to build support for GHG emissions reduction initiatives and gather feedback on the organization's sustainability performance. This can help increase awareness and encourage participation in climate resilience measures.
6. Continuous Improvements: Continuously review and improve GHG emissions management strategies to ensure that they remain effective and relevant. This may involve identifying emerging technologies or best practices, responding to changing regulations or stakeholder expectations, and setting new, more ambitious emissions reduction targets.

#### Waste Management

GRI ▶ 306-1/2 (2020)

As a responsible corporate citizen, NPPLC identifies waste as one of the major negative outcomes of the Company. Therefore it pursues to minimize, reuse and replenish wherever possible. We recognize waste generating points in our duty to minimize the hazardous environmental impacts from disposing waste that move out from our factories. We have extended our commitment for waste management by installing domestic waste management systems at community level. The objective was to purify the soil and the environment which is polluted from community activities, within the operational boundaries. The Company has introduced several initiatives to manage hazardous and non-hazardous waste.

- Office premises including estate office & head office consist dustbins to collect waste items and unnecessary items divided into three categories as polythene, foods & glass, and the head office waste is discharged through municipal council cleaning services and at estate level they are used to compost preparations.
- Established compost pits are used to produce organic fertilizer from appropriate waste items to refrain from artificial fertilizers.

- Refused tea waste generated from tea processing effectively utilizes as a substitute for the fertilizers tea for the tea cultivation.
- Transforming wastes into marketable products.
- Re use of paper as much as possible.
- Educating employees to increase awareness.

#### Soil Conservation

To protect land from soil erosion NPPLC always emphasizes on better land management structures such as terracing, mulching, weeding, growing Mana (type of Grass which prevent soil erosion) and other plants to prevent soil erosion. Using plants for soil erosion control is an excellent biological method we use to safeguard the landscape and the shape of the land. In our tea plantations we adopt this method to safeguard the soil in our lands. In every tier or end of the planting areas with a higher slope, we will take on to these methods to prevent soil erosion, by that we can minimize the conditions that promote soil erosion such as rain, wind, physical disturbance and overuse by adapting to those methods. Preventing erosion with native plants is a common ecological practice in our land management. It is relatively easy way to conserve top soils and prevent open areas from wearing away. Other methods include coir netting, mulching, terracing and drains also we have planted Wild Sunflowers (Sooriyakantha) in Immature Oil Palm Fields, Mature Oil Palm Fields and Cinnamon fields to improve the soil condition.

#### Environmental Compliance

GRI ▶ 307-1/2-27

As a Company who is committed for wellbeing of the environment, NPPLC is doing operations in accordance with own environmental procedure and Sri Lanka's environmental laws, regulations, rules, standards and policies set by the Central Environment Authority and other regulatory bodies. We are guided by best practices advocated by the internationally acclaimed certifications including the Rainforest Alliance as well. We pursue the Sustainability principles prescribed by the United Nations Global Compact (UNG) programme and work towards

meeting the sustainability goals. NPPLC is fully compliant with all applicable environment laws and regulations and have not been subjected to monetary or non-monetary fines or sanctions for non-compliance during this year.

#### Relationship Building for Safeguard of Nature

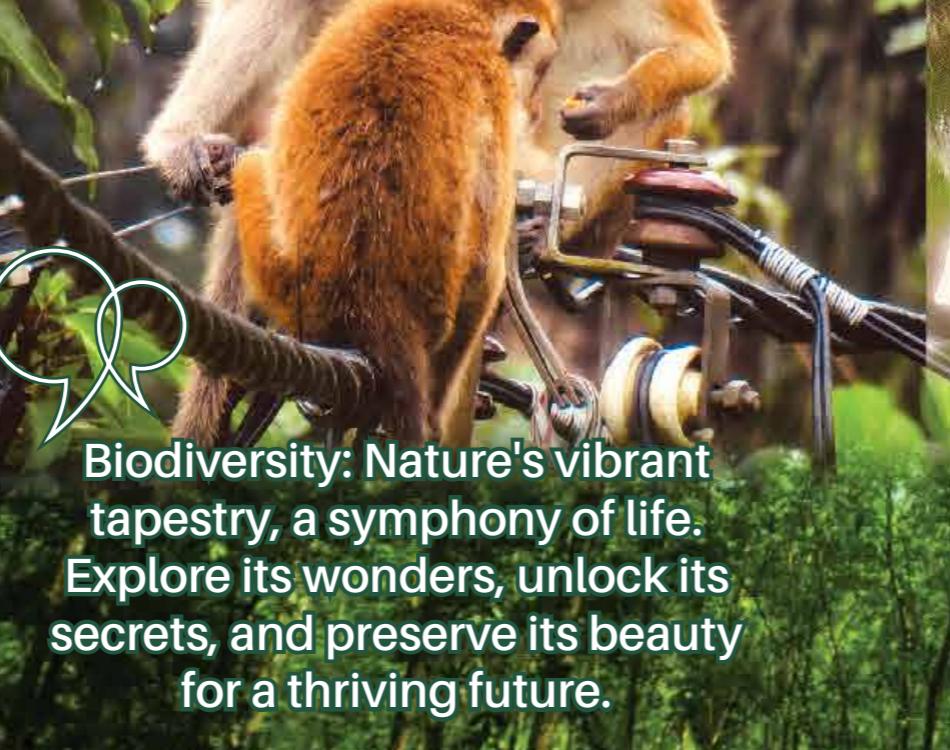
GRI ▶ 308-1

NPPLC ensures that procurement practices are handled centrally by the procurement department of Richard Peiris Group through a proper evaluating process. Assessment of suppliers at the registration and periodic reviews including site visits and desk reviews are in place to evaluate our suppliers. Our main suppliers are consisting of smallholders within our bought-leaf operations, agro-chemical and fertilizer suppliers, packing material, firewood and fuel suppliers, transporters, utility suppliers and other service providers. We promote green consciousness across our supply chain and engage our new and existing suppliers to ensure that they meet our standards in environmental sustainability.

Therefore, in evaluating process of selecting suppliers are screened on pre-arranged environmental criteria prioritizing on the suppliers who could pose significant environmental impacts on an initially & whenever necessary.

Among them the impact on the environment of supplier is important. In 2022/23 few major suppliers were newly joined to our supply chain after a careful process of testing. Group of our senior management team representatives of our Company visited to new fertilizer suppliers' factories and premises and confirmed about the clearance of the impact on environment. All our newly joined small holder suppliers are visited by our respective estate superintendents. Even though there are many supplies of Namunukula Plantations, only the material supplies have been disclosed here.

No of new suppliers screened	Screened %	No of suppliers identified for environment impacts
23	100	23



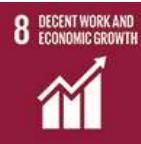
Biodiversity: Nature's vibrant tapestry, a symphony of life. Explore its wonders, unlock its secrets, and preserve its beauty for a thriving future.

# Trade-Off

## TRADE - OFF IN THE USE OF CAPITALS

To deliver on our strategy, as well as generate value for all stakeholders, we require inputs of each capital. The key focus areas are being bedded down throughout our organisation and are expected to support the value creation process. In allocating our capital among the various value drivers, we consider the trade-offs between the six capitals which describe the resources available to us. Decisions are made through seeking to maximise positive outcomes and curb negative impacts.

NPPLC always strike a balance between capitals to achieve top-line and bottom-line growth, blending in social and environmental aspects closest to our operations; generating wealth for our shareholders through our core business activities, whilst investing in our employees and the communities we are part of, and reducing our environmental footprint.

Sustainability Development Goals	Our commitment	Reference and pages
 <b>1 NO POVERTY</b>  <b>2 ZERO HUNGER</b>  <b>3 GOOD HEALTH AND WELL-BEING</b>	Stimulate healthy communities towards enhancing well-being.	Social & Relationship Capital pages 113 to 119 Natural capital pages 120 to 128 Human Capital pages 102 to 109
 <b>6 CLEAN WATER AND SANITATION</b>		
 <b>4 QUALITY EDUCATION</b>  <b>8 DECENT WORK AND ECONOMIC GROWTH</b>	Foster sustainable livelihood	Financial Capital pages 86 to 97 Human Capital pages 102 to 109 Social & Relationship Capital pages 113 to 119
 <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b>	Build resilient infrastructure, promote sustainable industry practices and innovation.	Manufactured capital pages 98 to 101 Intellectual capital pages 110 to 112
 <b>5 GENDER EQUALITY</b>  <b>10 REDUCED INEQUALITIES</b>	Nurture equality and respect diversity.	Human Capital pages 102 to 109
 <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b>	Doing more and better with less.	Manufactured capital pages 98 to 101 Social & Relationship Capital pages 113 to 119
 <b>13 CLIMATE ACTION</b>  <b>15 LIFE ON LAND</b>	Reduce our environmental impact.	Human Capital pages 102 to 109 Natural capital pages 120 to 128
 <b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b>  <b>17 PARTNERSHIPS FOR THE GOALS</b>	Culture of compassion and a strong moral compass.	Financial Capital pages 86 to 97 Social & Relationship Capital pages 113 to 119

## GRI Context Index

Statement of Use	Namunukula Plantations PLC has reported in accordance with the GRI Standards for the period [ 01 <sup>st</sup> April 2022 – 31 <sup>st</sup> March 2023]
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Agriculture, Aquaculture and Fishing

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<strong>GENERAL DISCLOSURES</strong>						
GRI 2: General Disclosures 2021	2-1 Organizational details	Inner Back Page 8 to 13				
	2-2 Entities included in the organization's sustainability reporting	Page 6				
	2-3 Reporting period, frequency and contact point	Page 7				
	2-4 Restatements of information	Page 7				
	2-5 External assurance	Page 7				
	2-6 Activities, value chain and other business relationships	Page 45 Page 84 & 85				
	2-7 Employees	Page 103				
	2-8 Workers who are not employees	N/A	2-8 (a), (b), (c)	Not Applicable	All Workers are occupied as employees	
	2-9 Governance structure and composition	Page 28 to 31 Page 34 to 35 Page 38				
	2-10 Nomination and selection of the highest governance body	Page 147 to 148				

## GRI Context Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
2-11 Chair of the highest governance body	Page 35					
2-12 Role of the highest governance body in overseeing the management of impacts	Page 35					
2-13 Delegation of responsibility for managing impacts	Page 35					
2-14 Role of the highest governance body in sustainability reporting	Page 149					
2-15 Conflicts of interest	Page 36 Page 148					
2-16 Communication of critical concerns	Page 37					
2-17 Collective knowledge of the highest governance body						
2-18 Evaluation of the performance of the highest governance body						
2-19 Remuneration policies						
2-20 Process to determine remuneration						
2-21 Annual total compensation ratio						
2-22 Statement on sustainable development strategy	Page 18					
2-23 Policy commitments	Page 78 to 82					

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 3: Material topics 2021	2-24 Embedding policy commitments	Page 78 to 82				
	2-25 Processes to remediate negative impacts	Page 78 to 82				
	2-26 Mechanisms for seeking advice and raising concerns	Page 78 to 82				
	2-27 Compliance with laws and regulations	Page 113 Page 118 Page 125 Page 149				
	2-28 Membership associations	Page 118 & 119				
	2-29 Approach to stakeholder engagement	Page 74 to 77				
	2-30 Collective bargaining agreements	Page 104				
	3-1 Process to determine material topics	Page 88 & 82				
GRI 3: Material topics 2021	3-2 List of material topics	Page 80 to 82				
<b>MATERIAL TOPICS</b>						
<b>ECONOMICS</b>						
<b>Economic Performance</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 96				
	201-2 Financial implications and other risks and opportunities due to climate change	Page 46 Page 58 to 59				

## GRI Context Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	201-3 Defined benefit plan obligations & other retirement plans	Page 105 Page 178				
	201-4 Financial assistance received from government					
<b>Market Presence</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Page 108				
	202-2 Proportion of senior management hired from the local community					
<b>Indirect Economic Impacts</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Page 99				
	203-02 Significant indirect economic impacts					
<b>Procurement Practices</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 204 : Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 117				
<b>Anti-corruption</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 205 : Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Page 109				
<b>Tax</b>						
GRI 3 : Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 207 : Tax 2019	207-1 Approach to tax	Page 91				
	207-2 Tax governance, control, and risk management	Page 91				
<b>ENVIRONMENT</b>						
<b>Materials</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 120				
<b>Energy</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 302 : Energy 2016	302-1 Energy consumption within the organization	Page 121				
<b>Water</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 303 : Water 2018	303-1 Interactions with water as a shared resource	Page 122				
	303-2 Management of water discharge related impacts	Page 122				
	303-3 Water withdrawal	Page 122				

## GRI Context Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	303-4 Water discharge	Page 122				
	303-5 – Water consumption	Page 122				
<b>Biodiversity</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 304 : Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 124				
	304-3 Habitats protected or restored					
<b>Emissions</b>						
GRI 3 : Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 305 : Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	Page 124				
	305-3 Other indirect (Scope 3) GHG emissions	Page 124				
	305-4 GHG emissions intensity	Page 124				
	305-5 Reduction of GHG emissions	Page 124				
<b>Effluents and Waste</b>						
GRI 3 : Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 306 : Effluents and Waste 2016	306-1 Waste generation and significant waste-related impacts	Page 125				
	306-2 Management of significant waste-related impact					

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<b>Environmental Compliance</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 307 : Environmental Compliance 2016	307-1 Non Compliance with environment laws & regulations	Page 125				
<b>Supplier Environmental Assessment</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 308 : Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 125 Page 116				
<b>SOCIAL</b>						
<b>Employment</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 401 : Employment 2016	401-1 New employee hires and employee turnover	Page 104				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 104				
	401-3 Parental leave	Page 106				

## GRI Context Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<b>Occupational Health and Safety</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 403 : Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Page 106				
	403-3 Occupational health services	Page 106				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Page 106				
	403-5 Worker training on occupational health and safety	Page 106				
	403-6 Promotion of worker health	Page 105				
	403-8 Workers covered by an occupational health and safety management system	Page 106				
<b>Training and Education</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 404 : Training and Education 2016	404-1 Average hours of training per year per employee	Page 107				
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 107				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<b>Diversity and Equal Opportunity</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 405 : Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 103				
<b>Non discrimination</b>						
GRI 3 : Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 406 : Non discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Page 102				
<b>Freedom of Association and Collective Bargaining</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 407 : Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 108				
<b>Child Labour</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 408 : Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Page 108 & 116				

## GRI Context Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<b>Forced or compulsory labour</b>						
GRI 3 : Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 409 : Forced or compulsory labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 102				
<b>Local Communities</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 413 : Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	Page 108 & 115				
	413-02-Operations with significant actual and potential negative impacts on local communities	Page 108				
<b>Supplier Social Assessment</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 414 : Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 116				
	414-2 Negative social impacts in the supply chain and actions taken	Page 116				

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<b>Public policy</b>						
GRI 3 : Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 415 : Public policy 2016	415-1 Political contributions	Page 118				
<b>Customer Health and Safety</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 416 : Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 118				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 188				
<b>Marketing and Labeling</b>						
GRI 3: Material topics 2021	3-3 Management of material topics	Page 80 to 82				
GRI 417 : Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Page 188				
	417-2 Incidents of non-compliance concerning product and service information and labeling	Page 188				

# Independent Assurance Report



**Building a better  
working world**

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Independent Assurance Report to the Board of Directors of  
Namunukula Plantations PLC  
on the Integrated Annual Report- 2022/23

## Scope

We have been engaged by Namunukula Plantations PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, on its Integrated Annual Report for the year ended 31 March 2023. (the "Subject Matter").

## Criteria applied by Namunukula Plantations PLC

In preparing the Subject Matter, Namunukula Plantations PLC applied the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) ("Criteria").

Such Criteria were specifically designed for purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## Namunukula Plantations PLC's responsibilities

Namunukula Plantations PLC's management is responsible for selecting the Criteria, preparation and presentation and self-declaration of the information and statements contained within the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised))*, and the terms of reference for this engagement as agreed with the Namunukula Plantations PLC on 02 May 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and

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

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

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procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the

organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.

- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement

We also performed such other procedures as we considered necessary in the circumstances.

#### Emphasis of matter

Economic, Natural, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

#### Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.

*R. most + Yours*

29th August 2023  
Colombo





# Financial Information



Unveiling the Financial Landscape: Insights into Growth,  
Performance, and Strategic Financial Management.

# Financial Calendar 2022/2023

## ANNOUNCEMENTS OF RESULTS

2022/23	2021/22
First Quarter ended 30th June	August 15, 2022
Second Quarter ended 30th September	November 14, 2022
Third Quarter ended 31st December	February 15, 2023
Fourth Quarter ended 31st March	May 31, 2023
	August 11, 2021
	November 12, 2021
	February 14, 2022
	May 31, 2022

First Quarter ended 30th June	August 15, 2022	August 11, 2021
Second Quarter ended 30th September	November 14, 2022	November 12, 2021
Third Quarter ended 31st December	February 15, 2023	February 14, 2022
Fourth Quarter ended 31st March	May 31, 2023	May 31, 2022

## PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

2022/23	2021/22
Annual Report and Accounts for the year signed	On August 29, 2023
Release to CSE and Circulated to the Shareholders	On August 31, 2023
Annual General Meeting to be held/hold	On September 27, 2023
	On August 05, 2022
	On August 31, 2022
	On September 29, 2022

Annual Report and Accounts for the year signed	On August 29, 2023	On August 05, 2022
Release to CSE and Circulated to the Shareholders	On August 31, 2023	On August 31, 2022
Annual General Meeting to be held/hold	On September 27, 2023	On September 29, 2022

## DIVIDEND

2022/23	2021/22
---------	---------

Dividend per Share	Rs.14.00	Rs.10.00
Announcement	On January 09, 2023	On April 05, 2022
Payment Date	On February 08, 2023	On April 24, 2022

## 2022/23



30th Annual  
**General Meeting**  
of the Company

## 2022/23

Financial  
Year

## August 31, 2023

Annual Report  
Published

## MOST RECENT PREVIOUS ANNUAL GENERAL MEETINGS

17th Annual General Meeting	June 29, 2010
18th Annual General Meeting	June 30, 2011
19th Annual General Meeting	June 29, 2012
20th Annual General Meeting	June 28, 2013
21st Annual General Meeting	June 30, 2014
22nd Annual General Meeting	June 30, 2015
23rd Annual General Meeting	June 30, 2016
24th Annual General Meeting	June 30, 2017
25th Annual General Meeting	June 29, 2018
26th Annual General Meeting	July 26, 2019
27th Annual General Meeting	February 12, 2021
28th Annual General Meeting	January 11, 2022
29th Annual General Meeting	September 29, 2022

# Annual Report of the Board of Directors

## 1. GENERAL

The Board of Directors of Namunukula Plantations PLC has pleasure in presenting the Integrated Annual report together with the Audited financial statements of the Company for the year ended 31st March 2023 and the Auditor's Report on these Financial Statements conforming to all statutory requirements. This report was approved by the Board of Directors on 29th August 2023.

The details set out herein provide pertinent information required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities Exchange Commission and are guided by recommended best accounting practices.

Information Required to be Disclosed as per the Companies act no. 07 of 2007.	Reference to the Companies Act.	Annual Report Page Reference for Compliance.
(i) The nature of the business of the Company and any change thereof during the accounting period.	Section 168 (1) (a)	Refer item 2.1 On page 145
(ii) Signed financial statements of the Company for the period completed.	Section 168 (1) (b)	Refer item 3.1 On page 146
(iii) Auditors' report on financial statement of the Company.	Section 168 (1) (c)	Refer item 5.1 On page 149
(iv) Accounting policies and any changes therein.	Section 168 (1) (d)	Refer item 3.2 On page 146
(v) Particulars of the entries made in the interests register during the accounting period.	Section 168 (1) (e)	Refer item 4.2 On page 148
(vi) Remuneration and other benefits paid to directors of the Company during the accounting period.	Section 168 (1) (f)	Refer item 4.4 On page 148
(vii) Total amount of donations made by the Company during the accounting period.	Section 168 (1) (g)	Refer item 8 On page 150
(viii) Information on directorate of the Company during period.	Section 168 (1) (h)	Refer item 4 On page 147
(ix) Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period.	Section 168 (1) (i)	Refer item 5.3 On page 149
(x) Auditors' relationship or any relationship with Company.	Section 168 (1) (j)	Refer item 5.4 On page 149
(xi) Acknowledgment of the contents of this report/signatures on behalf of the board.	Section 168 (1) (k)	Refer page 150

## 2. REVIEW OF BUSINESS

The Company's Vision, Mission and Values are exhibited in page 8 of this Annual Report.

### 2.1 Principal Business Activities of the Company

The principal activity of the Company is cultivation and processing of Black Tea, Rubber, Oil Palm, Coconut and other crops and remains unchanged from the previous year.

Namunukula Plantations PLC manages 18 estates with an extent of 11,779 Ha. Unchanged from the previous year.

The Company continues to be managed by RPC Plantations Management Services (Pvt) Ltd. The basis of computation of Management Fees was same as that of the previous year and was in accordance with the agreement signed between both parties.

# Annual Report of the Board of Directors

## 2.2 Review of Operations of the Company

An overall assessment of the Company's financial position and performance during the year 2022/23, with comments on financial results and special events that took place is contained in the "Chairman's Review" on pages 18 to 19, "Review of Operations" and "Management discussion & Analysis" on pages 52 to 64, together with Audited Financial statements provide an overall assessment on the financial performance and financial position of the Company as required by the section 168 of the companies act no. 07 of 2007.

Segment wise contributions to Company revenue, results, assets and liabilities are disclosed in Note no: 06 to the financial statements on pages 176 to 177 of this Annual Report.

## 3. FINANCIAL STATEMENT

### 3.1 Financial Statements of the Company

In compliance with the requirements of the section 151, 152 and 168 (1) (b) of the companies act no 07 of 2007, the financial statements of the Company have been duly certified by the Financial controller and approved by the board of directors and signed by two members of the board of the directors are appearing on pages 156 to 202 of this Annual Report.

### 3.2 Accounting Policies and Changes During the Year

The Financial Statements of the Namunukula Plantations PLC have been prepared in accordance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements in the previous financial year, except for the adoption of new standards effective after 1st April 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 3.3 Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility is given on page 151 of this report.

### 3.4 Financial Results and Appropriations

#### a) Turnover

The turnover of the Company was Rs. 5,360,825,083.18/- (2021/22 - 3,888,486,048) and a composition of the Revenue is given in Note 6 to the financial statements.

#### b) Performance and Appropriations

For the year ended 31 March	2022/23 Rs. '000	2021/22 Rs. '000
Profit/(Loss) for the year after deducting all expenses, depreciation and all known liabilities amounts to	<b>3,339,905</b>	1,780,755
Share of profit of joint venture	<b>237,867</b>	224,590
<b>Profit/ (loss) before taxation</b>	<b>3,577,772</b>	2,005,345
Income tax (expense)/ reversal	(763,955)	(68,013)
<b>Making a profit/ (loss) after taxation of</b>	<b>2,813,817</b>	1,937,332
Other comprehensive income / (Loss)	(40,921)	6,908
Transferred to Timber Reserve	<b>12,702</b>	24,480
<b>Un- appropriated profit brought forward</b>	<b>4,956,273</b>	3,285,685
<b>Profit available for distributions</b>	<b>7,716,469</b>	5,205,445
Appropriations - Dividends paid	(332,500)	(237,500)
<b>Un - appropriated profit carried forward</b>	<b>7,383,968</b>	4,967,945

Details relating to the Company's profits are given on page 156 to 157.

**c) Provision for Taxation**

As per the Act published on December 19, 2022, to amend the Inland Revenue Act No. 24 of 2017 (the Act), Income Tax rates on profits of Agro Processing industry was changed 14% to 30% and Agro Farming was exempted, effective from October 01, 2022 and April 01, 2019 respectively. Investment Income was taxed to 24% for the first six months of the year of assessment commencing on April 1, 2022 and the second six months of the same year of assessment at the rate of 30%.

As per Sri Lanka Accounting Standard No. 12 on "Income Taxes", current tax and deferred tax shall be measured based on tax rates (and tax laws) that have been "enacted" or "substantively enacted" by the end of the reporting period.

However, as per guidelines issued by the CA Sri Lanka, revision to the Income Tax rate as mentioned above has been determined as "substantively enacted". Hence, gains and profits arise from agro farming was exempted and the Income Tax rate of 30% for agro processing was applied for current and deferred tax computations and necessary provisions were made accordingly. Further, Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The details of deferred tax computation are given in Note 10.4 to the Financial Statements.

**d) Property, Plant and Equipment**

Detailed information relating to the movement of property, plant &

equipment, Intangible assets and leasehold assets of the Company as at reporting date is given in notes 12, 13, 14 & 15 to the accounts.

The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 600,659,731-(2021/22-Rs. 277,202,171-) out of which expenditure on Replanting and Field Development amounts to Rs. 362,280,431-(2021/22- Rs. 273,089,033-) Capital expenditure has been financed by either long or short term borrowings depending on the payback period and or internally generated funds.

**e) Stated Capital**

Stated capital of the Company as at 31 March 2023 was Rs. 350,000,010/. Details of the stated capital are given in note 23 to the financial statements.

**f) Dividend and Reserves**

During the year of 2022/23 Rs. 332,500,014 dividend distributions were made (2021/22 -Rs.10.00 per share cash dividend paid on 27th April 2022). Information on the movement of reserve is given in the statement of changes in equity on Page 159.

**4. DIRECTORS**

The Board comprises Six Directors, of which one is an Executive Director, whilst Five are Non-Executive Directors. Out of Five non-executive directors two are Independent, ensuring an independent outlook to temper the expediency of the experts.

The names of the members of the Board of Directors who held office as required by the section 168 (1) (h) of the companies Act No. 07 of 2007, are given below. Their brief profile including skills and experience are set out on pages 28 to 31 of this Report.

Name of the Director	Executive / Non-Executive Status	Independent/Non-Independent Status
Dr S Yaddehige - Chairman	Executive	Non-Independent
Mr. N.C.Peiris	Non- Executive	Independent
Mr. Shaminda Yaddehige	Non- Executive	Non-Independent
Mr. Gerard Amerasinghe	Non- Executive	Independent
Mr. A. Fernando	Non- Executive	Non-Independent
Mr. Pradeep Dissanayake (Resigned on 15th May 2023)	Non- Executive	Independent
Mrs. Subhashini Welikala (Appointed on 15th May 2023)	Non- Executive	Independent

**4.1 Re-election of Directorate of the Company**

a) To approve the appointment of Dr. Sena Yaddehige as a Director  
 Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

# Annual Report of the Board of Directors

"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

b) To approve the appointment of Mr. Neville Peiris as a Director Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Mr. Neville Peiris of No. 284/2, Thimbirigasyaya Road, Colombo 05, who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Mr. Neville Peiris"

c) To approve the appointment of Mr. Ananda Fernando as a Director Pursuant to Section 211 of the Companies Act No. 07 of 2007,a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Mr. Ananda Fernando of No. 17-4, Park Tower, Havelock City, Colombo 06, who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Mr. Anandasiri Fernando".

d) To re-elect Mr. Gerard Amerasinghe, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.

## 4.2 Directors' interest in Contracts with the Company and the interest Register

GRI ▶ 2-15

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 32 (Related party disclosures) to the financial statements.

As required by the section 168 (1) (e) of the Companies Act No. 7 of 2007, Interest Register is maintained by the Company. Share ownership of directors is disclosed in page 148.

## 4.3 Disclosure of Directors' & CEO's Dealing in Shares

Shareholding of persons who were directors of the Company at any given time during the financial year is as follows.

Name of the Director	2022/23 No.of shares	2021/22 No.of shares
Dr. S Yaddehige	-	-
Mr. Neville C Peiris	-	-
Mr. Shaminda Yaddehige	-	-
Mr.Gerard Amerasinghe	-	-
Mr. Anandasiri Fernando	-	-
Mr.Pradeep Dissanayake (Resigned on 15th May 2023)	-	-
Mrs. Subhashini Welikala (Appointed on 15th May 2023)	-	-
Mr.Prins Gunasekara- CEO	74	74

## 4.4 Directors' Remuneration and other Benefits

As required by the section 168 (1) (f) of the companies act no 07 of 2007, the Remuneration and other benefits of the Directors for the year ended 31 March 2023 is given in Note 09 of the financial statements.

## 5. EXTERNAL AUDITORS

### 5.1 Auditors' Report

The Company's Auditors, Messrs Ernst & Young, Chartered Accountants have performed the audit on the financial statements for the year ended March 31, 2023, and Auditors' Report issued thereon is appearing on page 152 as required by the section 168 (1) (c) of the companies act no 07 of 2007.

### 5.2 Appointment of Auditors

In accordance with the Companies Act No. 7 of 2007, a resolution proposing re-appointment of Messrs. Ernst & Young, Chartered Accountants as Auditors to the Company and authorizing the Directors of the Company to fix their remuneration will be proposed at the Annual General Meeting.

### 5.3 Auditors' Remuneration and Interest in Contracts with Company

The Auditors were paid sums of Rs. 4,184,448/- (2021/22 – Rs. 3,670,568/-) by the Company for audit and related services as well as non-audit services given to the Company.

### 5.4 Interest in Contract with Company

As far as the directors were aware, the Auditors do not have any relationship other than that of an Auditor with the Company.

## 6. CORPORATE GOVERNANCE AND INTERNAL CONTROL

The policies adopted by the Company in relation to best practices and good corporate governance are given on page 34 to 38. The Board has overall responsibility for the Company's system of internal controls. Although no system of internal control can provide absolute assurance against material misstatement or loss the Company's internal control system has been designed to provide the directors with reasonable assurance that assets are safeguarded, transactions authorized and properly recorded and material errors and irregularities either prevented or detected within a reasonable period of time.

### 6.1 Board Sub Committees

Audit Committee, Remuneration Committee & Related Party Transaction Review committee of the Ultimate Parent Company acted as the same on behalf of Namunukula Plantations PLC. Committees' reports are given under Corporate Governance from Page 39 to 41.

### 6.2 Statutory Payments

To the best of their knowledge and belief the Directors are satisfied that all statutory payments have been made up to date.

## 6.3 Compliance with Laws and Regulations

GRI ▶ 2-27

To the best knowledge and belief of the Directors, the Company have not engaged in any activity contravening any laws and regulations.

## 6.4 Environmental, Social and Governance (ESG) Reporting

GRI ▶ 2-14

Corporate sustainability reporting aims to deliver information in such a way that it provides decision-making value to investors, customers, employees and other relevant groups who have a stake in the Company or who are in some way affected by the Company's actions. Environment, Society and Governance (ESG) aspects are considered as an important part of the Company's values and the Board is aware of its responsibility to ensure that such aspects are linked closely with the Company strategy.

ESG reporting of the Company is a reflection of how the Company has performed and achieved long-term economic value, assumed corporate responsibility and contributed to sustainable development. Thus, this Annual Report has been prepared in the form of an integrated report that covers sustainability reporting parameters. The Company's Annual Report contains sufficient information on ESG risks and opportunities recognition, measurement and management.

### 6.5 Environmental Protection

The Company's activities can have both direct and indirect effects on the environment. It is the policy of the Company to minimize any adverse effects by recycling resources as much as possible and creating awareness among staff on current global environmental threats. The Company's efforts in relation to environmental protection are set out on Pages 120 and 128 under Natural Capital.

## 7 Share information and Substantial Shareholding

Significant shareholder information along with twenty substantial shareholder details and other share related information is presented in detail under the title "Shareholders and Investor information" on pages 204 to 215 of this Annual Report.

## Information on Earnings, Dividend, Net Assets and Market Value

Information relating to Earnings, Dividend, Net Assets and Market Value per share is given on pages 208 and 215 of this report.

# Annual Report of the Board of Directors

## 8 DONATIONS

No donation has made during the year by the Company (2021/22 -Nil). The information given on donations forms an integral part of the report of the board of directors as required by the section 168 (1) (g) of the Companies act no. 07 of 2007.

## 9 INFORMATION ON RATIOS AND MARKET PRICES OF SHARES

Information that require disclosures as per Rule 7.6 (xi) of the Listing rules of the Colombo stock exchange are given in the section on "Company Highlights" on pages 14 and 15 shareholder and investor information on pages 204 to 215.

## 10 HUMAN RESOURCES

The Company's recruitment and employment policy is non-discriminatory, which respects individuals and provides career opportunities irrespective of the gender, race or religion. Appraisals of individual employees are carried out by the respective departmental heads in order to evaluate their performance and realize their potential.

Total number of employees of the Company including all eighteen estate workers is 3666 (2021/22- 3800). Details of Human resources are given in the section on "Human Resources" on pages 102 to 109.

## 11 RELATED PARTY TRANSACTIONS

There are no any non-recurrent related party transactions which exceed 10 percent of the equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements of the listing rules of the Colombo Stock Exchange on related party transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions in terms of LKAS 24 "Related Party Disclosures" which are adopted in the preparation and presentation of the Financial Statements and those transactions are disclosure in Note 33 on the financial statement on page 198.

## 12 EVENTS AFTER THE REPORTING DATE

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

## 13 GOING CONCERN

The Directors have made an assessment of the Namunukula Plantations PLC's ability to continue as a going concern and they do not intend either liquidating or cease trading.

## 14 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 27 th September 2023 at the registered office of the Company at 310, High Level Road, Nawinna, Maharagama. The notice of the 30th Annual General Meeting is on page 228 of the report

A Fernando  
Director

N C Peiris  
Director

Mrs. R J Siriweera  
Director / Company secretary  
Richard Pieris Group Services (Pvt) Ltd.  
Secretaries

## Statement of Directors' Responsibility

In keeping with the provisions under the Companies Act No. 7 of 2007, the directors of Namunukula Plantations PLC acknowledge their responsibility in relation to financial reporting of the Company. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on pages 152 to 155 of this report.

The financial statements of the Company for the year ended 31 March 2023 included in this report, have been prepared and presented in accordance with the Sri Lanka Accounting Standards and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the financial statements exhibited on pages from 161 to 202 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these financial statements are reasonable and prudent.

The directors confirm their responsibility for ensuring that the Company maintains accounting records, which are sufficient

to prepare financial statements that disclose with reasonable accuracy, the financial position of the Company. They also confirm their responsibility towards ensuring that the financial statements presented in the annual report give a true and fair view of the state of affairs of the Company as at 31 March 2023 and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the directors confirm that Statement of Directors' Responsibility the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The directors' are of the view that the Company has adequate resources to continue operations in the foreseeable future, and have continued to use the going concern basis in the preparation of these financial statements.

The directors' have provided the Auditors

Messrs. Ernst & Young, Chartered Accountants with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the financial statements together with all financial records and related data and express their opinion which appears as reported by them on pages 152 to 155 of this report.

By order of the Board.

**Mrs. R J Siriweera**

Director / Company Secretary  
Richard Pieris Group Services (Pvt) Ltd  
Secretaries  
310, High Level Road  
Nawinna  
Maharagama

29th August 2023

# Independent Auditor's Report



**EY**  
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## TO THE SHAREHOLDERS OF NAMUNUKULA PLANTATIONS PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Namunukula Plantations PLC ("the Company"), which comprise the statement of financial position as at March 31, 2023, and the statement of Profit or Loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for opinion

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

#### Key audit matters

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

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

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

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

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Key Audit Matter	How our Audit Addressed the Key Audit matter
<b>Measurement of Bearer Biological Assets</b> <p>The Bearer Biological Assets are a significant non-current asset of the Company representing 31% of the total assets consisting with Rs. 2,495 Mn as Mature Plantations and Rs. 774 Mn as Immature Plantations as at 31 March 2023. As disclosed in Notes 3.7.7 and 14 to the financial statements.</p> <p>Measurement of Bearer Biological asset in the financial statements was a key audit matter due to following:</p> <ul style="list-style-type: none"> <li>Materiality of the balance and its significance to total assets (31%) of the Company.</li> <li>Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers are to be made from immature plantations to mature plantations and for the identification of triggers of impairment.</li> </ul>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations.</li> <li>Validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidence.</li> <li>Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations.</li> <li>Assessed the reasonableness of depreciation provided on the matured plantations by performing independent computations.</li> <li>Inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment have been identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements.</li> </ul> <p>We also assessed the adequacy of the related disclosures given in Notes 3.7.7 and 14 in the financial statements.</p>
<b>Valuation of Retirement Benefit Obligation</b> <p>The retirement benefit obligation as at 31 March 2023 of the Company is based on the actuarial valuations carried out by an external valuer engaged by the Company.</p> <p>Measurement of the retirement benefit obligation was a key audit matter due to following reasons:</p> <ul style="list-style-type: none"> <li>The retirement benefit obligation of the Company is significant (Rs.478 Mn) in the context of the total liabilities of the Company (19% of total liabilities).</li> <li>The actuarial valuation involves making significant assumptions about discount rate. Further, the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation.</li> <li>The determination of the base salary/wage rate and the future salary/wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions are disclosed in note 25 to the financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We assessed the competency, capability and objectivity of the external actuary engaged by the Company.</li> <li>We read the external actuary's report and understood the key estimates made and the approach taken by the actuary in determining the present value of retirement benefit obligation.</li> <li>We assessed reasonableness the discount rate used, with our internally developed benchmarks.</li> <li>We validated the key data used by the actuary to the underlying data held by the Company.</li> </ul> <p>We have also assessed the adequacy of the disclosures made in Notes 25 to the financial statements relating to the significant judgements and estimates.</p>

# Independent Auditor's Report



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## Other information included in The Company's 2023 Annual Report

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

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

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

## Responsibilities of the management and Those Charged with Governance

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 SLAuS's 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 SLAuS's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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, related safeguards.

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

#### Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-4169.

E. S. T. ~

29th August 2023  
Colombo

## Statement of Profit or Loss

Year ended 31 March 2023		2023	2022
	Notes	Rs. '000	Rs. '000
Revenue	6	<b>5,360,825</b>	3,888,486
Cost of Sales		(2,355,008)	(1,990,412)
Gross Profit		<b>3,005,818</b>	1,898,074
Other Income	7	<b>161,705</b>	185,989
Gains on change in fair value of biological assets	15.6	<b>8,169</b>	41,421
Administrative Expenses		(117,840)	(63,346)
Management Fee		(498,811)	(322,517)
Finance Cost	8	(63,850)	(57,776)
Finance Income	8.1	<b>844,714</b>	98,910
Share of Profit from the Joint Venture	16	<b>237,867</b>	224,590
<b>Profit Before Taxation</b>	9	<b>3,577,772</b>	2,005,345
Tax (Expense) / Reversal	10	(763,955)	(68,013)
<b>Net Profit for the Year</b>		<b>2,813,817</b>	1,937,332
Basic Earnings per Share	11.1	<b>118.48</b>	81.57
Dividend per Share	11.2	<b>14.00</b>	10.00

The accounting policies and notes on pages 161 through 202 form an integral part of the Financial Statements.

## Statement of Comprehensive Income

Year ended 31 March 2023	Notes	2023	2022
		Rs. '000	Rs. '000
Profit for the year		<b>2,813,817</b>	1,937,332
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income/(Loss) not to be reclassified to profit or loss in subsequent periods (net of tax):</b>			
Remeasurement gains/(losses) on defined benefit plan	25	(58,458)	8,033
Tax effect	10.2	<b>17,537</b>	(1,125)
<b>Net Other Comprehensive Income/(Loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>(40,921)</b>	6,908
Total other comprehensive income for the year, net of tax		<b>(40,921)</b>	6,908
Total Comprehensive Income/(Loss) for the year, net of tax		<b>2,772,897</b>	1,944,240

The accounting policies and notes on pages 161 through 202 form an integral part of the Financial Statements.

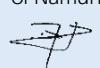
# Statement of Financial Position

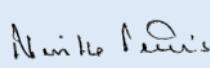
As at 31 March 2023	Notes	2023 Rs. '000	2022 Rs. '000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Right of Use Assets	12	<b>424,238</b>	416,338
Freehold Property, Plant & Equipment	13	<b>481,506</b>	278,469
Bearer Biological Assets	14	<b>3,268,429</b>	3,077,094
Consumable Biological Assets	15	<b>267,330</b>	251,179
Investment in Joint Venture	16	<b>423,365</b>	336,484
Financial Assets	21	<b>200,000</b>	200,000
Intangible Assets	17	<b>305,915</b>	305,915
<b>Total Non Current Assets</b>		<b>5,370,782</b>	4,865,479
<b>Current Assets</b>			
Produce on Bearer Biological Assets	15.4	<b>33,966</b>	38,499
Inventories	18	<b>424,180</b>	217,518
Trade and Other Receivables	19	<b>150,208</b>	151,959
Amounts Due from Related Companies	20	<b>755,236</b>	247,735
ESC Recoverable		-	5,114
Income Tax Receivable		<b>15,693</b>	11,028
Cash and Cash Equivalents	22	<b>3,673,011</b>	2,032,016
<b>Total Current Assets</b>		<b>5,052,294</b>	2,703,869
<b>TOTAL ASSETS</b>		<b>10,423,076</b>	7,569,348
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	23	<b>350,000</b>	350,000
Timber Reserve		<b>143,894</b>	131,192
Retained Earnings		<b>7,383,969</b>	4,967,945
<b>Total Equity</b>		<b>7,877,863</b>	5,449,137
<b>Non Current Liabilities</b>			
Retirement Benefit Obligations	25	<b>477,796</b>	474,022
Deferred Tax Liability	10.4	<b>954,239</b>	318,681
Deferred Income	26	<b>121,570</b>	127,404
Lease liability	27.3	<b>453,438</b>	422,444
<b>Total Non Current Liabilities</b>		<b>2,007,043</b>	1,342,551
<b>Current Liabilities</b>			
Dividend Payable	28	-	237,500
Trade and Other Payables	29	<b>433,089</b>	461,783
Lease liability	27.3	<b>6,039</b>	5,309
Interest Bearing Loans & Borrowings	24	-	25,137
Amounts Due to Related Companies	30	<b>37,825</b>	24,935
Income Tax Liabilities		<b>61,217</b>	22,995
<b>Total Current Liabilities</b>		<b>538,170</b>	777,659
<b>TOTAL LIABILITIES</b>		<b>2,545,214</b>	2,120,211
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,423,076</b>	7,569,348
<b>NET ASSETS PER SHARE</b>		<b>331.70</b>	229.44

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

  
**Eksith Kurukulasooriya**  
 Sector Financial Controller

The Board of Directors is responsible for these Financial Statements. Approved and Signed for and on behalf of the Board of Directors of Namunukula Plantations PLC.

  
**J.L. A. Fernando**  
 Director

  
**N.C. Peiris**  
 Director

The accounting policies and notes on pages 161 through 202 form an integral part of the Financial Statements.  
 29th August 2023  
 Colombo

## Statement of Changes in Equity

Year ended 31 March 2023	Stated			Timber Reserves	Total
	Capital	Retained Earnings			
	Rs. '000	Rs. '000	Rs. '000		
<b>Balance as at 31 March 2021</b>	350,000	3,285,685	106,712	3,742,397	
Profit for the year	-	1,937,332	-	1,937,332	
Other Comprehensive Income/(Loss)	-	6,908	-	6,908	
Transferred to Timber Reserve	-	(24,480)	24,480	-	
Dividends	-	(237,500)	-	(237,500)	
<b>Balance as at 31 March 2022</b>	350,000	4,967,945	131,192	5,449,137	
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	-	(11,671)	-	(11,671)	
<b>Adjusted Balance as at 31 March 2022</b>	350,000	4,956,274	131,192	5,437,466	
Profit for the year	-	2,813,817	-	2,813,817	
Other Comprehensive Income/(Loss)	-	(40,921)	-	(40,921)	
Transferred to Timber Reserve	-	(12,702)	12,702	-	
Dividends	-	(332,500)	-	(332,500)	
<b>Balance as at 31 March 2023</b>	<b>350,000</b>	<b>7,383,969</b>	<b>143,894</b>	<b>7,877,863</b>	

The Timber Reserve relates to the change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

The accounting policies and notes on pages 161 through 202 form an integral part of the Financial Statements.

# Statement of Cash Flows

<b>Year ended 31 March 2023</b>		<b>2023</b>	<b>2022</b>
	<b>Notes</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit before Taxation		<b>3,577,772</b>	2,005,345
<b>ADJUSTMENTS FOR</b>			
Depreciation	12/13/14	<b>232,252</b>	217,660
Finance Cost	8	<b>3,867</b>	1,990
Interest on Government/Other Finance Lease	8	<b>59,983</b>	56,219
Provision for Retirement Benefit Plan Cost	25	<b>98,470</b>	65,073
Profit on Disposal of Property, Plant & Equipment	7	<b>(2,000)</b>	(4,102)
Amortization of Grants	26	<b>(6,330)</b>	(6,170)
Gain on change in fair value of biological assets	15.6	<b>(8,169)</b>	(41,421)
Share of Profit of Joint Venture	16	<b>(237,867)</b>	(224,590)
Provision for Bad & Doubtful Debts	19	-	(42)
<b>Operating profit before working capital changes</b>		<b>3,717,978</b>	2,069,961
(Increase)/Decrease in Inventories		<b>(206,662)</b>	(41,075)
(Increase)/Decrease in Trade and other Receivables		<b>1,751</b>	(62,465)
(Increase)/Decrease in Amounts due from Related Companies		<b>(507,501)</b>	(92,955)
Increase/(Decrease) in Trade and Other Payables		<b>(28,694)</b>	23,360
Increase/(Decrease) in Amounts due to Related Companies		<b>12,890</b>	14,833
<b>Cash Generated from Operating Activities</b>		<b>2,989,762</b>	1,911,660
Interest on Government/Other Finance Lease		<b>(59,983)</b>	(56,219)
Finance Cost Paid		<b>(3,867)</b>	(1,990)
Retirement Benefit Plan Cost Paid		<b>(153,154)</b>	(100,908)
Tax (Paid) / Refund		<b>(72,189)</b>	(2,332)
Surcharge Tax (Paid)		<b>(11,671)</b>	-
<b>Net Cash Flow From Operating Activities</b>		<b>2,688,897</b>	1,750,210
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant & Equipment	13	<b>(238,379)</b>	(4,113)
Dividend Received	16	<b>150,986</b>	100,660
Investments in Immature plantation	14	<b>(358,831)</b>	(264,930)
Expenditure on Timber Cultivation		<b>(3,449)</b>	(8,159)
Proceeds from Disposal of Property, Plant & Equipment		<b>2,000</b>	13,500
Grants Received	26	<b>497</b>	4,446
<b>Net Cash Flow From Investing Activities</b>		<b>(447,177)</b>	(158,596)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Government Lease rentals	27.1	<b>(3,824)</b>	(3,136)
Payment of other lease rentals		<b>(1,765)</b>	(1,562)
Repayment of loans & borrowings		<b>(6,667)</b>	(18,333)
Dividend Paid	11.2	<b>(570,000)</b>	(201,875)
<b>Net Cash Flow From Financing Activities</b>		<b>(582,255)</b>	(224,906)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>1,659,465</b>	1,366,708
<b>A. Cash &amp; Cash Equivalents at the Beginning of the Year</b>		<b>2,013,546</b>	646,838
<b>B. Cash &amp; Cash Equivalents at the End of the Year</b>		<b>3,673,011</b>	2,013,546
<b>NOTE A</b>			
Cash & Cash Equivalents at the Beginning of the Year			
Cash & Bank Balances (Note 22.1)		<b>2,032,016</b>	661,744
Bank Overdrafts (Note 22.2)		<b>(18,471)</b>	(14,906)
		<b>2,013,546</b>	646,838
<b>NOTE B</b>			
Cash & Cash Equivalents at the End of the Year			
Cash & Bank Balances (Note 22.1)		<b>3,673,011</b>	2,032,016
Bank Overdrafts (Note 22.2)		-	(18,471)
		<b>3,673,011</b>	2,013,546

The accounting policies and notes on pages 161 through 202 form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1 Domicile and Legal Form

Namunukula Plantations PLC was incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 (The Company re-registered under the Companies Act No.07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government-Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 310, High Level Road, Nawinna, Maharagama and Plantations are situated in the planting districts of Kalutara, Galle, Matara and Badulla.

The Financial Statements of Company comprise with the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to Financial Statements.

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

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were the cultivation, manufacture and sale of black Tea, Rubber, Coconut, Oil Palm and other crops.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is RPC Plantations Management Services (Pvt) Ltd. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Richard Pieris and Company PLC, which is incorporated in Sri Lanka.

### 1.4 Date of Authorization for Issue

The Financial Statements of Namunukula Plantations PLC for the year ended 31 March 2023 was

authorized for issue in accordance with a resolution of the Board of Directors on 29th August 2023.

### 1.5 Responsibility for financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' responsibility report in the Annual Report.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of Namunukula Plantations PLC have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with the Sri Lanka Accounting Standards (SLFRS /LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and with the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than the following material items in the Financial Statements, which are measured at fair value less cost to sell.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets.
- Defined Benefit Obligation is measured using projected unit credit method.

Where appropriate, the specific policies are explained in the succeeding Note.  
No adjustments have been made for inflationary factors affecting the Financial Statements.

### 2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (LKR) which is the Company's functional and presentation currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except the changes mentioned, all the accounting policies set out below have been applied consistently to all the periods presented in the financial statements.

### 3.1 New accounting standards, interpretations and amendments adopted by the Company

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31st March 2023.

- Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to SLFRS 3 Business Combinations: Updating a Reference to Conceptual Framework

### 3.2 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

### 3.3 Going Concern

The financial statements have been prepared on the assumption that the Company is a going concern. The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable

# Notes to the Financial Statements

future, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements.

## 3.4 Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

## 3.5 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquire. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

## 3.6 Fair Value Measurement

The Company measures financial instruments and non-financial assets at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- Managed Consumable biological assets Note 15
- Produce on Bearer biological assets Note 15.4

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input

that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

External valuers are involved for valuation of significant assets, such as managed consumable biological assets and significant liabilities, such as retirement benefit obligation. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3.7 Property, Plant & Equipment

The Company applies the requirements of LKAS 16 on 'Property, Plant and Equipment' in accounting

for its owned assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

#### 3.7.1 Basis of Recognition

Property, Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

#### 3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

#### 3.7.3 Cost of Owned Assets

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation,

respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Profit or Loss Statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

#### 3.7.4 Leased Assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Company as a lessee

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

##### a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less

# Notes to the Financial Statements

any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset as follow:

Motor vehicle	Over 05 years
Leasehold Property	Over 53 years
Mature Plantations	Over 30 years
Improvements to Land	Over 30 years
Buildings	Over 25 years
Machinery	Over 15 years

The right-of-use assets are also subject to impairment.

## b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce

inventories) in the period in which the event or condition that triggers the payment occurs.

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

The weighted average incremental borrowing rate use for discounting purpose as at 31st March 2023 is 13%.

The Company's lease liabilities are included in Note 27 to the financial statements.

## c) Short-term leases and leases of low-value assets

The Company does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low values assets.

## 3.7.5 De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference

between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized and gains are not classified as revenue.

## 3.7.6 Land Development Cost

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

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

Permanent impairments to land development costs are charged to the profit and loss Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

## 3.7.7 Biological Assets

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

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

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea trees, those that are not intended to be sold or harvested, however used to grow for

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

#### (a) Bearer Biological Assets

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property, Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations.

These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea) which comes into bearing during the year, is transferred to mature plantations.

#### (b) Produce on Bearer Biological Assets

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

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

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

Tea	- Bought Leaf rate (current month) less cost of harvesting & transport
Rubber	- latex Price (95% of current RSS1 Price) less cost of tapping & transport
Oil Palm	- Bought Mill NSA less cost of harvesting & transport
Coconut	- Farm Gate rate (current month) less cost of harvesting & transport
Cinnamon	- 50% of Farm Gate rate (current month) less cost of harvesting & transport.

#### (c) Consumable Biological Assets

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

The managed timber trees are measured on initial recognition and at the end of each reporting period its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF 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. The valuer uses the 'Direct Capital Comparison method' which express that there are evidences of sale price of the assets as a whole. All other assumptions and sensitivity analysis are given in Note 15.

#### The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each specie in different geographical regions. Factor all the prevailing statutory regulations enforced for harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each specie by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees into saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount Rate	Future cash flows are discounted at following discount rate: Timber trees 19%.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

#### 3.7.8 Nursery Plants

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

#### 3.7.9 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, if it increases the expected future benefits from that field,

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beyond its pre-infilling performance assessment. Infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalized have been charged to the Statement of Profit or Loss in the year in which they are incurred.

## 3.7.10 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.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Profit or Loss Statement.

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

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

The amount so capitalised and the capitalisation rates are disclosed in Note 14 to the Financial Statements.

## 3.7.11 Intangible Assets

Intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental or for administrative purpose. An intangible asset is recognised if it is probable that future economic benefits that are attributable

to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

A summary of the policies applied to the Company's intangible asset is as follows;

Nature of Intangible asset	Useful lives	Amortisation method used	Internally generated or acquired
Goodwill	Indefinite	No amortization	Acquired

## 3.7.12 Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. The estimated useful lives and depreciation rates are as follows:

Assets Category	No. of Years
Buildings	Over 40 years
Plant & Machinery	Over 13 years
Colour Separators	Over 20 years
Furniture & Fittings	Over 10 years
Motor Vehicles	Over 05 years
Equipments	Over 08 years
Computer & Computer Software	Over 04 years

Mature Plantations (Replanting and New Planting)

<b>Mature Plantations</b>	<b>No. of Years</b>
Tea	Over 30 years
Rubber	Over 20 years
Coconut	Over 20 years
Oil Palm	Over 20 years
Cinnamon	Over 20 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

### 3.7.13 Investment in joint ventures

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Company's share of the results of operations of the joint venture. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company share of profit or loss of a joint venture is shown on the face of the statement of

profit or loss outside operating profit and represents profit or loss after tax of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit/(loss) of a joint venture' in the statement of profit or loss.

Based on the contractual terms (Joint Venture agreements), the Company assessed that AEN Palm Oil Processing (Pvt) Ltd is as a joint venture, which was situated at Maragahadeniya, Baduraliya, and it is registered under Companies Act No. 07 of 2007.

## 3.8 Financial Instruments

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

### 3.8.1 Financial assets

#### 3.8.1.1 Initial Recognition and Measurement

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by Regulation

or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the Date that the Company commits to purchase or sell the asset.

The Company's financial assets of the Company includes Cash & bank, trade and other receivable and amount due from related parties.

#### 3.8.1.2 Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### (a) Financial assets at amortized cost (Debt Instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or

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loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes Trade Receivables and Amounts Due from Related parties.

## (a) Financial assets at fair value through OCI (Debt instruments)

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

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

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

There are no financial assets at fair value through OCI (Debt instruments).

## (b) Financial assets at fair value through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The

classification is determined on an instrument- by instrument basis.

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

## (c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

### 3.8.1.3 De-recognition

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

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

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

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

### 3.8.1.4 Impairment of financial assets

The Company recognises an allowance for expected credit losses

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

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

### **3.8.2 Financial liabilities**

#### **3.8.2.1 Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The financial liabilities of the Company include Trade and Other Payables, Bank Overdrafts, Loans and Borrowings.

#### **3.8.2.2 Subsequent Measurement**

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

#### **(a) Financial liabilities at fair value through profit or loss**

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognized in the income statement.

#### **(b) Financial liabilities at amortized cost**

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

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables and amounts due to related parties.

#### **3.8.2.3 Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

#### **3.8.2.4 Offsetting of financial instruments**

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognized amounts and

there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **3.9 Inventories**

#### **Agricultural Produce harvested from Biological Assets**

Agricultural produce harvested from Biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

#### **Finish goods manufactured from agricultural produce of biological assets**

These are valued at the lower of cost and estimated net realisable value, after making due allowance 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 after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

#### **Input Material, Spares and Consumables**

At actual cost on weighted average basis.

### **3.10 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and short-term deposit. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### **3.11 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 indication exists, or

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when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount 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's of assets. When the carrying amount of an asset or CGU 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with

the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

## 3.12 Trade and Other Receivables

Trade and other receivables are stated at their estimated realisable amounts inclusive of provisions for bad and doubtful debts.

## 3.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the

Profit or Loss Statement net of any reimbursement.

## 3.14 Employees Benefits

### (a) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in Profit or Loss Statement.

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 actuarial valuation was carried out by a professionally qualified actuary firm Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31 March 2023. The Company expects to carry out actuarial valuation once in every year. Provision made for the year is in compliance with the actuarial valuation report as at 31 March 2023.

This item is grouped under Retirement Benefit Obligations in the Statement of Financial Position. The liability is not externally funded.

### (b) Defined Contribution Plans

#### - Employees' Provident Fund & 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 Provident and Trust Funds covering all employees are recognised as an expense in profit and loss in the periods during which services are rendered by employees.

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

All the employees of the Company are members of the Employees' Trust Fund (ETF), to which the Company contributes 3% on the consolidated salary of such employees.

### 3.15 Deferred Income

#### 3.15.1 Grants and Subsidies

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

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions

with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant. Assets are amortized over their useful lives as follows.

Buildings, Sanitation & Water Supply	40 years
Plant & equipment	13 years
Grants received for Rubber replanting	20 Years

### 3.16 Earnings per Share

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

### 3.17 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

### 3.18 Events occurring after the reporting period

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

### 3.19 Statement of Profit or Loss

For the purpose of presentation of statement of Profit or Loss, the function of expenses method is adopted, as it represents fairly the elements of the Company's performance.

#### 3.19.1 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is

being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognised upon satisfaction of performance obligation.

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

#### a) Sale of Plantation produce

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

There is no element of financing present as the Company's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Revenue recognition criteria for the other revenue and income earned by the Company are as follows;

# Notes to the Financial Statements

## b) Rental Income

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

## c) Dividend Income

Dividend income is recognized when the right to receive payment is established.

## d) Interest Income

Interest income is recognized on an accrual basis, using the effective interest method.

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

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

## 3.20 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit/(loss) for the year.

## 3.20.1 Financing Income and Expenses

Finance income comprises interest income on funds invested. Interest income is recorded using the effective interest rate (EIR) method. Interest income is included in finance income in the statement of profit or loss.

Finance expenses comprise interest payable on borrowing. 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.

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

Foreign currency gains and losses are reported on a net basis.

## 3.20.2 Taxes

### 3.20.2.1 Current Income Tax

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

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

### 3.20.2.2 Surcharge Tax

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note no.10.3.1 on Income Taxes.

### 3.20.2.3 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business

combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow

all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

### 3.21 Statement of Cash Flow

The Cash Flow Statement has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows in financial activities, for the purpose of presenting the Cash Flow Statement.

### 3.22 Segment 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.

Since the individual segments are located close to each other

and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described on the Note 6 to the Financial Statements.

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly Long-term investments (Unquoted), Financial Assets, Goodwill on business combination and deferred tax liability. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates

are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

### 4.1 Taxation

#### 4.1.1 Current Tax

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

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019. In addition to above the prevailing tax rate up to 31 December 2022 was 14%. This was increased with effect from 01 October 2022 to 30%. As per tax amendment issued by IRD, companies have to allocate business income based on pro-rata basis for 06 months and 06 months periods. Accordingly, where applicable, the Company has separated its income and expenses as Agro Farming and Agro Processing and applied the respective tax rates

The details of deferred tax computation are given in Note 10.4 to the Financial Statements.

### 4.2 Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled,

# Notes to the Financial Statements

based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the inland revenue (Amended) bill issued on 18.03.2021, Company is identified separately business income as agro farming & agro processing for the purpose of calculating income tax liability therefore, the Company has separated assets and liabilities as at 31 March 2023 as Agro farming and Agro processing for the deferred tax purpose

## 4.3 Retirement benefit obligations

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company

Further details about Retirement benefit obligations are provided in Note 25.

## 4.4 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different financial and non-financial

assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. All assumptions are reviewed at each reporting period. Key assumptions and sensitivity analysis of the biological assets are given in Note 15.

## 4.5 Impairment of non-financial assets - Intangible Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company. Key assumptions used are disclosures in Note 17.

## 4.6 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber, oil palm and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of

commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

### 5.1 SLFRS 17 – Insurance Contracts

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted; provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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

#### **5.2 Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Accounting Policies, Changes in Accounting Estimates and Errors**

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

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

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

#### **5.3 Amendments to LKAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

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

law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

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

#### **5.4 Amendments to LKAS 1 - Disclosure of Accounting Policies**

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

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

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

The amendments are not expected

to have a material impact on the Company.

#### **5.5 Amendments to LKAS 1 - Classification of Liabilities as Current or Non-current**

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

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

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

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

## Notes to the Financial Statements

6. 6.1 REVENUE Summary					
Sale of Goods					
Tea					1,755,010
Rubber					277,177
Oil Palm					3,268,127
Coconut					42,594
Cinnamon					17,917
					5,360,825
					3,888,486
6.2 Segment Information		Tea	Rubber		
Industry		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue		1,755,010	1,115,873	277,177	299,379
Revenue Expenditure		(1,273,550)	(1,108,886)	(133,686)	(198,250)
Depreciation / Amortization		(31,321)	(32,894)	(55,181)	(56,474)
Gratuity		(55,026)	(38,904)	(10,975)	(7,452)
<b>Gross Profit/(Loss)</b>		<b>395,113</b>	(64,810)	<b>77,335</b>	37,203
Other Income					161,705
Gain on change in fair value of biological assets					8,169
Administrative Expenses					(117,840)
Management Fees					(498,811)
Finance Cost					(63,850)
Finance Income					844,714
Share of Profit from the Joint Venture					237,867
<b>Profit before Taxation</b>					3,577,772
Segment Assets		Tea	Rubber		
Segment Assets		2023	2022	2023	2022
Non Current Assets		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost		1,083,607	981,774	1,684,260	1,657,482
Accumulated Depreciation / Amortization		(513,328)	(465,099)	(668,818)	(632,000)
Current Assets		272,254	150,722	127,464	163,402
<b>Total Assets</b>		<b>842,533</b>	667,398	<b>1,142,906</b>	1,188,884
Segment Liabilities					
Non Current Liabilities		480,371	424,211	162,255	162,372
Current Liabilities		160,446	163,464	12,499	27,770
<b>Total Liability</b>		<b>640,817</b>	587,674	<b>174,754</b>	190,141
Segment Capital Expenditure					
Cost		60,998	796	47,123	38,757
<b>Total Capital Expenditure</b>					596,821

						2023 Rs.'000	2022 Rs.'000		
						Oil Palm	Coconut	Cinnamon	Total
		2023	2022	2023	2022	2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		3,268,127	2,409,254	42,594	42,719	17,917	21,261	5,360,825	3,888,486
		(596,816)	(373,872)	(21,023)	(16,297)	(10,708)	(16,260)	(2,035,783)	(1,713,566)
		(120,286)	(108,096)	(10,081)	(10,310)	(6,285)	(6,401)	(223,154)	(214,174)
		(28,800)	(15,539)	(1,111)	(665)	(158)	(113)	(96,070)	(62,673)
		2,522,224	1,911,747	10,379	15,448	766	(1,513)	3,005,818	1,898,074
								161,705	185,999
								8,169	41,421
								(117,840)	(63,346)
								(498,811)	(322,517)
								(63,850)	(57,776)
								844,714	98,910
								237,867	224,590
								3,577,772	2,005,345
Segment Assets		Oil Palm	Other Crops	Unallocated		Total			
Segment Assets		2023	2022	2023	2022	2023	2022	2023	2022
Non Current Assets		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost		3,089,470	2,859,202	408,021	361,622	1,451,877	1,159,219	7,717,234	7,019,299
Accumulated Depreciation / Amortization		(976,126)	(888,700)	(136,153)	(123,743)	(52,027)	(44,277)	(2,346,452)	(2,153,819)
Current Assets		45,666	79,534	9,320	6,352	4,597,590	2,303,858	5,052,294	2,703,869
<b>Total Assets</b>		<b>2,159,010</b>	2,050,036	<b>281,188</b>	244,231	<b>5,997,439</b>	3,418,800	<b>10,423,076</b>	7,569,348
Segment Liabilities									
Non Current Liabilities		180,777	219,538	18,992	21,723	1,164,648	514,708	2,007,043	1,342,551
Current Liabilities		42,036	81,838	1,166	4,990	322,024	499,598	538,170	777,659
<b>Total Liability</b>		<b>222,813</b>	301,376	<b>20,158</b>	26,713	<b>1,486,671</b>	1,014,306	<b>2,545,214</b>	2,120,211
Segment Capital Expenditure									
Cost		233,090	202,902	74,996	30,634	180,613	4,113	596,821	277,202
<b>Total Capital Expenditure</b>								<b>596,821</b>	277,202

## Notes to the Financial Statements

	<b>OTHER INCOME</b>	<b>2023</b> Rs. '000	<b>2022</b> Rs. '000
Amortisation of Government Grants	<b>6,330</b>	6,170	
Profit on Sale of Refuse Tea	<b>91,045</b>	77,804	
Income from Consumable biological assets	<b>1,136</b>	18,281	
Sale of Uprooting Rubber Trees	<b>55,266</b>	68,557	
Profit on Disposal of Property, Plant & Equipment	<b>2,000</b>	4,102	
Sundry Income	<b>5,927</b>	11,074	
	<b>161,705</b>	185,989	
	<b>FINANCE COST</b>	<b>2023</b> Rs. '000	<b>2022</b> Rs. '000
Interest on Government Lease Rental	<b>59,753</b>	55,786	
Interest on Other Leases	<b>229</b>	432	
Term Loan Interest	<b>56</b>	697	
Short Term Loan Interest	<b>2,991</b>	14	
Bank Overdraft Interest & Debit Tax	<b>820</b>	846	
	<b>63,850</b>	57,776	
8.1	<b>Finance Income</b>	<b>2023</b> Rs. '000	<b>2022</b> Rs. '000
Interest Income	<b>844,714</b>	98,910	
	<b>844,714</b>	98,910	
9.	<b>PROFIT BEFORE TAXATION IS STATED AFTER CHARGING</b>	<b>2023</b> Rs. '000	<b>2022</b> Rs. '000
Auditor's Remuneration	<b>5,563</b>	4,390	
Directors' Remuneration	<b>800</b>	800	
Depreciation / Amortisation	<b>232,252</b>	217,660	
Defined benefit plan costs	<b>98,470</b>	65,073	
Defined Contributions Plan Costs - EPF & ETF	<b>142,568</b>	145,938	
Staff Costs (Workers & Staff)	<b>1,205,582</b>	1,204,807	
10.	<b>CURRENT YEAR TAX (EXPENSE) / REVERSAL</b>	<b>2023</b> Rs. '000	<b>2022</b> Rs. '000
10.1	<b>Income Tax Expense</b>		
(a)	<b>Statement of Profit or Loss</b>		
Current year Income Tax (Expense)/ Reversal	<b>(110,860)</b>	(25,328)	
	<b>(110,860)</b>	(25,328)	
10.2	<b>Deferred Tax Expense</b>		
(a)	<b>Statement of Profit or Loss</b>		
Deferred Tax (Charge)/ Reversal	<b>(288,888)</b>	(42,685)	
Deferred tax expense(income) resulting from change in tax rates	<b>(364,207)</b>		
<b>Deferred Tax (Charge)/ Reversal in the Statement of profit or loss</b>	<b>(653,095)</b>	(42,685)	
Tax charge reported in the Statement of profit or loss	<b>(763,955)</b>	(68,013)	
(b)	<b>Statement of Comprehensive Income</b>		
Deferred Tax (Charge)/ Reversal	<b>17,537</b>	(1,125)	
Tax charge directly to Comprehensive Income	<b>17,537</b>	(1,125)	

**10. CURRENT YEAR TAX (EXPENSE) / REVERSAL (Contd...)**

10.3	<b>Reconciliation of the accounting profit/(loss) and tax on current year</b>	<b>2023</b>		<b>2022</b>	
		<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
	Accounting Profit/(Loss) before tax		<b>3,577,772</b>		2,005,345
	Income from Other Sources & Exempt Income		(3,249,400)		(2,000,109)
	Aggregate disallowed items		<b>390,705</b>		339,044
	Aggregate allowable items		(645,788)		(344,280)
	<b>Adjusted Business profit / (loss)</b>		<b>73,289</b>		
	Income from Investment		<b>945,374</b>		206,193
	Utilization of brought forward Tax Losses		(484,740)		(100,660)
	<b>Taxable Income</b>		<b>533,924</b>		105,534
	Income Tax @ 14%		<b>14,092</b>		-
	Income Tax @ 24%		<b>51,992</b>		25,328
	Income Tax @ 30%		<b>64,990</b>		-
	<b>Income Tax on Current Year Profits</b>		<b>131,074</b>		25,328
	ESC Write off		<b>5,114</b>		-
	Under/(Over) provision of current tax in respect of previous year		(25,328)		-
	<b>Income tax expense charge to Statement of Profit or Loss</b>		<b>110,860</b>		25,328

**10.3.1 Surcharge Tax**

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Company is liable for the surcharge tax of Rs. 11.6Mn out of the taxable income of Rs. 46.6Mn pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

10.4	<b>Deferred Tax Asset/(Liability)</b>	<b>2023</b>		<b>2022</b>	
		<b>Temporary Differences</b>	<b>Tax Effect</b>	<b>Temporary Differences</b>	<b>Tax Effect</b>
		<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
	As at 1 April	(2,276,292)	(318,681)	(1,963,364)	(274,871)
	Amount originating during the year	(904,504)	(635,558)	(312,928)	(43,810)
	<b>As at 31 March</b>	<b>(3,180,796)</b>	<b>(954,239)</b>	<b>(2,276,292)</b>	<b>(318,681)</b>
	<b>Composition of deferred tax liabilities;</b>				
	Property, Plant and Equipment	(655,825)	(196,747)	(584,429)	(81,820)
	Biological Assets	(3,119,992)	(935,998)	(2,806,649)	(392,931)
	Consumable Biological Assets	(267,330)	(80,199)	(251,179)	(35,165)
	Trade & Other Receivable	1,596	479	1,596	223
	Retirement Benefit Obligation, Deferred Income & Leases	860,755	258,227	798,415	111,778
	Carried forward tax losses	-	-	565,954	79,234
	<b>As at 31 March</b>	<b>(3,180,796)</b>	<b>(954,239)</b>	<b>(2,276,292)</b>	<b>(318,681)</b>

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 March, 2023 is 30% (2021/22-14%) for the Company.

## Notes to the Financial Statements

10.4.1	<b>Income Tax Expense - Rate change impact</b>		
		2023 Rs. '000	2022 Rs. '000
	At the beginning of the year	(318,681)	(274,871)
	Tax (charge)/ reversal during the year recognised in Statement of profit or loss.	(288,888)	(42,685)
	Tax (charge)/ reversal during the year recognised in Statement of Other Comprehensive Income	17,537	(1,125)
	Tax (charge)/ reversal during the year recognised in other Comprehensive Income.	(364,207)	-
	<b>Balance as at 31 March</b>	<b>(954,239)</b>	(318,681)

### 11. EARNINGS PER SHARE AND DIVIDEND PER SHARE

#### 11.1 Basic/Diluted Earnings per share

- (a) The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.
- (b) Diluted earnings per share is calculated by dividing the profit attributable to ordinary share holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There were no potentially dilutive shares outstanding at any time during the year 31 March 2023 (2021/22 - Nil).

- 11.1.1 The following reflects the income and share data used in the basic and diluted earnings per share computations.

<b>Amounts used as the Numerator :</b>	2023 Rs. '000	2022 Rs. '000
Net Profit applicable to ordinary share holders for basic earnings per share	2,813,817	1,937,332
<b>Amounts used as the Denominator :</b>		
Weighted average number of ordinary shares in issue applicable to basic earnings per share	23,750,001	23,750,001
Basic Earnings per share (Rs.)	118.48	81.57

11.2	<b>Distributions Made and Proposed</b>		
		2023 Rs. '000	2022 Rs. '000
	Cash dividends on ordinary shares declared and paid		
	- Interim Dividend	332,500	237,500
		332,500	237,500
	Number of ordinary shares	23,750,001	23,750,001
	Dividend per share	14.00	10.00

## 12. RIGHT OF USE - ASSETS

RIGHT OF USE - ASSETS	Notes	2023 Rs. '000	2022 Rs. '000
Right of use Asset - Land	12.1	400,832	385,399
Right of use Asset - Immovable Bearer Biological Assets	12.2.1	19,746	28,748
Right of use Asset - Other Immovable Assets	12.2.2	-	54
Right of use Asset - Other Lease Assets	12.3	3,659	2,137
		<b>424,238</b>	416,338

### 12.1 Right of use Asset - Land

"Right of use asset - Land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, above "Right-To-Use of Land on Lease" has accounted in accordance with such standard. "Right of use asset - Land" have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the Statement of Financial Position date is 26 years.

This Right-of-use asset - Land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset- Land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 April 2022 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset- Land" and "Lease Liability" has been enhanced.

The Company has adopted SLFRS 16 using modified retrospective method from 1 April 2019. The values taken into the Statement of Financial Position and amortization of the right of use Asset - Land up to 31 March 2023 are as follows.

	2023 Rs. '000	2022 Rs. '000
<b>Reassessed Value</b>		
At the beginning of the year	385,399	388,045
Adjustment on reassessment of Lease Liability	33,653	14,110
At the end of the year	<b>419,052</b>	402,155
<b>Amortisation</b>		
At the beginning of the year	16,756	16,169
Net transition adjustment due to application of SLFRS 16	(16,756)	(16,169)
Amortisation for the year	18,220	16,756
At the end of the year	<b>18,220</b>	16,756
<b>Carrying amount</b>		
	<b>400,832</b>	385,399

The unexpired period of the lease as at the reporting date is 23 years.

### 12.2 Right of use Asset - Immovable estate assets on lease other than Right of use Asset - Land

At the time of privatisation of plantation estates, all immovable assets in these estates (Note 12.2.1 and Note 12.2.2) have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, these assets have accounted in accordance with such standard. The values taken into the Statement of Financial Position and amortization of the "Right of use Asset - Immovable estate assets on lease other than Right of use Asset - Land" up to 31 March 2023 are as follows.

## Notes to the Financial Statements

### 12. RIGHT OF USE - ASSETS (Contd...)

12.2.1	<b>Right of use Asset - Immovable Bearer Biological Assets</b>	Immature	Mature	Total
		Plantations Rs. '000	Plantations Rs. '000	Rs. '000
	Capitalised Value as at 22.06.1992	213,332	103,652	316,984
	Transfers	(213,332)	213,332	-
	Government Acquisition (2005/06)	-	(6,449)	(6,449)
	Disposals (2006/07)	-	(45,690)	(45,690)
	Re Acquisition (2013/14)	-	15,075	15,075
	<b>Balance as at 31.03.2023</b>	-	279,920	279,920
	Accumulated amortisation as at 01.04.2022	-	251,172	251,172
	Amortisation during the year	-	9,002	9,002
	Accumulated amortisation as at 31.03.2023	-	260,174	260,174
	<b>Written down value as at 31.03.2023</b>	-	19,746	19,746
	<b>Written down value as at 31.03.2022</b>	-	28,748	28,748

**Note:**

Investment in plantation assets which were immature at the time of handing over to the Company by way of estate leases are shown under immature plantations, all of which have been transferred to mature plantations as at the reporting date.

12.2.2	<b>Right of use Asset - Other Immovable Assets</b>	Improvement to Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Total Rs. '000
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Revalued Value as at 22.06.1992	6,984	42,429	3,514	52,927
	Re Acquisition (2013/14)	-	4,146	83	4,229
	<b>Balance as at 31.03.2023</b>	6,984	46,575	3,597	57,156
	Accumulated amortisation as at 01.04.2022	6,930	46,575	3,597	57,102
	Amortisation during the year	54	-	-	54
	Accumulated amortisation as at 31.03.2023	6,984	46,575	3,597	57,156
	<b>Written down value as at 31.03.2023</b>	-	-	-	-
	<b>Written down value as at 31.03.2022</b>	54	-	-	54

12.3	<b>Right-of-use asset - Other lease assets</b>	2023 Rs. '000	2022 Rs. '000
		Rs. '000	Rs. '000
<b>Cost</b>			
	At the beginning of the year	<b>27,052</b>	27,052
	Adjustment on reassessment of Lease Liability	(3,327)	-
	Additions	<b>3,659</b>	-
	At the ending of the year	<b>27,384</b>	27,052
<b>Depreciation</b>			
	At the beginning of the year	<b>24,915</b>	18,506
	Adjustment on reassessment of Lease Liability	(3,327)	-
	Depreciation during the year	<b>2,137</b>	6,408
	At the ending of the year	<b>23,725</b>	24,915
	Written Down Value	<b>3,659</b>	2,137

**13. FREEHOLD PROPERTY, PLANT & EQUIPMENT**

<b>COST</b>	<b>Balance as at 01.04.2022</b>	<b>Additions Rs. '000</b>	<b>Transferred out / Disposal Rs. '000</b>	<b>Balance as at 31.03.2023 Rs. '000</b>
Buildings	256,489	2,301	-	<b>258,790</b>
Motor Vehicles	181,767	162,850	-	<b>344,617</b>
Plant & Machinery	388,979	54,702	(19,536)	<b>424,146</b>
Furniture & Fittings	5,896	-	-	<b>5,896</b>
Equipment	29,595	11,370	-	<b>40,965</b>
Computers	18,418	3,642	-	<b>22,060</b>
	881,144	234,865	(19,536)	<b>1,096,474</b>

<b>DEPRECIATION</b>	<b>Balance as at 01.04.2022</b>	<b>Charge for the Year</b>	<b>Accumulated depreciation on Transferred out Rs. '000</b>	<b>Balance as at 31.03.2023 Rs. '000</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Buildings	88,711	6,915	-	<b>95,626</b>
Motor Vehicles	171,594	13,538	-	<b>185,132</b>
Plant & Machinery	300,781	11,930	(19,536)	<b>293,175</b>
Furniture & Fittings	5,481	63	-	<b>5,544</b>
Equipment	23,090	2,047	-	<b>25,137</b>
Computers	17,346	851	-	<b>18,197</b>
	607,004	35,343	(19,536)	<b>622,811</b>
<b>Written Down Value</b>	<b>274,140</b>	-	-	<b>473,662</b>

	<b>Balance as at 01.04.2022</b>	<b>Additions for the Year</b>	<b>Transferred during the Year</b>	<b>Balance as at 31.03.2023 Rs. '000</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Capital Work-in-Progress</b>	4,329	3,839	(325)	<b>7,843</b>
<b>TOTAL WRITTEN DOWN VALUE</b>	<b>278,469</b>			<b>481,506</b>

The assets shown above are those movable assets vested in the Company by gazette notification at the date of formation of the Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in notes 12.1 & 12.2.

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the date of the Statement of Financial Position is Rs. 398,184,055/- (2021/22 - Rs. 398,373,214/-).

## Notes to the Financial Statements

### 14. BEARER BIOLOGICAL ASSETS

Cost	Immature	Mature	Total Rs. '000
	Plantations Rs. '000	Plantations Rs. '000	
At the beginning of the year	712,897	3,561,067	4,273,964
Additions	358,831	-	358,831
Transfers	(298,128)	298,128	-
At the end of the year	773,601	3,859,195	4,632,795
<b>Depreciation</b>			
At the beginning of the year	-	1,196,870	1,196,870
Charge for the year	-	167,496	167,496
At the end of the year	-	1,364,367	1,364,367
<b>Written Down Value - as at 31.03.2023</b>	773,601	2,494,828	3,268,429
<b>Written Down Value - as at 31.03.2022</b>	712,897	2,364,197	3,077,094

**Note:**

"These are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12.1 and 12.2. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments since take over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the leases is shown under Note 12.2.

Borrowing costs were not incurred during the year (2021/22 - Nil) to meet expenses relating to immature plantations of the year."

### 15. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS

	2023 Rs. '000	2022 Rs. '000
Beginning of the year	251,179	218,540
Gain/(loss) arising from changes in fair value of biological assets	12,702	24,480
Increase due to development	3,449	8,159
End of the year	267,330	251,179

The Managed timber plantation include commercial timber plantations cultivated in the estates of administrative district of badulla & managed timber plantations is measured at fair value other than young trees which are recorded at cost as the significant biological transformation has not taken place.

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried by Mr. W.M Chandrasena, FIV(SL) MRICS (Chartered Valuation surveyor,) using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates and the valuation has considered the different species, size, condition and location of timber trees.

### 15.1 Fair Value Hierarchy

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of transaction prices of the Company, and the market prices of timber corporation, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

### 15.2 Information about Fair Value Measurements using significant unobservable inputs (Level 3)

Non Financial Assets	Valuation Techniques	Unobservable Inputs	'Range of Unobservable Inputs (Probability weighted average.)		Relationship of Unobservable inputs to Fair Value
			2022/2023	2021/2022	
Consumable Biological Assets - Timber	Discounted Cash Flow Method	Discounting Rate	19%	19%	The higher the discount rate, the lower the fair value
		Optimum rotation (Maturity)	25 - 35 Years	25 - 35 Years	Lower the rotation period, the higher the fair value
		Price per Cubic ft.	Rs.200 - 800	Rs.200 - 800	The higher the price per cu. ft., the higher the fair value

Other Key assumption used in the Valuation:

- 1.The harvesting is approved by the PMMD and Forestry Department Based on the Forestry Development Plan.
2. The Current Market Prices used are net of selling expenditure.

### 15.3 Sensitivity Analysis

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the SLFRS 13 against their own assumptions.

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the Company's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models.

## Notes to the Financial Statements

### a) Sensitivity Analysis - discount rate & Selling Price

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied and price changes with regard to average sale prices applied. Simulations made for timber trees show that an increase or decrease by 1.5% of the discount rate and increase or decrease by 10% of estimated future selling prices have the following effect on the net present value of biological assets:

Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Managed Timber	-10%	+10%	-1.5%	+1.5%
As at 31 March 2023	(53)	53	(18,298)	(29,471)
As at 31 March 2022	(23,038)	23,038	5,923	(5,161)

15.4	PRODUCE ON BEARER BIOLOGICAL ASSETS	2023		2022	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Beginning of the year		<b>38,499</b>		21,558	
Gain/(loss) arising from change in fair value of biological assets		<b>(4,533)</b>		16,941	
End of the year		<b>33,966</b>		38,499	

### 15.5 Non Financial Assets - Biological Assets

Assets measured at fair value	Date of valuation	Level 1 "(Quoted prices in active markets) Rs. '000"	Level 2 "(Significant observable inputs) Rs. '000"	Level 3 "(Significant unobservable inputs) Rs. '000"
Consumable Biological Assets - Timber (Note No 15)	31st March 2023	-	-	267,330
Produce on Bearer Biological Assets (Note No 15.4)	31st March 2023	-	<b>33,966</b>	-

15.6	Gain/(Loss) On Fair Value Changes Of Biological Assets	2023		2022	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Gain/(loss) on fair value changes of consumable biological assets (Note 15)	<b>12,702</b>		24,480	
	Gain/(loss) on fair value changes of produce on bearer biological assets (Note 15.4)	<b>(4,533)</b>		16,941	
		<b>8,169</b>		41,421	

## 16. INVESTMENT IN JOINT VENTURE

INVESTMENT IN JOINT VENTURE		2023	2022
Investee		Holding %	
AEN Palm Oil Processing (Pvt) Ltd.	No .of Shares Invested	33.33%	33.33%
		699,027	699,027
		2023 Rs. '000	2022 Rs. '000
At the beginning of the year		336,484	212,554
Share of Profit from the Joint Venture (Note 16.1)		237,867	224,590
Dividend Received		(150,986)	(100,660)
Total Carrying Value of Investment		423,365	336,484

The above investment in Joint Venture represents investment in AEN Palm Oil Processing (Pvt) Ltd, which is a joint venture established with Namunukula Plantations PLC, Elpitiya Plantations PLC and Agalawatte Plantations PLC.

The Company has a 33.33% interest in AEN Palm Oil Processing (Pvt) Ltd a joint venture where the Company can influence upto 33.33 % of voting rights of AEN Palm Oil Processing (Pvt) Ltd. This joint venture involved in the business of processing crude Palm Oil.

The Company's interest in AEN Palm Oil Processing (Pvt) Ltd is accounted for using equity method in the financial statements. Summarized financial information of this joint venture are set out below.

16.1	Summarised Statement of Profit or Loss of AEN Palm Oil Processing (Pvt) Ltd.	2023	2022
		Rs. '000	Rs. '000
	Revenue from contracts with customers	9,875,835	7,132,238
	Cost of Sales	(8,891,016)	(6,241,722)
	<b>Gross Profit</b>	<b>984,820</b>	890,516
	Other Income including Interest Income Rs. 38,044,679/- (2022 - Rs. 6,354,928/-)	38,156	6,610
	Administration expenses including depreciation Rs. 1,408,652/- (2022- Rs. 2,573,781/-)	(212,426)	(134,990)
	Selling & Distribution Expenses	(2,132)	(1,267)
	Finance Cost	(10,389)	(14,262)
	<b>Profit Before Tax</b>	<b>798,029</b>	746,607
	Tax Expense	(84,427)	(72,837)
	<b>Net Profit for the Year</b>	<b>713,602</b>	673,770
	<b>Total Comprehensive Income</b>	<b>713,602</b>	673,770
	Company's share of profit before tax	266,010	248,869
	Company's share of profit after tax (Note 16)	237,867	224,590

## Notes to the Financial Statements

### 16. INVESTMENT IN JOINT VENTURE (contd.....)

#### Statement of Financial Position

Non Current Assets	<b>1,018,765</b>	869,426
Current assets, including cash and cash equivalents Rs. 507,942,102/- (2022 - Rs. 353,939,033/-)	<b>724,943</b>	582,190
Total Assets	<b>1,743,708</b>	1,451,616
Non current liabilities, including deferred tax liabilities. Rs. 59,276,076/- (2022- Rs. 47,895,233/-)	<b>139,338</b>	184,735
Current liabilities, including tax payable. Rs. 74,351,169/- (2022 - Rs. 32,736,899/-)	<b>357,219</b>	253,729
Total Liabilities	<b>496,556</b>	438,464
Total Equity	<b>1,247,152</b>	1,013,152
<b>Company's carrying amount of the investment</b>	<b>415,717</b>	337,717

#### Cash Flows

Net Cash Flows from Operating Activities	<b>883,767</b>	793,744
Net Cash Flows used in Investment Activities	<b>(190,162)</b>	(183,235)
Net Cash Flows used in Financing Activities	<b>(539,602)</b>	(337,980)
<b>Total Net Cash Flows</b>	<b>154,003</b>	272,530

### 17. INTANGIBLE ASSETS (GOODWILL ON BUSINESS COMBINATIONS)

2023                                  2022

**Rs. '000**                                  Rs. '000

Goodwill on business combinations	<b>305,915</b>	305,915
Impairment	-	-
As at 31 March	<b>305,915</b>	305,915

#### 17.1 Goodwill arising on business combinations

Company had a sub lease agreement with Tusker Bottling Company (Pvt) Ltd where estates of the Uva Region has sub leased to said Company. However the Sub Lease agreement with Tusker Bottling Company (Pvt) Ltd (Under Liquidator) has been terminated for breach effective from 05 July 2013. Consequently, Assets and Liabilities are reacquired passing board resolution by the Company. Based on the information available, the Board is of the opinion that this reacquisition of subleased assets will not have any further contingent Liabilities as at reporting date except accounted at the date of acquired and disclosed under Note 34. The above balance represent the Goodwill on acquisition of Sub leased Property.

## 17. INTANGIBLE ASSETS (GOODWILL ON BUSINESS COMBINATIONS) (contd.....)

### 17.2 Impairment testing of goodwill

The recoverable amount as at 31 March 2023, has been determined based on the value in use calculation using expected future cash flow projections based on financial budgets which are approved by management and the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and to the Company. The key assumptions used to determine the recoverable amount are as follows,

#### **Discount rates**

Discount rate represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC of 26.12 % (2021/22 - 20.50 %) takes into account both debt and equity. Segment-specific risk is incorporated by applying individual beta factors. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

#### **Inflation**

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

#### **Growth rate estimates**

Volume growth of 5 % (2021/22 - 5%) has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year based on industrial growth rates. Cash flows beyond five year period are extrapolated using 0% growth rate.

#### **Gross margins**

Gross margins are based on average values achieved in the preceding years beginning of the budget period. These are adjusted over the estimate period for anticipated efficiency improvements and projected market conditions.

The rise in general inflation rate, discounting rate and decrease in gross margin & growth rates, individually or jointly will result in a further impairment.

## 18.

### INVENTORIES

	2023 Rs. '000	2022 Rs. '000
Produce Stock	<b>237,781</b>	122,305
Biological Assets - Nurseries	<b>8,618</b>	10,202
Spares & Consumables	<b>177,781</b>	85,011
	<b>424,180</b>	217,518

## Notes to the Financial Statements

19.	<b>TRADE AND OTHER RECEIVABLES</b>	<b>2023</b>	<b>2022</b>
		Rs. '000	Rs. '000
Produce Debtors (Related Companies, Note 19.1)	<b>22,148</b>	49,030	
Produce Debtors (Others)	<b>37,034</b>	41,643	
Advances & Prepayments	<b>65,883</b>	45,988	
Other Debtors	<b>65,632</b>	55,786	
	<b>190,696</b>	192,447	
Provision for impairment of doubtful receivables	(40,488)	(40,488)	
	<b>150,208</b>	151,959	
Receivable from Liquidator - for uva range			
Current account balance	<b>533,052</b>	533,052	
Less: Provision for impairment of doubtful receivables	(533,052)	(533,052)	
	-	-	
	<b>150,208</b>	151,959	

The above "receivable from the liquidator - Uva range" amount, is the due balance from the liquidator appointed by the court in the winding up proceeding of Tusker Bottling Company (Pvt) Ltd to which the Company has sub leased 6 estates. These expenses were incurred by the Company net of income on behalf of the liquidator who has acknowledged the fact.

The amount outstanding from liquidator was Rs. 533,052,236/-, for which total provision has been made.

19.1	<b>Trade Receivables from Related Companies.</b>	<b>Relationship</b>		<b>2023</b>	<b>2022</b>
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
AEN Palm-Oil Processing (Pvt) Ltd	Joint Venture	<b>22,148</b>	49,030		
		<b>22,148</b>	49,030		

The age analysis of produce debtors is as follows;

	<b>0 - 7 days</b>	<b>8 - 30 days</b>	<b>31 - 90 days</b>	<b>91-364 days</b>	<b>&gt; 365 days</b>	<b>Total</b>
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 31 March 2023</b>						
Produce Debtors (Related Companies)	22,148	-	-	-	-	22,148
Produce Debtors (Others)	37,034	-	-	-	-	37,034

20.	<b>AMOUNTS DUE FROM RELATED COMPANIES</b>	<b>Relationship</b>		<b>2023</b>	<b>2022</b>
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Richard Pieris & Company PLC	Ultimate Parent Company	<b>357,632</b>	36,305		
RPC Management Services (Pvt) Ltd	Parent Company	<b>130,493</b>	-		
Kegalle Plantations PLC	Fellow Subsidiary Company	<b>112,596</b>	129,115		
Maskeliya Plantations PLC	Fellow Subsidiary Company	<b>130,486</b>	69,525		
Maskeliya Tea Garden Ceylon Ltd	Fellow Subsidiary Company	<b>5,666</b>	838		
Richard Pieris Distributors (Pvt) Ltd	Fellow Subsidiary Company	<b>332</b>	382		
BGN Industries Ltd	Fellow Subsidiary Company	<b>5,859</b>	-		
Richard Pieris Natural Foams Ltd.	Fellow Subsidiary Company	<b>12,171</b>	11,570		
		<b>755,236</b>	247,735		

21.	<b>FINANCIAL ASSETS</b>			2023	2022
				Rs. '000	Rs. '000
	Loan given to Richard Pieris Finance Limited			200,000	200,000
				200,000	200,000

The Company granted a long term loan of Rs. 200 Mn to Richard Pieris Finance Limited in May 2020 at a Interest rate of 12.44% for a 5 year period. Interest to be paid monthly and capital to be repay fully at the expiration of the period of the tenure of 5 years in May 2025.

22.	<b>CASH AND CASH EQUIVALENTS</b>			2023	2022
				Rs. '000	Rs. '000
22.1	<b>Favourable balance</b>				
	Cash at Bank			3,491,929	2,031,030
	Cash in Hand			271	986
	Short Term Investment			180,811	-
				3,673,011	2,032,016

22.2	<b>Unfavourable balance</b>				
	Bank Overdraft (Note 24)			-	(18,471)
				3,673,011	2,013,546

23.	<b>STATED CAPITAL</b>			2023	2022
				Rs.	Rs.
	<b>Issued and Fully Paid Number of Shares</b>				
	Fully paid ordinary shares including One Golden Share			23,750,001	23,750,001
	<b>Value of Issued and Fully Paid Shares</b>				
	23,750,000 Ordinary Shares and a Golden Share which has special rights, held by the Secretary to the Treasury (Rs.)			350,000,010	350,000,010

#### 24. INTEREST BEARING LOANS AND BORROWINGS

24.1		Repayable			Repayable		
		within 01 year Rs. '000	after 01 year less than 05 years Rs. '000	Total as at 31.03.2023 Rs. '000	within 01 year Rs. '000	after 01 year less than 05 years Rs. '000	Total as at 31.03.2022 Rs. '000
Term Loans		-	-	-	6,667	-	6,667
Bank Overdraft (Note 22.2)		-	-	-	18,471	-	18,471
		-	-	-	25,137	-	25,137

## Notes to the Financial Statements

24.1	Long Term Loans	Repayable		Total			Rate of Interest %	Terms of Repayment
		within 1 year	after 1 year	as at 31.03.2023	as at 31.03.2022			
		Less than 5 years	Rs. '000	Rs. '000	Rs. '000			
24.1.1	Nations Trust Bank PLC	-	-	-	6,667	4%	Monthly Installments Rs 1.66 Mn commenced from 03.05.2021	6,667

### 25. RETIRING BENEFIT OBLIGATIONS

	2023 Rs. '000	2022 Rs. '000
At the beginning of the year	474,022	512,743
Interest Cost	68,733	44,865
Current Service Cost	29,737	27,986
Past Service Cost	-	(7,778)
Actuarial (Gain) / Loss due to changes in financial assumptions	(35,273)	(88,553)
Actuarial (Gain) / Loss due to experience adjustments	93,731	80,520
Gratuity Paid/Payables for the year	(153,154)	(95,761)
At the end of the year	477,796	474,022

The employee benefit liability is based on the actuarial valuation carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

#### Use of Discount Rate under the uncertain economic conditions

The Company uses market yields for the year ended 31st March 2023 on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate, as disclosed in its accounting policy. However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation. The based disclosures of methods, Input used and assumptions are as follows,

#### Adopting Method :

Company used Projected Unit Credit Method (PUC) as the method of valuation. The PUC is the benchmark method recommended by Sri Lanka Accounting Standard as per LKAS 19.

#### Input Used for the valuation

Basic input data used for the retirement benefit obligation is employee date who were expected to be in service as at 31st March 2023. Such as retirement Age , Wage Rate etc. This input data mainly used to conduct the valuation.

#### Assumptions used for valuation

In order to carry out the valuation, there are two main assumptions regarding the future experience and trends of two groups of elements.

##### i. Demographic Assumptions -

This assumption covers item such as mortality rates, ill health retirement rate and staff turnover rate and these are generally referred to as the demographic assumptions. Sudden Changes in these are rare and the past experience can provide a reasonable guide to the future.

##### ii . Financial Assumption -

This assumption covers the financial elements such as the rate of increase in salaries / Wages, the rate of discount ( i.e. the rate of interest used to discount future cash flows in order to determine the present value). The assumptions regarding the financial elements, of necessity, have to be based on more general considerations of long-term economic trends and outlook.

## 25. RETIRING BENEFIT OBLIGATIONS (contd.....)

According to the actuarial valuation report issued by the Messer Actuarial & Management Consultants (Pvt) Ltd as at 31 March 2023, the actuarial present value of promised retirement benefits amounted to Rs. 477,796,431/. If the Company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 901,737,316.48/-.

The key assumptions used by the actuary is as follows,

	2023	2022
(I) Rate of discount	17 % p.a.	14.50 % p.a.
(II) Retirement age		
Workers (Male & Female)	<b>60 Years</b>	60 Years
Estate Staff (Male & Female)	<b>60 Years</b>	60 Years
Head Office Staff (Male & Female)	<b>60 Years</b>	60 Years
(III) The Company will continue in business as a going concern.		

The following payment are expected from defined benefit plan obligation in future years.

	Staff	Workers	Company
	Rs. '000	Rs. '000	Rs. '000
Within the next 12 Months	9,475	90,407	99,883
Between 02 to 05 Years	32,240	157,754	189,993
After 05 Years	27,612	160,308	187,920
	69,327	408,470	477,796

The weighted average duration of defined benefit obligation for the Namunukula plantation PLC is 10.26 years (2021/22) - 6.92 years).

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the **Minimum Retirement Age of Workers Act No. 28 of 2021**.

### 25.1 Sensitivity of Assumptions Employed in Actuarial Valuation

The following tables are demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

Simulation made for retirement obligation show that, a rise or decrease by 1% of the rate of salaries & wages or discount rate has the following effect on the retirement benefit obligation.

Variable	Sensitivity Effect on,			
	Statement of Profit or Loss		Statement of Financial Position	
	(Benefit Obligation to staff) Rs. '000	(Benefit Obligation to Workers) Rs. '000	Total Rs. '000	Total Rs. '000
<b>1 % Increase in discounting Rate -2022/23</b>	3,706	20,325	24,031	(24,031)
1 % Increase in discounting Rate -2021/22	3,460	24,427	27,887	(27,887)
<b>1 % Decrease in discounting Rate - 2022/23</b>	(4,112)	(22,616)	(26,728)	26,728
1 % Decrease in discounting Rate - 2021/22	(3,866)	(27,454)	(31,320)	31,320
<b>1 % Increase in salary/Wages escalation rate -2022/23</b>	(4,674)	(23,165)	(27,840)	27,840
1 % Increase in salary/Wages escalation rate -2021/22	(4,352)	(27,869)	(32,221)	32,221
<b>1 % Decrease in salary/Wages escalation rate -2022/23</b>	4,256	21,058	25,315	(25,315)
1 % Decrease in salary/Wages escalation rate -2021/22	3,936	25,117	29,053	(29,053)

## Notes to the Financial Statements

### 26. DEFERRED GRANTS AND SUBSIDIES

	2023 Rs. '000	2022 Rs. '000
At the beginning of the year	<b>127,404</b>	129,128
Add : Grants received for the year - Monetary	<b>497</b>	4,446
Less : Amortisation for the year	<b>(6,330)</b>	(6,170)
At the end of the year	<b>121,570</b>	127,404

The Company has received funds from Asian Development Bank - Plantation Reform Project (ADB - PRP), Plantation Development Support Programme (PDSP) and Plantation Human Development Trust (PHDT) for the development of worker facilities such as construction of worker housing, re-roofing of line rooms, latrines, water supply and sanitation etc. Funds received from Rubber Development Department are utilized for Rubber replanting.

The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies.

### 27. LEASE LIABILITY

	2023 Rs. '000	2022 Rs. '000
Lease liability on Right of use Asset - Land	27.1	<b>455,817</b>
Lease liability on Right of use Asset - Other Assets	27.2	<b>3,659</b>
		<b>459,477</b>

#### 27.1

<b>Lease liability on Right of use Asset - Land</b>	2023 Rs. '000	2022 Rs. '000
Balance as at the beginning of the year	<b>425,988</b>	415,014
Reassessment Adjustment	<b>33,653</b>	14,110
Accretion of interest	<b>59,753</b>	55,786
Payments	<b>(63,577)</b>	(58,922)
Balance as at the end of the year	<b>455,817</b>	425,988

#### 27.1.2 Maturity analysis of lease liabilities are as follows;

<b>Lease liability on right of use Asset - Land</b>	2023 Rs. '000	2022 Rs. '000
<b>Repayable after 5 years</b>		
Gross Liability	<b>1,080,812</b>	1,060,602
Less : Finance Charges	<b>(652,995)</b>	(657,579)
Net Liability	<b>427,817</b>	403,023
<b>Repayable after 1 year less than 5 years</b>		
Gross Liability	<b>254,309</b>	235,689
Less : Finance Charges	<b>(230,629)</b>	(216,268)
Net Liability	<b>23,680</b>	19,421
Repayable after 1 year	<b>451,497</b>	422,444
<b>Repayable within 1 year</b>		
Gross Liability	<b>63,577</b>	58,922
Less : Finance Charges	<b>(59,256)</b>	(55,378)
Net Liability	<b>4,321</b>	3,544
<b>Total</b>	<b>455,817</b>	425,988

	<b>Lease liability on right of use Asset - Other Assets</b>	<b>2023 Rs. '000</b>	<b>2022 Rs. '000</b>
27.2	Balance as at the beginning of the year	1,765	3,327
	Accretion of interest	229	432
	New Leases obtained	3,659	-
	Repayments during the year	(1,994)	(1,994)
	Balance as at the end of the year	3,659	1,765
27.3	<b>Current versus non-current classification of lease liability</b>		
	Current	6,039	5,309
	Non - Current	453,438	422,444
28.	<b>DIVIDENDS PAYABLE</b>	<b>2023 Rs. '000</b>	<b>2022 Rs. '000</b>
	Dividend for Rs. 14.00 per Share (2021/22 - Rs. 10.00 per share)	-	237,500
	Number of Ordinary Shares (No's)	23,750,001	23,750,001
	Dividend per share (Rs.)	-	10.00
29.	<b>TRADE AND OTHER PAYABLES</b>	<b>2023 Rs. '000</b>	<b>2022 Rs. '000</b>
	Trade Creditors	105,221	31,677
	Accrued Expenses	121,965	213,118
	Payable to Employees	149,993	143,654
	Others	55,910	73,334
		433,089	461,783
30.	<b>AMOUNTS DUE TO RELATED COMPANIES</b>	<b>Relationship</b>	<b>2023 Rs. '000</b>
	RPC Plantation Management Services (Pvt) Ltd	Parent Company	36,650
	Richard Pieris Tyre Company (Pvt) Ltd	Fellow Subsidiary Company	1,135
	Arpitech (Pvt) Ltd	Fellow Subsidiary Company	41
			37,825
			24,935

## Notes to the Financial Statements

### 31. SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan			Carrying amount pledged	
	Facility Rs. Mn	Outstanding Rs. Mn	Security	2023 Rs. Mn.	2022 Rs. Mn.
<b>Overdraft and Short Term Loans</b>					
Bank of Ceylon	90	-	Floating mortgage bond over stock in trade and movables of the Company	<b>237.78</b>	122.31
Hatton National Bank PLC	150	-	Corporate guarantee	-	-
Nations Trust Bank PLC	150	-	Floating mortgage bond over stock in trade and movables of the Company	<b>237.78</b>	122.31
Sampath Bank PLC	50	-	Corporate guarantee	-	-
<b>Long Term Loans</b>					
Nations Trust Bank PLC	25	-	Floating mortgage bond over stock in trade and movables of the Company	<b>237.78</b>	122.31

### 32. CAPITAL EXPENDITURE COMMITMENTS

	2023 Rs. '000	2022 Rs. '000
Followings are the capital expenditure commitments as at the reporting date,		
Approved by the Board & Contracted for	<b>Nil</b>	Nil
Approved by the Board & not Contracted for	<b>902,274</b>	703,851

### 33. RELATED PARTY DISCLOSURES

The details of the significant related party disclosures are as follows.

33.1	Transactions with the Parent and Related entities.	2023 Rs. '000	2022 Rs. '000
33.1.1	<b>Parent Company</b>		
	Amounts Payable	<b>36,650</b>	24,016
	Management Fee	( <b>498,811</b> )	(322,517)
	Settlements of Dues	<b>486,177</b>	303,310

#### 33.1.2 Management Fee

The Management agent shall be paid for each fiscal year fifteen percent (15%) of the earnings of the Company before interest received/paid corporate tax, depreciation and amortization of land and management fees (EBIDTA) applicable in that fiscal year.

### 33. RELATED PARTY DISCLOSURES (contd.....)

33.1.3	Group Companies	2023 Rs. '000	2022 Rs. '000
Amounts Receivable		955,236	447,735
Amounts Payable		(1,175)	(919)
Sale of Goods		176,857	212,176
Settlements of Dues/Current A/C's		(198,399)	(254,288)
Salary Cost & Other Services/Charges charged		36,749	62,955
Purchase of goods, Salary Cost & Other Services Charges		(123,233)	(65,522)
Current Account Settlement		88,254	34,776
Short Term Loan given		420,745	104,000
Settlement of Short Term Loan		(245,026)	(69,278)
Debenture/Loan Interest income Receivable		805,989	95,187
Debenture/Loan Interest Settlement		(467,899)	(24,880)
Interest charged on Loan		39,208	3,877
Insurance premium		(1,807)	(1,674)

#### 33.1.4 Recurrent Transactions with the other related companies

Name of the Related Party	Relationship	Nature of the Transaction	Terms and Conditions of the Related Party Transactions	Related Party Transactions as a % of Revenue	2023 Rs. '000	2022 Rs. '000
Richard Pieris & Company PLC	Ultimate Parent Company	Amounts Receivable	Group Pooling Agreement	15%	357,632	36,305
		Interest Receivable			787,244	70,307
		Building Rent			(2,284)	(2,154)
		Other Expenses			9,471	(5,664)
		Settlements of dues			(449,153)	(53,438)
AEN Palm oil processing (Pvt) Ltd	Joint Venture	Amounts Receivable	Sale of Fresh Fruit Bunches (FFB) as day to day operations of the Company - Price will decide based on Ripe & Unripe weight of bunches.	61%	22,148	49,030
		Sale of Goods			3,264,018	2,409,254
		Reimbursement of Transport Cost			169,220	52,013
		Vehicle Lease rental & Insurance charged			(262)	(274)
		Settlements of dues			(3,459,858)	(2,406,076)

Under the RPC (Richard Pieris & Company PLC) pooling arrangement, an aggregate amount of Rs. 787 Mn (compared to Rs. 70 Mn in 2021-22) earned from day-to-day operations of the Company is deposited into the designated Richard Pieris & Company PLC pooling account during the fiscal year. These transactions collectively exceed 10% (15%) of the gross revenue/income of the Company as per the latest audited financial statements.

During the year Company was supplied Rs. 3,264 Mn (2021-22 - Rs. 2,409 Mn) worth of oil palm FFB to AEN Palm oil processing (Pvt) Ltd in day to day operations of the Company and aggregate value of these transactions are exceed 10% (61%) of the gross revenue/income of the Company as per latest audited financial statements.

# Notes to the Financial Statements

## 33. RELATED PARTY DISCLOSURES (contd.....)

### 33.2 Terms and Conditions

Transaction with related parties are carried out in the ordinary course of business on relevant commercial terms. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

#### Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower.

### 33.3 Transactions with the key management personnel of the Company and parent

There were no material transactions with the key management personnel of the Company and its parent for the year ended 31 March 2023. Further there were no key management compensation paid during the year other than those disclosed in Note 9.

### 33.4 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 16, 20, 21, 30 & 33 to the Financial Statements.

## 34. CONTINGENCIES

### 34.1 High Court of Badulla Case No's: HCRA 59/2015 to HCRA 88/2015

There were 30 cases outstanding filed at Magistrates court Passara and Bandarawela by the Commissioner of Labour (Badulla) against Tusker Bottling Co. (Pvt) Ltd, the Company and the Superintendents of these Estates regarding the payment of employees' statutory dues for the amounts which the Sub Lessee has failed to pay in respect of the sub leased 6 estates. The Company has filed objections that the Company is not liable to pay such dues. However Magistrate has ordered Company to pay.

The Company filed revision to that in High court and further Company was deposited 14.75 Mn as refundable security deposit in the court. The Company has won the case No: 59/2015 at HC Badulla and then the Commissioner of Labour has made an appeal against the judgment given by the High Court Judge in favor of Company and the case is yet to be listed at Court of Appeal. The dates of the balance 29 cases (Case No: 60/2015 to 88/2015) are being moved forward pending a decision from a higher court. Next day of hearing is 11 September 2023.

## 35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments or disclosure in the financial statements except following disclosure,

### 35.1 Inland Revenue Act (Amendment) No. 04 of 2023 Passed in May 2023

The Inland Revenue (Amendment) Act No.04 of 2023 was passed in Parliament and certified by the Hon.Speaker on 08th May 2023. This is a disclosable non-adjusting event after repoting period end but before financial statements are authorized for issue under LKAS 10.

### **36. RECONCILIATION FOR CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including changes arising from 2022/23 are disclosed below together with the comparative figures for the year ended 2021/22.

	Non Current Interest Bearing Loans & Borrowings	Non Current Lease Creditor	Current Interest Bearing Loans & Borrowings	Current Lease Creditor	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2021	6,667	1,765	18,333	1,562	28,327
Net cash flows from financing activities	-	-	(18,333)	(1,562)	(19,895)
Reclassification to current liabilities	(6,667)	(1,765)	6,667	1,765	-
<b>Balance as at 31st March 2022</b>	-	-	6,667	1,765	8,432
Balance as at 1st April 2022	-	-	6,667	1,765	8,432
Net cash flows from financing activities	-	-	(6,667)	-	(6,667)
Reclassification to current liabilities	-	-	-	-	-
<b>Balance as at 31st March 2023</b>	-	-	-	1,765	1,765

### **37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

#### **37.1 Financial Risk Management Framework**

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's financial risk management framework which includes developing and monitoring the Company's financial risk management policies.

The Company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Company has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

# Notes to the Financial Statements

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

### 37.2 Credit Risk

This is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers.

#### 37.2.1 Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which the customers operate, as these factors may have an influence on credit risk.

The Company reviews external ratings and bank references of the customer when available. Purchase limits are established for each customer, which are reviewed quarterly. In monitoring credit risk, customers are categorized according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, geographical location, industry, aging profile, maturity and existence of previous financial difficulties. Credit risk on trade debtors are minimal since settlement is guaranteed within seven days.

The Company's main customers (Brokers) have been transacting with the Company more than 10 years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The maximum exposure to credit risk for trade receivables at the reporting date is Rs. 59 Mn (2021/22 – Rs. 91 Mn).

Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven to ten days by the Tea and Rubber auction systems.

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

- the debtor 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 21 days past due.

#### 37.2.1.1 Trade & Other Receivables Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due 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.

The Movement of in the allowance for the impairment for trade and other receivables during the year was,

	31.03.2023 Rs. '000	31.03.2022 Rs. '000
Balance as at 01 April	<b>573,540</b>	573,540
Charge for the year	-	-
Write-off	-	-
Recoveries	-	-
Balance as at 31 March	<b>573,540</b>	573,540

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

### 37.2.2 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs. 3,673 Mn as at 31st March 2023 (2021/22 – Rs. 2,032 Mn) which represents its maximum credit exposure on these assets.

### 37.3 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 is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Company consults the Central Treasury Department Unit of the group for scrutinizing the funding decisions.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31st March 2023	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	> 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest bearing loans & borrowing	-	-	-	-	-	-
Liability to make Lease payment within one year	-		6,039	25,621	427,817	459,477
Dividend Payable	-	-	-	-	-	-
Amounts Due to Related Companies	-	-	37,825	-	-	37,825
Bank Overdraft	-	-	-	-	-	-
	-	-	43,864	25,621	427,817	497,302
<b>As at 31st March 2022</b>						
Interest bearing loans & borrowing	-	-	-	-	-	-
Liability to make Lease payment within one year	-	1,327	3,982	19,421	403,023	427,753
Dividend Payable	-	237,500	-	-	-	237,500
Amounts Due to Related Companies	-	-	24,935	-	-	24,935
Bank Overdraft	18,471	-	-	-	-	18,471
	18,471	238,827	28,916	19,421	403,023	708,659

## Notes to the Financial Statements

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

#### 37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk, currency risk, interest rate risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings.

#### 37.5 Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

The Company don't have long term borrowings with floating interest rates at end of the year 2022/23 (2021/22 - Nil).

#### 37.6 Capital Management

The Company's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earning. The Board of Directors monitors the return on capital, interest cover ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	As at 31.03.2023	As at 31.03.2022
	Rs. '000	Rs. '000
<b>Interest bearing borrowing</b>		
Current portion of long term interest bearing borrowings	-	25,137
Payable within 1 and 5 years	-	-
Bank Overdraft	-	18,471
	-	43,608
<b>Equity</b>		
Equity & debts	<b>7,877,863</b>	5,449,137
Gearing ratio	<b>0%</b>	1%



# Supplementary Information



Amplifying Impact: Nurturing Healthy Relationships of Shareholders and Investors for Organizational Well-being and Sustainable Growth.

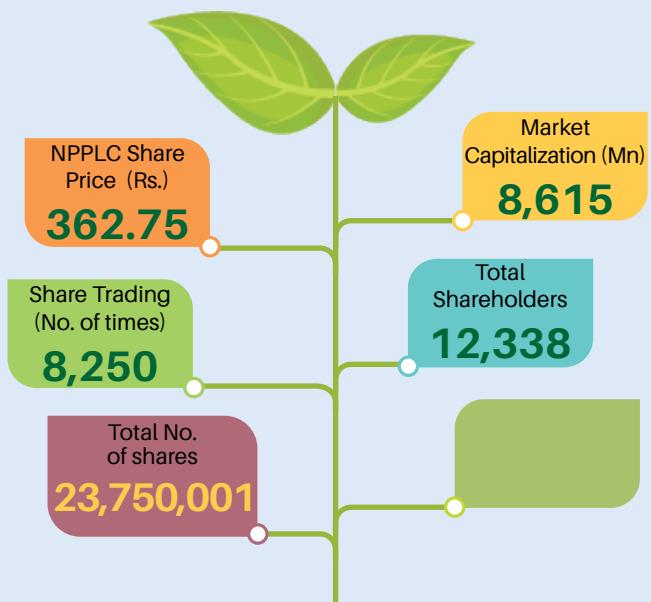
## Shareholder & Investor Relations Information



### Compliance Report on the Contents of Annual Report in Terms of the Listing Rules of the CSE

The Company is pleased to inform you that Company has duly complied with all the requirements of the Section 7.6 of the Listing Rules of the CSE on the contents of the Annual Report and Accounts of a listed entity.

The table below provides reference to the relevant sections of this Annual Report where specified information is disclosed together with page references for the convenience of the readers.



**Content Index of Annual Report disclosure requirements in terms of Listing Rule 7.6**

Listing Rule	Information required to be disclosed	Report Commentary Title	Page No(s)
7.6 (i)	Names of persons who were directors of the Company during the financial year	Corporate Governance & Board of Directors	34 to 38 & 28 to 31
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein.	About us	10 to 13
7.6 (iii)	The names and the number of shares held by the 20 largest shareholders and the percentage of such shares held.	Shareholders & Investor relations information Item 9	210
7.6 (iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Company complies with the Minimum Public Holding requirement.	Shareholders & Investor relations information Item 8.C	210
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the Company at the beginning and end of financial year.	Annual Report of the Board of Directors Item 4.3	148
7.6 (vi)	Information pertaining to material foreseeable risk factors	Risk Management	48 to 50
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Company.	Shareholders & Investor relations information Item 17	215
7.6 (viii)	Information on buildings/land holding of the Company as at end of the year	Estates Profile	21 to 26
7.6 (ix)	Number of shares representing the Company's stated capital.	Shareholders & Investor relations information Item 8	209 to 210
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Shareholders & Investor relations information Item 7	209
7.6 (xi)	Ratios and market price information on equity securities	Decade at a Glance/ Shareholder & Investor information Item 6	218 to 223/ 208
7.6 (xii)	Significant changes in the Company's fixed assets	Financial Statement note 12,13,14 & 15	181 to 184
7.6 (xiii)	If during the financial year the Company has raised funds through an Initial Public Offering and/or a further issue of Securities (as applicable);	Shareholders & Investor relations information Item 18	215
7.6 (xiv)	Employee Share Option Schemes/Employee Share Purchase Schemes	Shareholders & Investor relations information Item 19	215
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules.	Annual report of the board of Directors Item 4/ Profile of Directors/ Remuneration Committee Report/ Audit Committee Report	147 to 148/ 28 to 31/ 39 to 40
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	Financial Statement Note 33.1 – 33.2	196 to 198

# Shareholder & Investor Relations Information

## 1. Stock Exchange

The issued Ordinary Shares of Namunukula Plantations PLC is listed on the Main Board of the Colombo Stock Exchange (CSE) of Sri Lanka under the ticker symbol of "NAMU.N0000".

The Company duly submitted the unaudited Interim Financial Statements for the year 2022/23 to CSE within applicable statutory deadlines as required by the Rule No. 7.4 (a) (i) of the Listing Rules of the CSE. The Audited Accounts of the Company for the year ended 31 March 2023 have been submitted to the Colombo Stock Exchange within three months from the year end, which is well within the required deadline as required by the Rule No 7.5. (a) of the Listing Rules of the CSE.

## 2. NPPLC Share Information

NPPLC share Information from CSE website: Log on to Colombo Stock Exchange - website: [www.cse.lk](http://www.cse.lk) Enter Company code (NAMU.N0000) in the box at the top right hand corner of CSE home page and go to the Company description.

## 3. Public Holding

The percentage of shares held by the public is 32.06% of the issued Share Capital of the Company.

## 4. Golden Shareholder

The Golden Share of Rs 10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government or by a 100% Government owned Company. In addition to the rights of the Normal Ordinary Shareholder, the Golden Shareholder has the following rights;

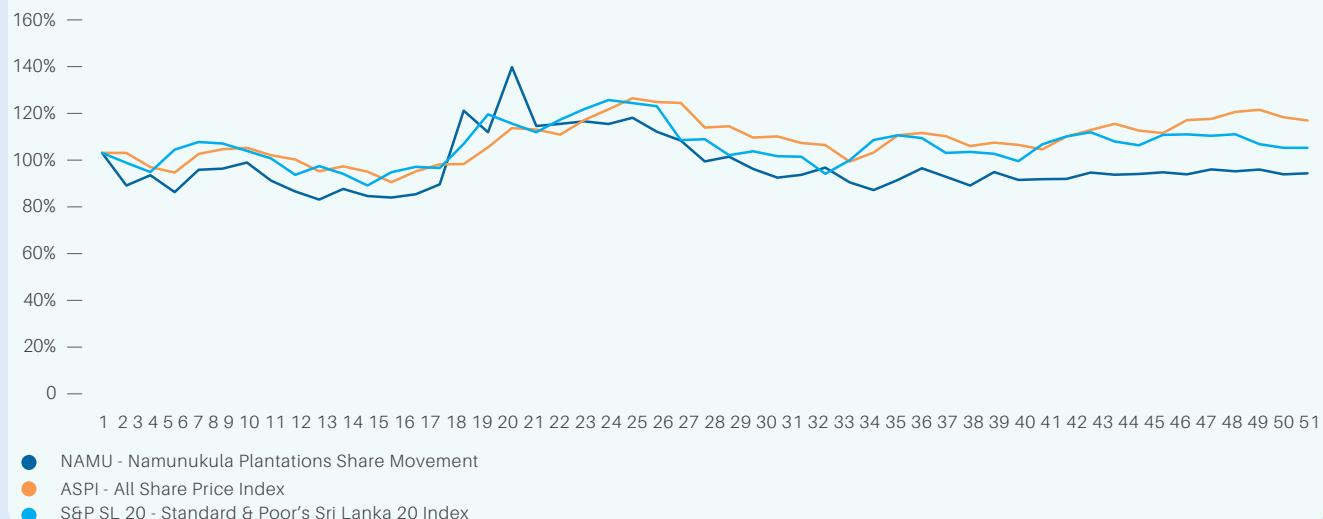
- 1) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/ to be leased to the Company by the Janatha Estate Development Board / Sri Lanka State Plantations.
- 2) The concurrence of the Golden Shareholder will be required to amend any clause in the Article of Association of the Company which grants specific right to the Golden Shareholders.
- 3) 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 of written notice.
- 4) The Company will be required to submit a detailed accounts report to the Golden Shareholder.
- 5) 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.

## 5 The Share of NPPLC

The Performance of Namunukula Plantations PLC's Share is as follows compared to the Performances of All Share Price Index (ASPI), Plantations Share Price Index (PLT) and Standard & Poor's Sri Lanka 20 (S&P SL 20) in the Share Market during the year.

## (a) NPPLC Share Price Vs Market Indices

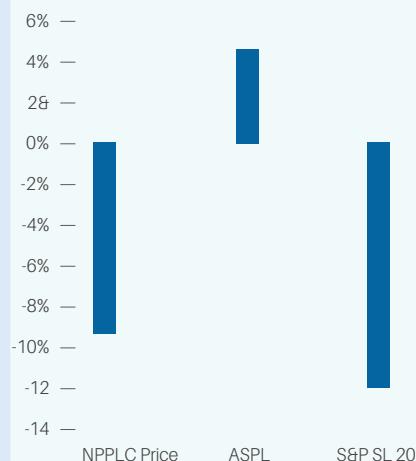
NPPLC Share Price Vs Market Indices



## (b) Performance of Share Relative to ASPI

	As at 31st March 2023	As at 31st March 2022	Change %
NPPLC Share price	362.75	398.75	-9%
ASPI	9,301.09	8,903.90	4%
S & P SL 20	2,682.83	3,031.20	-11%

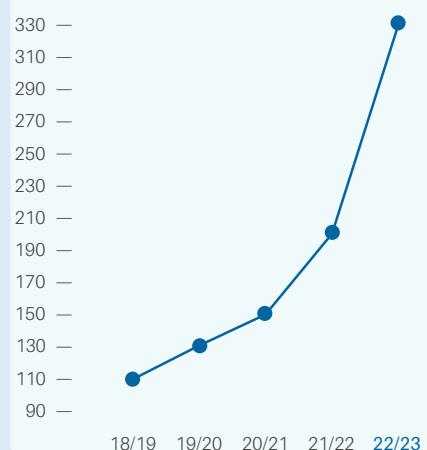
Performance of Share Relative to ASPI



## (C) Value Creation for Share

		2022/23	2021/22	2020/21	2019/20	2018/19
Turnover	Rs. '000	5,360,825	3,888,486	2,739,070	2,147,359	2,414,327
Net Profit After income tax	Rs. '000	2,813,817	1,937,332	863,243	286,910	256,293
Total Comprehensive income	Rs. '000	2,772,897	1,944,240	890,608	277,535	278,713
Total Assets	Rs. '000	10,423,076	7,569,348	5,784,115	4,936,736	4,561,107
Net Assets	Rs. '000	7,877,863	5,449,137	3,742,397	3,053,664	2,663,924
Net assets per share	Rs.	331.70	229.44	157.57	128.58	112.17

Net Assets per share Rs



## Shareholder & Investor Relations Information

(D) Five Years Quarterly Trend of the Share Price (Rs.)

Year	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
2023	362.75	365.00	420.50	306.75
2022	398.75	389.75	161.50	160.00
2021	184.50	184.00	131.40	80.10
2020	78.00	84.30	76.00	60.20
2019	64.00	63.80	65.00	75.00

Five Years Quarterly Trend of the Share Price (Rs.)



### 6 Market Information

#### (a) Key Information

		2022/23	2021/22	2020/21	2019/20	2018/19
<b>Market Value per share</b>						
Highest	Rs.	599.75	1,100.00	202.00	90.00	95.00
Lowest	Rs.	195.00	148.00	165.00	58.00	55.50
As at the year end	Rs.	362.75	398.75	184.50	78.00	64.00
<b>Trading Activities</b>						
Market Capitalization	Rs. Million	8,615	9,470	4,382	1,853	1,520
No. of Transaction	No. of times	8,250	16,277	3,898	899	1,234
No. of Shares Traded	Million	0.71	2.28	1.22	0.2	0.18
No. of days traded	Days	235	239	202	186	185
Value of Shares Traded	Rs. Million	280	953	174	14	13
<b>Exchange Rates- US\$</b>						
As at the year end	Rs.	327.29	299.00	196.01	188.62	176.13

#### (b) Quarterly results

		4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	Rs.'000	1,154,666	1,268,517	1,739,849	1,197,793
Cost of sales	Rs.'000	(441,872)	(523,072)	(769,748)	(620,316)
Gross Profit	Rs.'000	712,794	745,445	970,101	577,477
Other income	Rs.'000	310,724	315,515	239,397	140,784
Net Profit for the period	Rs.'000	561,741	571,914	1,058,643	621,519
Total Comprehensive income for the period	Rs.'000	520,821	571,914	1,058,643	621,519
Total Assets	Rs.'000	10,423,076	10,292,509	9,377,703	8,260,076
Net assets	Rs.'000	7,877,863	7,689,542	7,117,628	6,058,985
EPS	Rs.	23.65	24.08	44.57	26.17
Market price of Share	Rs.	362.75	365.00	420.50	306.75
Market capitalization	Rs.'000	8,615,313	8,668,750	9,986,875	7,285,313
Net Assets per share	Rs.	331.70	323.77	299.69	255.12

## 7 Distribution of Shareholding

	As at 31.03.2023				As at 31.03.2022			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Less than or equal to 1,000	12,143	98.42%	1,863,286	7.85%	12,163	98.48%	1,881,638	7.92%
1,001-10,000	173	1.40%	509,225	2.14%	167	1.35%	551,285	2.32%
10,001-100,000	18	0.15%	511,408	2.15%	17	0.14%	531,969	2.24%
100,001-1000,000	2	0.02%	966,096	4.07%	2	0.02%	995,241	4.19%
1,000,001 & above	2	0.02%	19,899,986	83.79%	2	0.02%	19,789,861	83.33%
<b>Grand total</b>	<b>12,338</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>12,351</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

## 8 Composition of Shareholders

### (a) Resident & Non-Resident

	As at 31.03.2023				As at 31.03.2022			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Resident	12,324	99.89%	23,659,613	99.62%	12,339	99.90%	23,661,030	99.63%
Non Resident	14	0.11%	90,388	0.38%	12	0.10%	88,971	0.37%
<b>Total Shareholding</b>	<b>12,338</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>12,351</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

### (b) Public & Other Holding

	As at 31.03.2023				As at 31.03.2022			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Public Holding	12,337	99.99%	7,613,315	32.06%	12,350	99.99%	7,723,440	32.52%
Other Holding	1	0.01%	16,136,686	67.94%	1	0.01%	16,026,561	67.48%
<b>Total Shareholding</b>	<b>12,338</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>12,351</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

As per the rule No 7.6 (iv) of the Listing Rules of the Colombo Stocks Exchange, Percentage of public holding as at 31st March 2023 is 32.06% (2022 - 32.52%) complying the Minimum Public Holding requirement.

MINIMUM PUBLIC HOLDING REQUIREMENT				
Options	Float Adjusted Market Capitalization	Public Holding percentage	Number of public Shareholders	
5	Less than Rs. 2.5 Bn		20%	
NPPLC	2,761 Mn (2021/22- 3,080 Mn)		32.06%	

The Company complies with option 5 of the Listing Rules 7.13.1 (a)- Less than Rs. 2.5 billion float adjusted Market Capitalization which requires 20% minimum Public holdings & 500 minimum Public shareholders.

# Shareholder & Investor Relations Information

(C) Individuals and Institutions

	As at 31.03.2023				As at 31.03.2022			
	No. of shareholders	%	No. of shares held	%	No. of shareholders	%	No. of shares held	%
Individual	12,230	99.12%	3,300,877	13.90%	12,221	98.95%	3,314,992	13.96%
Institutions	108	0.88%	20,449,124	86.10%	130	1.05%	20,435,009	86.04%
<b>Total Shareholding</b>	<b>12,338</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>	<b>12,351</b>	<b>100%</b>	<b>23,750,001</b>	<b>100%</b>

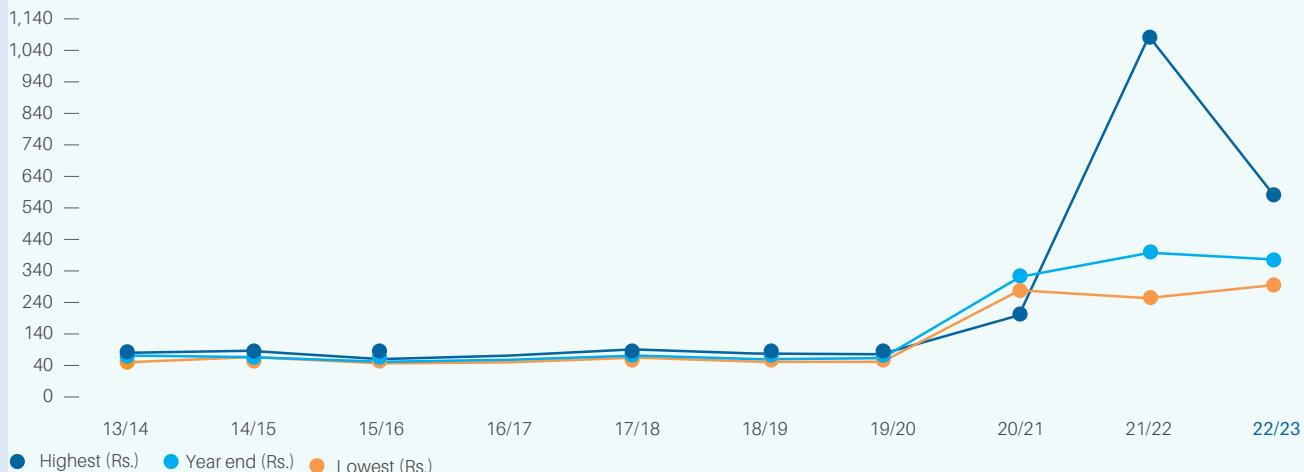
## 9 Twenty Largest Shareholders

		As at 31st March 2023		As at 31st March 2022	
		No. of	% of the	No. of	% of the
		shares held	holding	shares held	holding
1	Rpc Plantation Management Services (Pvt) Ltd	16,136,686	67.94%	16,026,561	67.48%
2	The Secretary to the Treasury	3,763,300	15.85%	3,763,300	15.85%
3	Mr. T.T.T Al Nakib	667,100	2.81%	667,100	2.81%
4	Sakuvi Investment Trust (Private) Limited	298,996	1.26%	328,148	1.38%
5	Mr.H.A.A.H. Algharabally	71,573	0.30%	71,573	0.30%
6	Mr.K.C. Vignarajah	70,849	0.30%	72,849	0.31%
7	Mr.W.D.N.H. Perera	61,290	0.26%	36,331	0.15%
8	Mr.Z.G. Carimjee	43,200	0.18%	43,200	0.18%
9	Tsttt-Sathe Secretary to the Treasury - Sundry	38,298	0.16%	38,298	0.16%
10	Mr.A.H. Musthakeem	30,000	0.13%	30,000	0.13%
11	Hatton National Bank Plc/Thilak Dias Gunasekera	28,315	0.12%	42,500	0.18%
12	Seylan Bank Plc/Karagoda Loku Gamage	21,833	0.09%	-	0.00%
13	Mrs.Z.M. Adamally	21,600	0.09%	21,600	0.09%
14	Mr.N.A. Withana	21,111	0.09%	21,111	0.09%
15	Cocoshell Activated Carbon Company (Private) Ltd	20,700	0.09%	20,800	0.09%
16	Mrs.S.Vignarajah	14,514	0.06%	15,014	0.06%
17	Peoples Leasing & Finance Plc/K.L. Udayananda	14,386	0.06%	-	0.00%
18	Mr.I.D.S.P. Rupasingha	11,789	0.05%	-	0.00%
19	Mr.R.G.De Livera	11,089	0.05%	-	0.00%
20	Mr.S. Gowrisangar	10,500	0.04%	-	0.00%
<b>Sub Total</b>		<b>21,357,129</b>	<b>89.92%</b>	-	-
Balance held by 12,318 (2021/22 - 12,331) shareholders		2,392,872	10.08%	2,443,423	10.29%
<b>Total No. of Shares</b>		<b>23,750,001</b>	<b>100%</b>	<b>23,750,001</b>	<b>100.00%</b>

\*There were no non-voting shares as at 31 March 2023.

## 10 Market Value

Market Value	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Highest (Rs.)	599.75	1100.00	202.00	90.00	95.00	114.90	87.00	85.00	100.00	97.80
Lowest (Rs.)	195.00	148.00	165.00	58.00	55.50	72.10	55.00	51.00	70.00	43.00
Year end (Rs.)	362.75	398.75	184.50	78.00	64.00	87.70	74.00	59.50	70.90	83.80

**Market Value****11 Net Assets Per Share Vs Highest Market Prices Per Share**

Market Value	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Highest (Rs.)	599.75	1,100.00	202.00	90.00	95.00	114.90	87.00	85.00	100.00	97.80
Net Assets per share (Rs.)	331.70	229.44	157.57	128.58	112.17	108.93	107.87	97.16	92.37	87.38

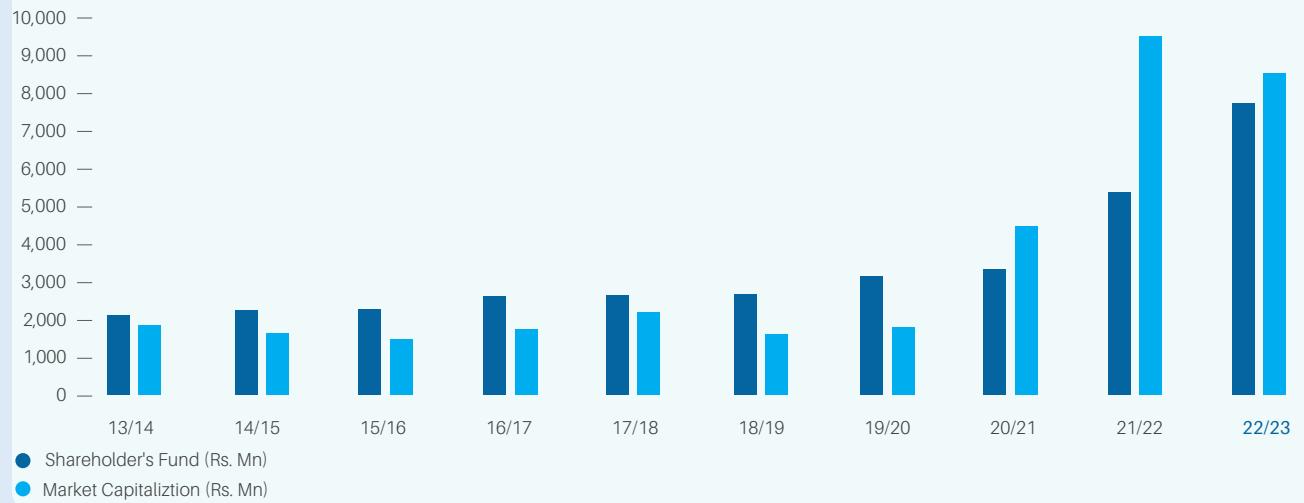
**Net Assets Per Share Vs Highest Market Prices Per Share**

## Shareholder & Investor Relations Information

### 12 Shareholders' Fund and Market Capitalization

Year	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Shareholder's Fund (Rs. Mn)	7,877.86	5,317.95	3,742.40	3,053.66	2,663.92	2,587.09	2,561.82	2,319.40	2,193.90	2,075.20
Market Capitaliztion (Rs. Mn)	8,615.31	9,470.31	4,381.88	1,852.50	1,520.00	2,082.88	1,757.50	1,413.10	1,683.90	1,990.30

#### Shareholders' Fund and Market Capitalization



### 13 Net Assets & Closing Price per Share (Rs.)

	2022/23	2021/22	2020/21	2019/20
Net Assets per share	331.70	229.44	157.57	128.58
Closing Price	362.75	398.75	184.50	78.00

#### Net Assets & Closing Price per Share (Rs.)



**14 Market Capitalization (Mn)**

Year	2022/23	2021/22	2020/21	2019/20	2018/19
Rs. Mn	8,615	9,470	4,382	1,853	1,520

**Market Capitalization (Mn)****15 Share Trading (Nos.)**

	2022/23	2021/22	2020/21	2019/20	2018/19
Transaction	No. of times	8,250	16,277	3,898	899
No. of Shares Traded	Million	0.71	2.28	1.23	0.20

**Share Trading (Nos.)**

# Shareholder & Investor Relations Information

## 16. Horizontal & Vertical Analysis of Financial Statement

(a). Statement of Financial Position

	Horizontal Analysis				Vertical Analysis			
	2022/23 %	2021/22 %	2020/21 %	2019/20 %	2022/23 %	2021/22 %	2020/21 %	2019/20 %
Leasehold Property, Plant & Equipment	166%	139%	130%	121%	4%	6%	8%	9%
Freehold Property, Plant & Equipment	24%	-34%	-13%	-12%	5%	4%	5%	7%
Bearer Biological Assets	22%	21%	24%	26%	31%	41%	51%	57%
Consumable Biological Assets	60%	69%	74%	70%	3%	3%	4%	4%
Long Term Investments - (Unquoted)	216%	204%	108%	62%	4%	4%	4%	4%
Financial Assets	-20%	-20%	-20%	-100%	2%	3%	3%	0%
Intangible Assets	-3%	-6%	-7%	-8%	3%	4%	5%	6%
Deferred Tax Asset								
<b>Total Non Current Assets</b>	<b>31%</b>	<b>23%</b>	<b>24%</b>	<b>18%</b>	<b>52%</b>	<b>64%</b>	<b>80%</b>	<b>87%</b>
Current Assets								
Produce on bearer Biological assets	143%	192%	145%	215%	0%	0.51%	0.37%	0.35%
Inventories	68%	-25%	-24%	-9%	4%	3%	3%	4%
Trade and Other Receivables	29%	31%	-22%	9%	1%	2%	2%	3%
Amounts Due from Related Companies	1369%	2271%	682%	2572%	7%	3%	3%	4%
Financial Assets					0%	0%	0%	0%
Short Term Investment								
ESC Recoverable	-100%	-70%	661%	495%	0%	0.07%	0.28%	0.43%
Income Tax Receivable	77%	86%	86%	78%	0%	0.15%	0.19%	0.21%
Cash and Cash Equivalents	16359%	5402%	6447%	215%	35%	26.85%	11.44%	1.34%
<b>Total Current Assets</b>	<b>964%</b>	<b>450%</b>	<b>188%</b>	<b>67%</b>	<b>48%</b>	<b>36%</b>	<b>20%</b>	<b>13%</b>
<b>TOTAL ASSETS</b>	<b>129%</b>	<b>70%</b>	<b>40%</b>	<b>23%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Stated Capital	0%	0%	0%	0%	3%	5%	6%	7%
Retained Earnings	225%	128%	53%	38%	72%	67%	59%	55%
Total Equity	196%	111%	46%	32%	76%	72%	65%	62%
Interest Bearing Loans & Borrowings	-100%	-100%	-93%	-100%	0%	0%	0.12%	0%
Retirement Benefit Obligations	-13%	-16%	-4%	1%	5%	6%	9%	11%
Deferred Tax Liability	274%	54%	419%	990%	9%	4%	5%	6%
Deferred Income	-8%	-4%	-3%	2%	1%	2%	2%	3%
Liability to make Lease payment after one year	121%	101%	93%	86%	4%	6%	7%	8%
<b>Total Non Current Liabilities</b>	<b>75%</b>	<b>14%</b>	<b>29%</b>	<b>31%</b>	<b>19%</b>	<b>18%</b>	<b>23%</b>	<b>28%</b>
Trade and Other Payables	7%	0%	10%	-10%	4%	3%	8%	7%
Dividend Payable					0%	6.10%	3%	0.00%
Liability to make Lease payment within one year/JEDB	28%	17%	6%	58%	0%	0.07%	0.08%	0.13%
Interest Bearing Loans & Borrowings	-100%	-90%	-75%	-52%	0%	0%	1%	2%
Amounts Due to Related Companies	-25%	69%	175%	-39%	0%	0%	0%	1%
Income Tax Liabilities					1%	0.30%	0.19%	0%
<b>Total Current Liabilities</b>	<b>-28%</b>	<b>12%</b>	<b>29%</b>	<b>-24%</b>	<b>5%</b>	<b>10%</b>	<b>12%</b>	<b>10%</b>
<b>TOTAL LIABILITIES</b>	<b>34%</b>	<b>13%</b>	<b>29%</b>	<b>10%</b>	<b>24%</b>	<b>28%</b>	<b>35%</b>	<b>38%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>129%</b>	<b>70%</b>	<b>40%</b>	<b>23%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## (b). Income Statement

	Horizontal Analysis				Vertical Analysis			
	2022/23 %	2021/22 %	2020/21 %	2019/20 %	2022/23 %	2021/22 %	2020/21 %	2019/20 %
Total Revenue	122%	37%	341%	12%	100%	100%	100%	100%
Cost of Sales	13%	-12%	254%	-2%	-44%	-51%	-73%	-84%
<b>Gross Profit</b>	<b>794%</b>	236%	1138%	432%	56%	49%	27%	16%
Other Income	613%	41%	589%	7%	19%	7%	9%	5%
Gain on change in fair value of Biological Assets	-32%	48%	57%	422%	0%	1%	1%	1%
Administrative Expenses	91%	1%	209%	35%	-2%	-2%	-2%	-3%
Management Fee	541%	141%	2355%	234%	-9%	-8%	-6%	-4%
Finance Cost	-2%	12%	360%	8%	-1%	-1%	-2%	-3%
Impairment of Goodwill	-100%	-100%	-100%	24%	0%	0.00%	0.00%	-0.49%
Share of Profit from the Joint Venture	911%	2610%	595%	141%	4%	6%	4%	4%
<b>Profit before taxation</b>	<b>1092%</b>	264%	895%	444%	67%	52%	31%	15%
Income Tax (Expense) / Reversal	1644%	-62%	-146%	-623%	-14%	-2%	0%	-2%
<b>Net Profit for the Year</b>	<b>998%</b>	<b>1082%</b>	<b>325%</b>	<b>280%</b>	<b>52%</b>	<b>50%</b>	<b>32%</b>	<b>13%</b>

**17. Details of material issues pertaining to employees and Industrial relations of the Company.**

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review.

**18. Details of fund raised through a public issue, right issue and private placement (If any)**

As per the Rule No. 7.6 (xiii) of the Listing Rules of CSE Company should disclosed details relevant to fund raised through a public issue, right issue and private placement (If any) in the Annual report of the Company. However, during the year of 2022/23 Company does not raised funds through any public issue, right issue and private placement.

**19. Information in respect of Employee Share Option Schemes and Employee Share Purchase Scheme.**

As per the Rule No. 7.6 (xiv) of the Listing Rules of CSE Company should disclosed details relevant to Employee Share Option Schemes and Employee Share Purchase Scheme (If any) in the Annual Report of the Company. However Company does not have any Employee Share Option Schemes and Employee Share Purchase Scheme.

Namunukula Plantations Limited (NPPLC) was incorporated on 22 June 1992, and registered with company registrar under the company registration No. of - N (PBS/CGB) 139. The company took over all movable assets and liabilities of the 24 estates including 9 tea estates, 3 rubber estates, 11 tea cum rubber estates & 1 coconut cum rubber estate with 12,600 total hectares and other operational units constituting the company with net asset of 417.98 mn including share capital of 5 mn (500,000 ordinary shares)

The leasehold right to bare land and immovable assets was reduced from 99 years to 53 years from July 1995. The issued share capital of the company increased by the allotment of 19,500,000 ordinary shares and 1 golden share issued to the secretary to the treasury as at 1st August 1995 as bonus shares

From the time of incorporation up to 31 December 1996, the "Financial Year End" of company was 31st December. However from the initial year of 1997/98 company's "Financial Year End" was changed as 31st March. The ownership of the company was privatized in June 1997 with the sale of 51% of the issued share capital to Keells Plantations Management Services (Pvt) Ltd, a joint venture company between John Keells Holdings Limited, Commonwealth Development Corporation, Tea Plantation Investment Trust and Regent Ceylon Planters Limited.

In October 1998, 10% of the issued share capital amounting 2,000,000 shares were distributed among the employees free of charge. Over 11,800 eligible employees qualified to receive shares. In 10th of March 1999 NPPLC was registered as a listed quoted company in the CSE of Sri Lanka.

1998/99

1992

1995

1997/98

2002/03

2005/06

2006/07

2007/08

In August 2002, the company converted Rs.150 mn worth convertible debentures into 3,750,000 ordinary shares and issued. There by increasing no of shares up to 3,750,000 and 1 golden share issued to the secretary to the treasury. A joint venture project named AEN Palm Oil Processing (Pvt) Ltd formed with equal shares of Agalawatte, Elpitiya and Namunukula Plantations PLCs to manage the Oil Palm processing factory.

RPC plantation management Services (Pvt) Ltd acquired 58.74% shares held by Keells plantation management services (Pvt) Ltd on 13 September 2005.

The management of the Namunukula Plantations limited was decided to sublease the six estates in the Namunukula region. The lease was affected from 15 June 2006. AEN oil palm processing (Pvt) Ltd commenced its operations in January 2007

2008/09

The company was re-registered under the companies Act No. 07 of 2007 and new company registration no is PQ 136.

1st Dividend payment since privatization of Namunukula Plantations PLC at Rs.2 per share was paid. Total dividend paid Rs. 47,500,002/-

The Uva range six estates were eacquired by Namunukula Plantations PLC and continued their operations under the legal entity of Namunukula Plantations PLC. Accordingly, the assets and liabilities of the Uva range six estates were amalgamated with Namunukula Plantations PLC.

2019/20

2021/22

2022/23

NPPLC was the Winner of Gold award for best presented Annual Report awarded by South Asian Federation of Accounts (SAFA) in Colombo Sri Lanka for the Annual Report for the year 2019/20

The company recorded its highest share price this year as a company listed on the Colombo Stock Exchange (CSE) That value is Rs. Marked as 1,150.00

In a remarkable achievement, the company has reached its highest-ever profit, amounting to an impressive Rs. 2.81 billion. This significant milestone underscores the company's exceptional financial performance and highlights the effective execution of its business strategies.

## HISTORICAL LANDMARKS

## Decade at a Glance

STATEMENT OF FINANCIAL POSITION	SLRFS		
	2022/23	2021/22	2020/21
<strong>ASSETS</strong>			
<strong>Non Current Assets</strong>			
Leasehold Property, Plant & Equipment	Rs. '000	424,238	416,338
Freehold Property, Plant & Equipment	Rs. '000	481,506	278,469
Bearer Biological Assets	Rs. '000	3,268,429	3,077,094
Consumable Biological Assets	Rs. '000	267,330	251,179
Long Term Investments - (Unquoted)	Rs. '000	423,365	336,484
Financial Assets	Rs. '000	200,000	200,000
Intangible Assets	Rs. '000	305,915	305,915
<strong>Total Non Current Assets</strong>	Rs. '000	<strong>5,370,782</strong>	<strong>4,865,479</strong>
<strong>Current Assets</strong>			
Produce on bearer Biological assets	Rs. '000	33,966	38,499
Inventories	Rs. '000	424,180	217,518
Trade and Other Receivables	Rs. '000	150,208	151,959
Amounts Due from Related Companies	Rs. '000	755,236	247,735
Financial Assets	Rs. '000	-	-
ESC Recoverable	Rs. '000	-	5,114
Income Tax Receivable	Rs. '000	15,693	11,028
Cash and Cash Equivalents	Rs. '000	3,673,011	2,032,016
<strong>Total Current Assets</strong>	Rs. '000	<strong>5,052,294</strong>	<strong>2,703,869</strong>
<strong>TOTAL ASSETS</strong>	Rs. '000	<strong>10,423,076</strong>	<strong>7,569,348</strong>
<strong>EQUITY AND LIABILITIES</strong>			
Capital and Reserves			
Stated Capital	Rs. '000	350,000	350,000
Timber Reserves	Rs. '000	143,894	131,192
<strong>Retained Earnings</strong>	Rs. '000	<strong>7,383,969</strong>	<strong>4,967,945</strong>
<strong>Total Equity</strong>	Rs. '000	<strong>7,877,863</strong>	<strong>5,449,137</strong>
Non Current Liabilities			
Interest Bearing Loans & Borrowings	Rs. '000	-	6,667
Retirement Benefit Obligations	Rs. '000	477,796	474,022
Deferred Tax Liability	Rs. '000	954,239	318,681
Deferred Income	Rs. '000	121,570	127,404
Liability to make Lease payment after one year	Rs. '000	453,438	422,444
<strong>Total Non Current Liabilities</strong>	Rs. '000	<strong>2,007,043</strong>	<strong>1,342,551</strong>
Current Liabilities			
Dividend Payable	Rs. '000	-	237,500
Trade and Other Payables	Rs. '000	433,089	461,783
Liability to make Lease payment within one year	Rs. '000	6,039	5,309
Interest Bearing Loans & Borrowings	Rs. '000	-	25,137
Amounts Due to Related Companies	Rs. '000	37,825	24,935
Income Tax Liabilities	Rs. '000	61,217	22,995
<strong>Total Current Liabilities</strong>	Rs. '000	<strong>538,170</strong>	<strong>777,659</strong>
<strong>TOTAL LIABILITIES</strong>	Rs. '000	<strong>2,545,214</strong>	<strong>2,120,211</strong>
<strong>TOTAL EQUITY AND LIABILITIES</strong>	Rs. '000	<strong>10,423,076</strong>	<strong>7,569,348</strong>

\*Uva Range estates were reacquired in year 2014/15.

2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
457,353	159,598	174,330	189,525	207,016	224,687	222,713
342,488	388,341	419,792	363,197	387,591	405,319	284,358
2,836,700	2,670,638	2,543,083	2,390,071	2,252,918	2,076,171	1,724,981
192,717	167,391	148,866	125,318	113,684	111,108	-
174,423	134,101	110,573	102,288	107,365	116,850	142,652
-	-	250,000	250,000	250,000	250,000	-
305,915	316,415	324,515	328,015	332,015	340,515	-
<strong>4,309,595</strong>	<strong>3,836,484</strong>	<strong>3,971,159</strong>	<strong>3,748,414</strong>	<strong>3,650,589</strong>	<strong>3,524,650</strong>	<strong>2,374,704</strong>
17,456	14,006	13,187	8,809	5,542	-	-
193,063	251,792	291,688	231,505	212,330	211,196	208,739
120,684	116,629	116,279	114,883	119,456	136,975	241,972
198,118	51,409	10,447	19,790	7,075	-	35,576
-	250,000	-	-	-	-	-
21,211	9,617	16,970	2,143	3,565	-	288,889
10,594	8,854	5,943	5,943	5,943	5,441	-
66,014	22,316	36,929	10,107	20,975	10,451	26,549
<strong>627,141</strong>	<strong>724,623</strong>	<strong>491,443</strong>	<strong>393,180</strong>	<strong>374,886</strong>	<strong>364,063</strong>	<strong>801,725</strong>
<strong>4,936,736</strong>	<strong>4,561,107</strong>	<strong>4,462,602</strong>	<strong>4,141,594</strong>	<strong>4,025,475</strong>	<strong>3,888,713</strong>	<strong>3,176,429</strong>
350,000	350,000	350,000	350,000	350,000	350,000	350,000
86,102	68,208	57,096	33,565	21,117	14,877	-
2,617,562	2,245,716	2,179,990	2,178,252	1,936,414	1,829,013	1,725,224
<strong>3,053,664</strong>	<strong>2,663,924</strong>	<strong>2,587,086</strong>	<strong>2,561,817</strong>	<strong>2,307,531</strong>	<strong>2,193,890</strong>	<strong>2,075,224</strong>
-	6,939	67,226	99,576	134,276	187,750	249,689
549,688	550,482	564,766	534,771	545,170	595,402	243,567
287,247	254,944	206,413	52,958	26,348	20,158	26,291
133,676	132,079	132,860	132,598	130,438	125,876	114,479
407,104	205,498	210,208	214,737	219,092	223,279	227,306
<strong>1,377,715</strong>	<strong>1,149,942</strong>	<strong>1,181,473</strong>	<strong>1,034,640</strong>	<strong>1,055,324</strong>	<strong>1,152,465</strong>	<strong>861,332</strong>
-	201,875	-	-	-	-	-
364,978	404,373	397,653	403,509	404,974	440,023	189,273
6,599	4,710	4,529	4,355	4,187	4,026	3,872
94,599	85,882	255,223	133,602	197,754	67,197	20,947
34,244	50,401	14,759	3,671	55,705	31,112	19,400
4,937	-	21,879	-	-	-	6,381
505,358	747,241	694,043	545,137	662,620	542,358	239,873
1,883,073	1,897,183	1,875,516	1,579,777	1,717,944	1,694,823	1,101,205
<strong>4,936,736</strong>	<strong>4,561,107</strong>	<strong>4,462,602</strong>	<strong>4,141,594</strong>	<strong>4,025,475</strong>	<strong>3,888,713</strong>	<strong>3,176,429</strong>

## Decade at a Glance

INCOME STATEMENT	SLRFS			
	2022/23	2021/22	2020/21	
<b>REVENUE</b>				
Tea	Rs.'000	<b>1,755,010</b>	1,115,873	1,169,043
Rubber	Rs.'000	<b>277,177</b>	299,379	284,354
Oil Palm	Rs.'000	<b>3,268,127</b>	2,409,254	1,230,214
Other Crops	Rs.'000	<b>60,511</b>	63,980	55,459
<b>Total Revenue</b>	<b>Rs.'000</b>	<b>5,360,825</b>	<b>3,888,486</b>	<b>2,739,070</b>
Cost of Sales	Rs.'000	(2,355,008)	(1,990,412)	(1,988,072)
<b>Gross Profit</b>	<b>Rs.'000</b>	<b>3,005,818</b>	<b>1,898,074</b>	<b>750,998</b>
Other Income	Rs.'000	<b>1,006,420</b>	284,899	250,103
Gain on change in fair value of Biological Assets	Rs.'000	<b>8,169</b>	41,421	24,711
Administrative Expenses	Rs.'000	(117,840)	(63,346)	(54,047)
Provision for Doubtful Receivable	Rs.'000			
Management Fee	Rs.'000	(498,811)	(322,517)	(153,204)
Finance Cost	Rs.'000	(63,850)	(57,776)	(58,971)
Impairment of Goodwill	Rs.'000			
Share of Profit from the Joint Venture	Rs.'000	<b>237,867</b>	224,590	97,548
<b>Profit/(Loss) before taxation</b>	<b>Rs.'000</b>	<b>3,577,772</b>	<b>2,005,345</b>	<b>857,139</b>
Income Tax (Expense) / Reversal	Rs.'000	(763,955)	(68,013)	6,104
<b>Net Profit/(Loss) for the Year</b>	<b>Rs.'000</b>	<b>2,813,817</b>	<b>1,937,332</b>	<b>863,243</b>
<b>Other Comprehensive Income</b>				
Actuarial Gain/(Loss) on defined benefit plans	Rs.'000	(58,458)	8,033	31,820
Income Tax effect	Rs.'000	<b>17,537</b>	(1,125)	(4,455)
<b>Net Other Comprehensive Income/(Loss)</b>	<b>Rs.'000</b>	<b>(40,921)</b>	<b>6,908</b>	<b>27,365</b>
<b>Total Comprehensive Income/(Loss) for the year</b>	<b>Rs.'000</b>	<b>2,772,897</b>	<b>1,944,240</b>	<b>890,608</b>

### KEY INDICATORS

#### PRODUCTION

Tea	kg'000	<b>1,610</b>	2,160	2,174
Rubber	kg'000	<b>432</b>	596	757
Oil Palm	kg'000	<b>30,282</b>	28,267	21,387

#### YIELD

Tea	kg./ha	<b>706</b>	850	729
Rubber	kg./ha	<b>490</b>	626	754
Oil Palm	kg./ha	<b>14,023</b>	14,014	11,235

#### NSA

Tea	Rs./kg	<b>1,104</b>	514	520
Rubber	Rs./kg	<b>657</b>	499	365
Oil Palm	Rs./kg	<b>108</b>	85	58

#### COP

Tea	Rs./kg	<b>822</b>	517	512
Rubber	Rs./kg	<b>383</b>	323	280
Oil Palm	Rs./kg	<b>22</b>	13	14

\*Uva Range estates were reacquired in year 2014/15.

2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
873,829	1,157,244	1,509,036	1,253,767	1,025,243	1,312,931	1,015,203
186,550	243,732	292,259	313,135	285,885	288,067	480,464
1,049,363	957,760	973,985	897,501	566,079	553,206	556,708
37,616	55,590	63,777	47,871	35,869	40,702	40,407
<b>2,147,359</b>	<b>2,414,326</b>	<b>2,839,057</b>	<b>2,512,274</b>	<b>1,913,076</b>	<b>2,194,906</b>	<b>2,092,782</b>
(1,802,350)	(2,077,972)	(2,274,579)	(2,068,996)	(1,848,269)	(2,107,933)	(1,589,734)
<b>345,009</b>	<b>336,354</b>	<b>564,478</b>	<b>443,278</b>	<b>64,807</b>	<b>86,973</b>	<b>503,048</b>
97,208	141,114	202,721	117,131	90,947	136,545	98,607
21,344	11,933	27,909	15,715	4,089	14,877	-
(60,013)	(61,779)	(62,815)	(55,496)	(44,340)	(40,116)	(42,962)
						(80,280)
(85,050)	(77,811)	(133,721)	(91,524)	(25,478)	(45,216)	(89,455)
(57,161)	(65,130)	(51,812)	(58,825)	(52,799)	(47,238)	(46,599)
(10,500)	(8,100)	(3,500)	(4,000)	(8,500)	(27,178)	-
75,273	23,528	8,286	70,001	31,240	52,132	38,077
<b>326,109</b>	<b>300,109</b>	<b>551,546</b>	<b>436,280</b>	<b>59,966</b>	<b>130,779</b>	<b>380,436</b>
(39,200)	(43,816)	(177,994)	(34,330)	7,502	20,482	(44,508)
<b>286,910</b>	<b>256,293</b>	<b>373,552</b>	<b>401,950</b>	<b>67,468</b>	<b>151,261</b>	<b>335,928</b>
(10,900)	26,070	(18,353)	36,160	90,969	17,434	(8,367)
1,526	(3,650)	2,570	(5,699)	(13,191)	(2,528)	1,213
(9,374)	22,420	(15,783)	30,461	77,778	14,906	(7,154)
<b>277,535</b>	<b>278,713</b>	<b>357,769</b>	<b>432,411</b>	<b>145,246</b>	<b>166,167</b>	<b>328,774</b>

## Decade at a Glance

		2022/23	2021/22	2020/21
<b>CASH FLOW</b>				
Net Cash Flow From Operating Activities	Rs. '000	2,688,897	1,750,210	1,117,948
Net Cash Flow From Investing Activities	Rs. '000	(447,177)	(158,596)	(405,542)
Net Cash Flow From Financing Activities	Rs. '000	(582,255)	(224,906)	(44,785)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>Rs. '000</b>	<b>1,659,465</b>	<b>1,366,708</b>	<b>667,620</b>
<b>RATIO ANALYSIS</b>				
<b>Liquidity Ratios</b>				
Current ratio	No. of times	9.39	3.48	1.61
Acid-test ratio	No. of times	8.54	3.15	1.32
Cash ratio	No. of times	6.82	2.61	0.94
Operating cash flow ratio	No. of times	5.00	2.25	1.59
<b>Leverage Ratios</b>				
Debt ratio	%	-	0.3%	1%
Debt to equity/Gearing ratio	%	-	0.5%	1%
Interest coverage ratio	No. of times	57.03	35.71	15.53
Debt service coverage ratio	No. of times	-	82.07	22.96
<b>Profitability Ratios</b>				
Gross margin ratio	%	56%	49%	27%
Operating margin ratio	%	68%	53%	33%
Net profit margin	%	52%	50%	32%
Return on assets ratio	%	27%	26%	15%
Return on capital employed	%	37%	30%	18%
Return on equity ratio	%	36%	36%	23%
<b>Efficiency Ratios</b>				
Asset turnover ratio	No. of times	0.51	0.51	0.47
Inventory turnover ratio	No. of times	7.34	10.10	10.76
Receivable turnover ratio	No. of times	35.48	32.21	24.99
Days sales in inventory ratio	Days	49.73	36.12	33.92
<b>Market value Ratios</b>				
Net asset per share ratio	Rs.	331.70	229.44	157.57
Dividend per share	Rs.	14.00	10.00	8.50
Dividend yield ratio	%	4%	3%	10%
Earnings per share	Rs.	118.48	81.57	36.35
Price Earnings ratio	No. of times	3.06	4.72	5.08
Earnings Yield	%	33%	21%	20%
Dividend Payout Ratio	%	12%	12%	51%
<b>Revenue Growth</b>				
Normal	%	38%	42%	28%
Compounding (CAGR)	%	12%	7%	7%
<b>Profit Growth</b>				
<b>Gross Profit</b>				
Normal	%	58%	153%	118%
Compounding (CAGR)	%	23%	15%	1%
<b>Net profit</b>				
Normal	%	45%	132%	201%
Compounding (CAGR)	%	26%	21%	9%
<b>Employee related</b>				
Revenue per employee	Rs. '000	1,462	986.93	651.54
Gross Profit per employee	Rs. '000	820	481.74	178.64
Net Profit per employee	Rs. '000	768	508.97	205.34

\*Uva Range estates were reacquired in year 2014/15.

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
308,484	526,313	667,294	456,946	214,388	383,663	444,340	
(10,904)	(257,837)	(324,111)	(143,147)	(234,237)	(581,015)	(285,777)	
(314,956)	(130,420)	(416,851)	(258,290)	(102,050)	(119,491)	(317,642)	
(17,376)	138,056	(73,668)	55,509	(121,899)	(316,843)	(159,079)	
1.24	0.97	0.71	0.72	0.57	0.67	3.34	
0.82	0.61	0.27	0.28	0.24	0.28	2.47	
0.13	0.03	0.05	0.02	0.03	0.02	0.11	
0.61	0.7	0.96	0.84	0.32	0.71	1.85	
2%	2%	7%	6%	8%	7%	9%	
3%	3%	12%	9%	14%	12%	13%	
6.71	5.61	11.65	8.42	2.14	3.77	9.16	
4.05	3.93	1.87	2.12	0.34	0.7	1.58	
16%	14%	20%	18%	3%	4%	24%	
18%	15%	21%	20%	6%	8%	20%	
13%	11%	13%	16%	4%	7%	16%	
6%	6%	8%	10%	2%	4%	11%	
13%	14%	21%	15%	5%	7%	18%	
9%	10%	14%	16%	3%	7%	16%	
0.43	0.53	0.64	0.61	0.48	0.56	0.66	
8.1	7.65	8.69	9.32	8.73	10.04	8.16	
18.1	20.73	24.56	21.44	14.92	11.58	8.67	
45.04	47.73	41.98	39.15	41.82	36.36	44.71	
128.58	112.17	108.93	107.87	97.16	92.37	87.38	
-	8.50	14.00	7.5	-	2.00	10.5	
-	13%	16%	10%	0%	3%	13%	
12.08	10.79	15.73	16.92	2.84	6.37	14.14	
6.46	5.93	5.58	4.37	20.95	11.13	5.92	
15%	17%	18%	23%	5%	9%	17%	
-	79%	89%	44%	0%	31%	74%	
-11%	-15%	13%	31%	-13%	5%	15%	
0%	2%	5%	3%	-2%	1%	0%	
3%	-40%	27%	584%	-25%	-83%	6%	
-7%	-8%	-2%	-7%	-37%	-40%	-9%	
12%	-31%	-7%	496%	-55%	-55%	-7%	
-4%	-6%	-1%	0%	-30%	-22%	-6%	
461.20	499.34	537.39	433.15	305.41	323.88	541.75	
74.10	69.57	106.85	76.43	10.35	12.83	130.22	
61.62	53.01	70.71	69.30	10.77	22.32	86.96	

\*Uva Range estates were reacquired in year 2014/15.

# Glossary

## A

### **Accounting Policies**

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

### **Accrual Basis**

Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

### **Actuarial Gains and losses**

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

### **Agricultural Activity**

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

### **Agricultural Produce**

Agricultural produce is the harvested produce of the entity's biological assets.

### **AGM**

Annual General Meeting.

### **ASPI**

All Share Price Index, a stock indices of the Colombo Stock Exchange in Sri Lanka.

### **Asset Turnover Ratio**

Total Revenue divided by Total assets

### **Amortization**

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### **AWPLR**

Average Weighted Prime Lending Rate.

## B

### **Basic Earnings per Share (EPS)**

Profit after tax divided by the weighted average number of ordinary shares outstanding during the period.

### **Bearer Biological Assets**

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

### **Biological Assets**

Is a living animal or plant.

### **Biological Transformation**

It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological assets.

### **Borrowing Costs**

Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

### **BOP**

Balance of Payment.

### **B2B Sales**

Business to Business Sales.

### **BOD**

Board of Directors

## C

### **CAGR**

Compound Average Growth Rate

### **CAPEX**

Capital Expenditure

### **Cash Equivalents**

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Cash Ratio**

Cash and Cash equivalents divided by Current Liabilities

### **CASL**

The Institute of Chartered Accountants of Sri Lanka.

### **CBSL**

Central Bank of Sri Lanka

### **CEA**

Central Environment Authority

### **Capital Employed**

Total equity and interest bearing borrowings.

### **Capital Reserves**

Part of earnings reserved without distributing in current year, for future specified purpose or future business commitment or distributions.

### **CIS**

Common wealth of Independent states.

### **CGU**

Cash Generating Units.

### **Consumable Biological Assets**

The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

### **Contingent Liabilities**

Conditions or situations at the reporting date, the financial effect of which are to be determined by future events which may or may not occur.

### **Cost of production (COP)**

Cost of producing a kilo/unit of tea/rubber/coconut/oil palm at estate level.

### **CPO**

Crude Palm Oil

### **CRTA**

Colombo Rubber Trader's Association.

### **CRI**

Coconut Research Institute.

### **CSR**

Corporate Social Responsibility.

### **CTA**

Colombo Tea Auction

### **CTC**

Crush, Tear and Curl - Method of Black Tea Processing.

### **CTR**

Colombo Tea Auction

### **Current ratio**

Current assets divided by Current liabilities.

### **CSE**

Colombo Stock Exchange

## D

### **DCF**

Discounted Cash Flow.

### **Debt Equity Ratio**

Total liabilities divided by its shareholders' equity.

### **Debt Ratio**

Total borrowings divided by Total assets

### **Deferred taxation**

The tax effect of timing differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

**Derivative**

Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

**Diluted Earnings per Share**

Diluted Earnings per Share calculated by net income minus Preferred Dividends divided by Weighted Average Shares Outstanding plus Conversion of Dilutive Securities.

**Dividends**

Distribution of profits to holders of equity investments.

**DPS**

Dividend per Share

**Dividend cover**

Profits after tax divided by dividends.

**Dividend Payout**

The Percentage of Earnings paid to shareholders in dividends.

**Dividend Yield**

Annual dividend divided by current stock price.

**Discount Rate**

The discount rate refers to the interest rate used in discounted cash flow analysis to determine the present value of future cash flows.

**E****EBIT**

Earnings before Interest and Tax

**EBITDA**

Earnings before Interest, Tax, Depreciation, and Amortization.

**Effective Tax Rate**

Income tax expenses divided by profit from ordinary activities before tax

**Earnings Yield**

The earnings per share for the most recent 12 months period divided by the current market price per share.

**EPS**

Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

**Equity**

The value of an ownership interest in property, including shareholders' equity, in a business. Equity or shareholders' equity is part of the total capital of a business.

**Equity / Assets ratio**

Shareholders' funds divided by Non-current assets plus current assets.

**Equity Instruments**

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**Equity method**

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

**EIR**

Effective Interest Rate

**ESMS**

Environmental and Social Management System

**ESMP**

Environmental and Social Management Plan

**F****Fair value**

Fair value is the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in arm's length transaction.

**Fair Value Through Profit and Loss**

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

**Fellow Subsidiary**

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

**FFB**

Fresh Fruit Bunch

**Field**

A unit extent of land. Estates are divided into fields in order to facilitate management

**Financial Asset**

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

**Financial Instrument**

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

**Financial liability**

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

**Float Adjusted Market Capitalization**

Float Adjusted Market Capitalization is calculated by multiplying the Public Holding Percentage of the Company by the Market Capitalization.

**G****GDP**

Gross Domestic Production.

**Gearing ratio**

Total interest bearing loans & borrowings as a percentage of total Shareholders' funds plus total interest bearing loans & borrowings.

**GICS**

Global Industry Classification Standards

**Goodwill**

Goodwill in accounting is an intangible asset that arises when a buyer acquires an existing business.

**GOSL**

Government of Sri Lanka

**GRI**

Global Reporting Initiatives

**Gross dividends**

Portion of profits inclusive of tax withheld, distributed to shareholders during the year.

**GSA**

Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage, etc.

## Glossary

**H**

**HACCP**

Hazard Analysis Critical Control Point system. Internationally accepted food safety standard.

**Ha**

Hectare.

**I**

**IAS**

International Accounting Standards.

**IFRS**

International Financial Reporting Standards.

**IIRC**

International Integrated Reporting Council

**Immature plantation**

The extent of plantation that is under development and is not being harvested.

**Infilling**

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

**Interest cover ratio**

Profit before tax and interest divided by interest charge.

**Inventory Turnover Ratio**

Cost of goods sold divided by Average inventory

**ISO**

International Standards Organization.

**J**

**JEDB**

Janatha Estate Development Board.

**JV Profit**

Joint Venture Profit.

**K**

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

**KPI**

Key Performance indicators.

**L**

**Liquidity**

An asset or security can be quickly bought or sold in the market without affecting the asset's price.

**LKR**

Sri Lanka Rupee

**O**

**Operating Cash Flow Ratio**

Operating cash flow divided by Current liabilities

**Other Comprehensive Income**

Items of income and expenses that are not recognized in profit or loss as required or permitted by other SLFRS's.

**P**

**PAT**

Profit After Tax

**PHDT**

Plantation Human Development Trust.

**PMMD**

Plantation Management Monitoring Division.

**PPE**

Property, Plant & Equipment

**Price earnings**

Market price of a share divided by Earnings per Share.

**Public shareholding**

Shares of a listed entity held by any person other than those directly or indirectly held by;

- a) its parent, subsidiary or associate companies or any subsidiaries or associates of its parent Company; and,
- b) its directors who are holding office as directors of the entity, their spouses and children under 18 years of age; and'
- c) Chief Executive Officer, his/her spouse and children under 18 years of age; and'
- d) Any single shareholder who holds 10% or more of the shares.

**N**

**NAMU.N0000 Share**

CSE stock code for the Company.

**Net assets**

Total assets less Current liabilities and non-current liabilities.

**Net assets per share**

Net assets at the end of period divided by the number of Ordinary Shares issued.

**Net Profit Margin Ratio**

Profit after tax divided by Total Revenue

**Net sale average (NSA)**

This is the average sale price obtained (Over a period of time) after deducting brokerage fees and cost of gratis from Gross Sale Average (GSA).

**Net Tangible Assets per share**

Total Tangible Assets less Intangible Assets, divided by total no. of shares.

**NIPM**

National Institute of Plantation Management.

**NOx**

Nitrogen Oxide

**PLT**

Plantations share price index, a stock indices of the Colombo stock exchange in Sri Lanka

**PBT**

Profit before Tax

**Q**

**Quick Ratio**

Current asset other than inventory divided by current liability

**R****Receivables Turnover Ratio**

Total Revenue divided by Average accounts receivable.

**Related parties**

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

**Replanting**

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

**Retirement Benefits**

Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

- Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
- Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period

**Return on assets**

Profit after tax as a percentage of total assets.

**Return on capital employed**

Profit before interest and tax as a percentage of total Capital Employed. (Shareholders' funds plus total Interest bearing borrowings).

**Return on equity**

Profit after tax as a percentage of shareholder's funds.

**Revenue Reserves**

Reserves considered as being available for distributions and investments.

**ROI**

Return on Investment

**RPTs**

Related Party Transactions

**RRI**

Rubber Research Institute.

**RSS - 1**

Ribbed Smoked Sheet - Grade 1.

**S****Segments**

Constituent business units grouped in terms of similarity of operations and location.

**Shareholders' funds**

Funds attributable to Shareholders and comprising of share capital, reserves and retained profit.

**SIC**

Standard Interpretations Committee.

**SLFRS/LKAS**

Sri Lanka Accounting standards corresponding to international Financial Reporting Standards.

**SLSPC**

Sri Lanka State Plantations Corporation.

**SOPR**

Statement of Recommended Practice issued by the Institute of Chartered Accountants of Sri Lanka.

**SOX**

Sulfur Oxide

**S&P SL20**

Standard & Poor's Sri Lanka 20 covers the largest and most liquid stocks from the Sri Lankan Equity market.

**SBU**

Specified Business Unit

**SEC**

Security Exchange Commission of Sri Lanka

**SIA**

Social Impact Assessment

**T****TASL**

Tea Association of Sri Lanka.

**TRI**

Tea Research Institute.

**U****UITF**

Urgent Issues Task Force of the Institute of Chartered Accountants of Sri Lanka

**V****Value addition**

The quantum of wealth generated by the activities of the Company and its application.

**Value Creation**

Value creation is the process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.

**W****WACC**

Weighted average cost of capital.

**Working capital**

Capital required financing the day to day operations computed as the excess of current assets over current liabilities.

**Y****Yield (YPH)**

Average Periodical output of produce from hectare of plantation.

**YOY**

Year on Year

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of Namunukula Plantations PLC will be held at the Auditorium of the Registered Office, 310, High Level Road, Nawinna, Maharagama on Thursday, 27th September, 2023 at 11.30 a.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To approve the appointment of Dr. Sena Yaddehige as a Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

3. To approve the appointment of Mr. Neville Peiris as a Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Mr. Neville Peiris of No. 284/2, Thimbirigasyaya Road, Colombo 05, who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Mr. Neville Peiris "

4. To approve the appointment of Mr. Ananda Fernando as a Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Mr. Ananda Fernando of No. 17-4, Park Tower, Havelock City, Colombo 06, who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Mr. Ananda Fernando "

5. To re-elect Mr. Gerard Amarasinghe, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director
6. To re-appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine contributions to charities
8. To consider any other business of which due notice has been given

By Order of the Board  
(Sgd.)

Richard Pieris Group Services (Private) Limited  
Secretaries  
No. 310, High Level Road, Nawinna, Maharagama

29th August 2023

**Note:**

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
- b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report.
- c) The completed form of proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama, not less than 48 hours before the time appointed for the holding of the meeting.

## Form of Proxy

I/We\* (in block letters) ..... of .....  
 being a member / members of the NAMUNUKULA  
 PLANTATIONS PLC, hereby appoint.....

whom failing DR. SENA YADDEHIGE whom failing NEVILLE CHRYSOSTON PEIRIS whom failing SHAMINDA YADDEHIGE whom failing SHIRLY GERARD DEVINDA AMERASINGHE whom failing JESENTHU LIYANA ANANDASIRI FERNANDO whom failing MRS. SUBHASHINI WELIKALA\*as my/our proxy to represent me/us and to vote on my/our behalf at the 30TH ANNUAL GENERAL MEETING of the Company to be held on 27th September 2023 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

	In favour	Against
1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Mr. Neville Peiris at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Mr. Ananda Fernando at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. Gerard Amarasinghe, who retires by rotation in terms of Article 92 at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorize the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>
8. To consider any other business of which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2023

.....  
 Signature of shareholder

- Notes:** (i) Please delete the inappropriate words.  
 (ii) A proxy need not be a member of the Company.  
 (iii) Instruction as to completion appear on the reverse of this form.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama, not later than 11.30 a.m. on Monday, 25th September 2023.

In perfecting the Form of Proxy, please ensure that all details are legible.

In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

This Form of Proxy shall in the case of an individual be signed by the appointor or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

## Notes

## Notes

# Corporate Information

Name of Company	:	Namunukula Plantations PLC																		
Legal Form	:	A Quoted Public Limited Liability Company Incorporated in Sri Lanka.																		
Date of incorporation	:	22 June 1992																		
Quoted date	:	10 March 1999																		
Company Registration	:	PQ136																		
Tax Identification No.	:	294001395																		
Principal Business Activities	:	Cultivation, manufacture & sale of Tea, Rubber, Oil palm, Coconut & Cinnamon Plantations.																		
Board of Directors	:	<table><tr><td>Dr. S. Yaddehige</td><td>- Chairman</td></tr><tr><td>Mr. N.C. Peiris</td><td>- Independent Non-Executive Director</td></tr><tr><td>Mr. Shaminda Yaddehige</td><td>- Non Executive Director</td></tr><tr><td>Mr. Gerard Amarasinghe</td><td>- Independent Non-Executive Director</td></tr><tr><td>Mr. A. Fernando</td><td>- Non Executive Non Independent Director</td></tr><tr><td>Mr. Predeep Dissanayake</td><td>- Independent Non-Executive Director (Resigned on 15th May 2023)</td></tr><tr><td>Mrs. Subhashini Welikala</td><td>- Independent Non-Executive Director (Appointed on 15th May 2023)</td></tr></table>	Dr. S. Yaddehige	- Chairman	Mr. N.C. Peiris	- Independent Non-Executive Director	Mr. Shaminda Yaddehige	- Non Executive Director	Mr. Gerard Amarasinghe	- Independent Non-Executive Director	Mr. A. Fernando	- Non Executive Non Independent Director	Mr. Predeep Dissanayake	- Independent Non-Executive Director (Resigned on 15th May 2023)	Mrs. Subhashini Welikala	- Independent Non-Executive Director (Appointed on 15th May 2023)				
Dr. S. Yaddehige	- Chairman																			
Mr. N.C. Peiris	- Independent Non-Executive Director																			
Mr. Shaminda Yaddehige	- Non Executive Director																			
Mr. Gerard Amarasinghe	- Independent Non-Executive Director																			
Mr. A. Fernando	- Non Executive Non Independent Director																			
Mr. Predeep Dissanayake	- Independent Non-Executive Director (Resigned on 15th May 2023)																			
Mrs. Subhashini Welikala	- Independent Non-Executive Director (Appointed on 15th May 2023)																			
Stated Capital	:	Rs. 350,000,010/- represented by 23,750,001 shares.																		
Ultimate Parent Enterprise	:	Richard Pieris & Company PLC																		
Group Holding	:	67.94%																		
Stock Exchange Listings of Sri Lanka.	:	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange.																		
Corporate Management	:	<table><tr><td>Mr. P. de S.A. Gunasekara</td><td>- Chief Executive Officer</td></tr><tr><td>Mr. Eksith Kurukulasooriya</td><td>- Sector Finance Controller</td></tr><tr><td>Mr. T.T. Christy</td><td>- General Manager - NPL - Uva Range Estate</td></tr><tr><td>Mr. Tharaka Athukorala</td><td>- Deputy General Manager - Uva Range Estates</td></tr><tr><td>Mr. D. Sivaraj</td><td>- Senior Manager</td></tr><tr><td>Mr. L.P. Tennakoon</td><td>- Manager - Plantations</td></tr><tr><td>Mr. R.M.S.S. Herath</td><td>- Manager - Information System</td></tr><tr><td>Mr. S.P. Wijedhasa</td><td>- Engineer - Plantations Sector</td></tr><tr><td>Mr. P. Bandara</td><td>- Manager - Forestry</td></tr></table>	Mr. P. de S.A. Gunasekara	- Chief Executive Officer	Mr. Eksith Kurukulasooriya	- Sector Finance Controller	Mr. T.T. Christy	- General Manager - NPL - Uva Range Estate	Mr. Tharaka Athukorala	- Deputy General Manager - Uva Range Estates	Mr. D. Sivaraj	- Senior Manager	Mr. L.P. Tennakoon	- Manager - Plantations	Mr. R.M.S.S. Herath	- Manager - Information System	Mr. S.P. Wijedhasa	- Engineer - Plantations Sector	Mr. P. Bandara	- Manager - Forestry
Mr. P. de S.A. Gunasekara	- Chief Executive Officer																			
Mr. Eksith Kurukulasooriya	- Sector Finance Controller																			
Mr. T.T. Christy	- General Manager - NPL - Uva Range Estate																			
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Mr. R.M.S.S. Herath	- Manager - Information System																			
Mr. S.P. Wijedhasa	- Engineer - Plantations Sector																			
Mr. P. Bandara	- Manager - Forestry																			
Registered / Head Office	:	No: 310, High Level Road, Nawinna, Maharagama, Sri Lanka.																		
Company Secretaries	:	Richard Pieris Group Services (Pvt) Ltd Secretaries, No: 310, High Level Road, Nawinna, Maharagama, Sri Lanka. Telephone: + (94) 114310564																		
Auditors	:	Messrs. Ernst & Young, Chartered Accountants, 201, De Saram Place, P.O Box 101, Colombo 10, Sri Lanka.																		
Bankers	:	Bank of Ceylon - Corporate Branch & Regional Branches People's Bank - Pelawatta Branch Hatton National Bank PLC - City Branch Sampath Bank PLC - Head Office Branch Indian Overseas Bank / Indian Bank Nations Trust Bank PLC																		
Contact Details	:	Telephone : +(94) 11 4310500 Internet : <a href="http://www.arpico.com">www.arpico.com</a> Facsimile : +(94) 11 2801400 E-mail : <a href="mailto:npl.rpk@arpico.com">npl.rpk@arpico.com</a>																		

Namunukula Plantations PLC  
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