ANNUAL REPORT 2022

malwatte
VALLEY PLANTATIONS PLC

VISION

Our vision is to become the Model Plantation Company in the World through innovation, diversification and highest quality standards

MISSION

Malwatte Valley Plantations PLC is committed to achieving excellence and the highest quality standards in every sphere of activity by optimising productivity and developing its employees. We will become an increasingly profitable, stable and growth oriented Model in the Plantation Sector securing an acceptable return on investment through its core business as well as by diversification into other sectors, whilst affording the highest priority for environmental and social needs

CORPORATE INFORMATION

Name of the Company

Malwatte Valley Plantations PLC
(PQ 111)

Date of incorporation

22nd June 1992

Board of Directors

Mr. Frits Bogtstra MBA, BSc (Hon) (UK) - Chairman
Mr. Lucas Bogtstra - Managing Director
Mr. G. Chamindra de Silva MBA, FCA, FCMA(UK), FCCA (UK), CA (SD)
Mr. K. G. M. Piyaratne FCA, ACMA(UK), CPA(Canada), FSCMA, MSc (Mgt&IT)
Mr. S. D. Samaradiwakara FIPM, MBA
Mr. G. Z. A. Chitty

Secretaries

Secretarius (Private) Limited
No. 40, Galle Face Court 2,
Colombo 03.
Tel. No: 233343/2399090

Registrars

P W Corporate Secretarial (Pvt) Ltd.
3/17 Kynsey Rd,
Colombo 08
Tel. No: 11 4897733

Registered office

No. 280, Dam Street,
Colombo – 12, Sri Lanka.
Tel. No: 0112800400

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo - 10.

Bankers

Hatton National Bank PLC
Union Bank of Colombo PLC
People's Bank
Bank of Ceylon
Indian Overseas Bank
NDB Bank
DFCC Bank
Seylan Bank
Public Bank

CONTENTS

FINANCIAL HIGHLIGHTS

	Company Financial Year Ended 31st Dec. 2022 12(Months) Rs.'000	31st Dec. 2021 12(Months) Rs.'000
Turnover	9,210,022	4,712,945
Gross Profit/(Loss)	2,155,925	446,248
Operating Profit/(Loss)	2,020,053	431,387
Gross Profit on Cost of Sales (%)	31	10
Gross Profit on Turnover (%)	23	9
Profit/(Loss) Before Tax	2,481,547	371,382
Tax Expenses	348,180	88,628
Profit/(Loss) After Tax	2,133,367	282,754
Fixed Assets	5,588,989	5,282,633
Current Assets	4,101,197	1,811,004
Current Liabilities	1,982,649	1,709,877
Shareholders Funds	5,629,907	3,507,989
Capital Expenditure	345,000	206,000
Earnings Per Share (Rs.)	9.56	1.27
Net Assets Per share (Rs.)	25.24	15.74
Dividend Per Share (Rs.)	0.16	0.12
Dividend Payout Ratio (%)	1.7	9.4
Stated Capital	373,000	373,000
Capital Employed	7,707,537	5,383,760
Net Assets	5,629,907	3,507,989
Return on Capital Employed (%)	32	7
Market Capitalisation	14,560,489	5,678,185

CHAIRMAN'S REVIEW

What a year!

A year in which, among other things, the US Dollar appreciated from Rs. 201 in January to Rs. 363 in December.

Like many others your company had to survive the turbulence and ensure that we were able to secure the resources to keep our business alive.

On top of all this, the after effects of the lack of fertilizer continued to result in a loss in crops.

We were visited by a new and unwelcome guest in the form of a new fungus called Pestalotiopsis on our rubber estates. This causes leaf fall and decrease in crop. The disease is currently spreading rapidly on all rubber plantations in Sri Lanka.

Quite a handful to deal with.

In spite of all this your company had a record turnover of Rs. 9.2 billion and a net profit of 2.15 billion during the year under review – both of which are the highest values achieved since the company's incorporation in 1992.

This represents an increase of 95% in turnover and 622% in net profits when compared with the previous year. This phenomenal achievement has pushed the net asset value of your shares up by 60% during the year. The capital appreciation of your shares increased by a staggering 156%.

This performance, driven to a great part by the depreciation of the Rupee against the US Dollar, will unfortunately not be sustainable and has to be looked upon as a one-time effect.

Tea

The total country production of tea just about surpassed the 250 million kilo mark which was a decline of approximately 48 million kilos year on year. The country's tea exports also decreased by 11-13% y.o.y due to the drop in volumes.

The tea prices in rupee terms moved up to dizzying heights, mainly due to the devaluation in the Sri Lankan Rupee.

The company's operational factories are all ISO 22000 certified and also carry certifications from the Rain Forest Alliance, HACCP and GMP.

Your company manufactures some of the best teas in the Uva Province and have been ranked No. 1 in both the high and medium grown categories in their respective regions. We are also delighted to bring to your notice that 50% of our operational factories are now on renewable energy.

Rubber

The total natural rubber production fell approximately 9% from 76,884 metric tons to 70,300 metric tons. This was mostly due to weather conditions and the leaf fall caused by the outbreak of Pestalotiopsis fungus. The prices for natural rubber rose during the first half of the year to see a correction in the second half. The main reasons for the price improvement in the first half was due to improved demand from the rubber buying nations, the devaluation of the Rupee and the uncertainty created by an anticipated shortfall due to the fungus disease.

Exports

Our direct export earnings amounted to approximately Rs. 3.86 billion which is a growth of 165% y.o.y and represents 42% of the company's turnover. With other crops such as Avocado and Cinnamon coming into production in the next 2 to 3 years, the revenue stream of our exports is destined to grow to new hights.

Dividends

Taking everything into consideration, your board of directors have decided to recommend a dividend of 16 cents per share.

Diversification

Carrying on with our crop diversification program, your company spent a sum of Rs. 300.9 million on replanting, maintenance and extending our Rubber, Cinnamon and Avocado extents.

Our portfolio of crops now include Tea, Rubber, Avocado, Mandarin, Rambuttan, Cardamom, Cinnamon, Vanilla, Durian and Pepper.

Our diversification into renewable energy generated a turnover of Rs. 356 million in revenue and a gross profit of Rs. 75.7 million in its short period of operation.

We will also be looking at using any possibilities available to us on our plantations to facilitate mini/micro hydropower projects to help the environment.

Spices

Although our international marketing activities were on low gear due to Covid, we were successful in exporting our first container of value-added Pepper into the European market. We will be ramping up our efforts to export our produce when more extents come into bearing. We have added a further 93 Ha. of Cinnamon too our portfolio this year. Our total extent now stands at 236 Ha.

The local sales of Spices is progressing satisfactorily and is now available on the shelves of selected supermarkets and dealers. This department generated turnover of Rs. 258,6 million for the year with a net profit of Rs. 23,6 million.

Outlook

The year ahead will bring many challenges with it. The volatile economic situation in the country will have to be dealt with and the very high interest rates will make it difficult to rationalise debt financing of any new ventures.

Let us hope that this may change.

On behalf of the board, I wish to thank our management team and all our employees for their contribution to the performance of the company.

I also wish to thank the board of directors for their untiring support in navigating the company to success.

I am proud to be steering Malwatte Valley Plantation's future and look forward to moving ahead with a remarkable board of directors and a team of dedicated Managers, loyal workforce and supportive Shareholders and other Stakeholders.

Thank you,

Mr. F Bogtstra

Chairman
29th May, 2023

BOARD OF DIRECTORS

Mr. Frits Bogtstra
(Chairman)

Mr. Frits Bogtstra completed a degree in Electrical and Electronic Engineering at King's College University of London in 1978. In 1998 he finished a Master's degree in Business Administration with a focus on Competitive Strategy, International Enterprise and Corporate Financial Strategy.

He was active in the field of software development relating to test benches for manufacturing quality control and R&D, medical equipment and internal and external ballistics.

He worked as a manager for a reputed German car company from 1986 to 2022 with responsibilities throughout the field of software development and engineering, data centre management, supplier management and outsourcing of IT operations.

In the field of Corporate Financial Controlling, he developed controlling systems and processes for the efficient and cost optimised assembly lines and associated logistics using "Just in Time" and "Just in Sequence" supply methods to minimise cost of capital bound by material in work.

He was appointed as Chairman on 4 December 2015

Mr. Lucas Bogtstra
(Managing Director)

Mr. Lucas Bogtstra commenced his career in the Private Sector in 1978.

He has served on many Private Sector Boards since then and has been actively involved in the Import, Export, Manufacturing and Agricultural fields.

He joined the Company in 1998 and was appointed to the Boards of Malwatte Valley Plantations PLC and it's Holding Company – Wayamba Plantations (Pvt) Limited, in 2003.

Mr. Bogtstra acted as the Director – Operations of the Company from 2003. In December 2015, he was appointed as the Managing Director of the Company.

During his tenure as Director – Operations, the Tea Sector of the Company came under his purview. He was also responsible for setting up and managing the Export Arm of the Company in 2008 and it's modern Warehousing Complex in Wattala in 2009.

Mr. Chamindra de Silva
(Director)

Mr. Chamindra De Silva is a senior Chartered Accountant with over thirty-five years of post-qualifying experience in industry and commerce. He was appointed as a member of the Council of the University of Sri Jayewardenepura in 2017 and was its head of audit committee till December 2019. He is the Chairman of the Board Audit Committee and Board Related Party Transaction Review Committee and a Member of the Finance and Administration Monitoring Committee of Malwatte Valley Plantations PLC. Mr Chamindra de Silva has retired from Alliance Finance Company PLC with effect from 1st July, 2020.

Mr. Chamindra de Silva has been a former Vice-President of the ACCA (UK)- Sri Lanka Branch and a Member of the Council of CIMA Sri Lanka Branch, having completed both CIMA and ACCA examinations in the late 1970s. He has also been a Member of the Institute of Marketing UK, the Institute of Management Services-UK and a recipient of the CIMA award for the Accounting & Information Systems in the Colombo University's MBA program 1989/90.

He has extensive experience in the field of managerial education specialising in the fields of Finance and Strategy and has functioned for over a decade as the Course Director for Financial Management in the prestigious MBA program University of Colombo. He has also been the Chief Examiner for Financial Management at the Country's Premier Accounting Body, the Institute of Chartered Accountant's of Sri Lanka and currently an active participant in the ICASL's Graduate and Post Graduate Management Education Programme.

Mr. K. G. M. Piyaratne
(Director)

Mr. Piyaratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka, member of the Institute of Chartered Management Accountants of UK, Chartered Professional Accountatnt (CPA) of Canada and Masters degree holder of Management and information Technology from University of Kelaniya. He is a Senior Chartered Accountant with over twenty five years Experience in Industry and Commerce. He was reappointed to the Board as Director Finance of Malwatte Valley Plantions PLC in 2015. Prior to joining the Company he served as an Accountant, Mahaweli Engineering & Construction Agency. Manager, Someswaran Jayawickrama & Co. He has also served as Director Finance Sri Lanka Broadcasting Corporation, Chief Accountant, Ceylinco Cisco Security Corporation (Pvt) Ltd., and Ernst & Young, Doha, State of Qatar as Audit/Tax Accountant.

BOARD OF DIRECTORS

Mr. Shanaka D Samaradiwakara FIPM, MBA
(Director/CEO)

Mr. Shanaka D Samaradiwakara commenced his career in the private sector in 1989 concluding his secondary education at Royal College, and joined the Plantation sector in 1992 with JEDB.

He is a senior planter with over 3 decades of experience, managing plantations and is a Fellow member of the National Institute of Plantation Management and holds a Diploma In Plantation Management from the NIPM, and a MBA from Horizons University, France.

He possesses an extensive experience in the manufacture, Cultivation, Processing, Packaging, Warehousing & exporting key crops such as Tea, spices, & other export agricultural crops

Having joined Malwatte Valley Plantations in 2014, was appointed the Director, Chief Executive Officer on 01st August 2019.

Currently he is serving as the Deputy Chairman, Plantation Services group & Council Member of the Employers Federation of Ceylon.

He is also serving as a Board Director of the Plantation Human Development Trust (PHDT) & as a member of the Plantation sector wages board, of the Ministry of Labour.

Mr. Zal Chitty
(Director)

Mr. Zal Chitty was educated at Royal College Colombo and is a professional in the Tea Industry counting 40 years' experience as a Tea Broker.

He has also been extensively involved in Shipping, Logistics and Agriculture holding positions of responsibility at Senior Management levels.

As a Director of Colombo Shipping Company Ltd, Sea Land Colombo (Pvt) Ltd and Lloyd Serendib Ltd he has in past years handled the Sri Lankan and Indian Sub-Continent interests of major international Shipping Lines such as Sea Land Service USA and CGM France, accounting for some of the largest volumes of export, import and container transshipment through the Port of Colombo.

He is a keen sportsman having represented Sri Lanka in Shooting and Golf. He competed in the Olympic Games in 1988.

CORPORATE GOVERNANCE

Corporate Governance is about the way in which the Board oversees the managing of a Company by its managers, and how Board Members are in turn accountable to shareholders and the Company.

Corporate Governance influences how the objectives of the Company are set and achieved, risks identified and managed and organizational performance optimized. The Board of Directors ensures that all activities of the Board are conducted upholding the highest standards of transparency, accountability and ethics.

The Company is primarily guided by the Code of best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange on Corporate Governance. This report sets out the Company's Corporate Governance practices.

The Board of Directors

The Board of Directors comprises of six (06) Directors including the Chairman, Managing Director and the Chief Executive Officer. The Company believes that the present composition of the Board has at its disposal, a vast reservoir of knowledge and experience in all areas of the Company's operations and the names of the Directors are given in the Directors report.

The Board meets at least ten (10) times each year and in addition a regular update takes place in the months when no formal meeting is scheduled. The agenda for each Board Meeting is set by the Company Secretaries in consultation with the Chairman and the Managing Director. Board members receive a monthly report of the Company's activities which incorporate updates on progress against objectives and the management of business risks.

The Board of Directors are responsible for:

- Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term in the pursuance of its operational and financial goals.
- Implementing and monitoring of such strategies.
- Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations.
- Reviewing monitoring and ratifying all capital expenditure, acquisitions and divestitures.
- Monitoring senior management performance.
- Overseeing Systems of Internal Control and Risk Management.
- Ensuring that due attention is given to annual and interim financial statements prior to Publication.
- Determining the quantum of the final dividend for approval by the shareholders.
- Approving and monitoring Financial and other Reporting.
- Monitoring Systems of Governance and Compliance.

The Board in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense.

The Company Secretaries advise the Board on matters relating to the Companies Act, Colombo Stock Exchange regulations and other applicable rules and regulations and ensures that appropriate, timely and accurate information is submitted to the Board and its Committees.

All Company Directors bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards.

New directors receive a full introduction to the Company. This consists of information covering the operations of the Board as well as meetings with the Board, Chief Executive and other Executive Directors. All Non-Executives have direct contact with the Company's senior executives between Board meetings and also visit the Company's operations in order to familiarize themselves with its activities and to meet and engage with staff.

Board Composition

The Board currently comprises of Four (04) Executive Directors including the Chairman, MD, CEO and Director Finance, and two Independent Non- Executive Directors. The Board functions effectively and efficiently and is considered to be of an appropriate size. The Directors provide the Company with the knowledge, mix of skills, experience and networks of contacts required. The Board Committees comprise of directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

The Non-Executive Directors combine broad business and commercial experience with independent and objective judgment. The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective leadership and maintain the highest standards of integrity across the Company's business activities.

CORPORATE GOVERNANCE

Name of the Director	Nature of Directorship			Remuneration Committee		Audit Committee			RPT Review Committee	
	Executive	Non - Executive Non-Independent	Non - Executive Independent	Chairman	Member	Chairman	Member	Finance Professional	Chairman	Member
1. Mr. Frits Bogtstra	√									
2. Mr. Lucas Bogtstra	√									
3. Mr. G. Chamindra de Silva			√		√	√	√	√	√	√
4. Mr. K.G.M. Piyaratne	√									
5. Mr. S. D. Samaradivakara	√									
6. Mr. G Z A Chitty			√	√	√		√			√

Company Information

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, all Directors have full and unrestricted access to any information pertaining to the Company.

The Managing Director and CEO play a key role in ensuring that all Directors have full and timely access to information relevant to matters that will be deliberated at the Board Meeting. The agenda and set of Board papers are circulated in advance of the Board Meetings. A comprehensive balance of financial and nonfinancial information is encapsulated in the papers covering strategic, operational, financial, regulatory and marketing issues.

All Directors have access to the advice and services of the Company Secretaries, who ensure that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Secretaries also assist the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board believes that the current Company Secretaries are capable of carrying out the appropriate duties to ensure the effective functioning of the Board while the terms of appointment permit the removal and appointment by the Board as a whole.

Management Committee

The Board of Directors devotes adequate time to the fulfillment of their duties as Directors of the Company. The Board has delegated the day to day operations of the Company and the group to the Management Committee. The Management Committee is chaired by the Managing Director, and meets once a month. The Committee comprises of Heads of Divisions such as Plantation, Finance, Marketing and Legal.

The functions of the Management Committee are to innovate, develop, implement and review the strategies in order to achieve the corporate objectives and discuss matters in relation to the operational activities of the Company.

Directors Remuneration

The total remuneration of the Directors is disclosed in Note 34.2 to the Financial Statements.

Accountability and Audit

The Statement of Director's Responsibilities are presented on Page 21 of the Annual Report.

The Board has implemented a sound system of internal control and Risk Management to safeguard the Shareholders investment and the Company's assets. The details of the Company's Risk Management system are provided on Page 12 of this Annual Report.

With a view to having Board oversight on the Company's financial performance and administrative affairs, a separate Finance and Administration Monitoring Committee has been formed chaired by Independent Non-Executive Director Mr. G.C. de Silva. This Committee functioned throughout the year 2022. Other members of the Committee are Mr. G. Z. A. Chitty, Mr. Lucas Bogtstra, Mr. M. Piyaratne and Mr. S. D. Samaradiwakara.

Key management personnel are invited to participate regularly on performance related subjects.

Sub Committees to The Board

1. Audit Committee

The Audit Committee consists of the following members:
Mr. G. C. de Silva
Mr. G. Z. A. Chitty

The above Non-Executive Directors of the Company have a wide experience in Commerce and Finance enabling them to have a sound control over operations as well as finance.

CORPORATE GOVERNANCE

Objectives of the Board Audit Committee

The Audit Committee was set up with the following objectives while keeping in line with the objectives defined by the Securities and Exchange Commission.

- To evaluate internal control procedure with close liaison with internal auditors and ensure smooth operation with a sound control over the operations.
- Continuous implementation of improvements and corrective action on deviations observed by internal auditors and monitoring the success of implementation.
- Analytical review of the business risks towards the Company and making sure sufficient risk management techniques are in operation based on observations.
- To ensure that the Company adheres to all statutory compliance and carries out the operation in accordance with commercially and ethically accepted management practices.
- Enhancing the public confidence in the credibility and objectivity of financial statements.
- Ensuring the greater independence of internal and external auditors and providing an autonomous reporting system.
- The Audit Committee also assists the Board of Directors to maintain the stewardship responsibilities towards shareholders.

Activities of the Board Audit Committee

- Reviewing compliance with Corporate Governance requirements.
- Advising and suggesting scope and responsibilities of Internal Audits.
- Assisting in conducting investigations.
- Liaising with Internal and External Auditors.
- Assessing and commenting on all financial reports, internal and external audit findings.
- Communication with Directors and Managers on further investigations on audit findings before corrective action.
- Implementation of corrective action required and follow-up on success of implementation.

The Audit Committee met eight (08) times during the financial year ended 31st December, 2022. The Audit Committee Report on page 14 describes the activities carried out during the financial year ended 31st December, 2022.

2. Remuneration Committee

The Remuneration Committee ensures that the Company has well–established, formal and transparent procedures in place for developing an effective remuneration policy for both Executive and Non-Executive Directors. No Director is involved in deciding his/her own remuneration to avoid potential conflicts of Interest. The Committee is also responsible for setting up the remuneration policy and providing guidelines to the Board on the overall remuneration framework (including setting performance incentives and targets) to ensure that remuneration levels are sufficient to attract and retain the caliber of professionals required for the successful management and operations of the Company. The Remuneration Committee consists of the following two Non-Executive Directors both are independent.

Mr. G. C. de Silva

Mr. G. Z Ajit Chitty

The report on the Remuneration Committee is on page 16 of this report.

3. Related Party Transactions Review Committee

The Related Party Transactions Review Committee ensures that the interest of shareholders as a whole is taken into account when engaging in transactions with related parties. The Related Party Transactions Review Committee consists of the following two Non-Executive Directors both of who are independent.

Mr. G. C. de Silva

Mr. G. Z Ajit Chitty

Compliance

The Board is conscious of its responsibility to shareholders, the Government and the Society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board strives to ensure that the Company complies with the laws and regulations of the Country.

Each of the non-executive Directors have submitted a declaration of their independence / non-independence pursuant to Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange and the Board of Directors have made an annual determination as to the independence / non-independence of each non-executive Director based on their declaration pursuant to Rule 7.10.3(a) of the Listing Rules of the Colombo Stock Exchange.

Mr. G. Z. A. Chitty qualifies against the criteria for independence as per Rule 7.10.4 of the Listing rules and the Board, based on the declaration submitted by the said Director, has determined that Mr. Chitty is an Independent Director.

Period of service of Mr. Chamindra De Silva exceeds nine years. However, the Board is of the view that the period of service of Mr. De Silva does not compromise his independence and objectivity in discharging his functions as Director and therefore based on the declaration submitted by the said Director, has determined that the Director shall nevertheless be 'Independent' as per the Listing Rules.

RISK MANAGEMENT

The Company operates in an evolving environment which exposes it to different types of risks especially being in the Agricultural Sector which is very sensitive to Weather patterns. An effective risk management system is an important area of business management which would attempt to prevent many events which would otherwise have adverse effects on the business.

Risk Management Process

The Risk Management Process is designed to ensure identification of any circumstances that would adversely affect the goals of the Company. Our Risk Management Process ensures that we accept or manage unavoidable risks and uncertainties are minimised. The Company has a systematic process of risk management that is aligned with its strategy. The Main Risk factors falls into three categories namely Strategic Risk, Financial Risk and Operational Risk

1. Strategic Risks

1.1 Wage Structure (Rating HIGH)

Trade Unions Play an active role in determining wages. The wage structure is not aligned to worker productivity. Every two years when wages are revised as per the collective agreement it affects the cost of production and gratuity liability substantially there by the competitiveness and profitability. Risk management strategies in place are as follows;

Increase land and worker productivity

Optimise labour deployment and maximise productivity

Motivate employees through better HR practices

Continuous dialogue with Trade Unions and workers in order to bring wage structure in line with productivity

1.2 Impact of Climate Change (Rating HIGH)

Crops are seasonal and subject to changes in weather. The loss of crop and quality of the harvest affect the market share, earnings and profitability. In order to mitigate this risk, the Company has adopted soil and soil moisture conservation methods, soil improvement, intercropping, crop diversification and establishment and management of shade trees, selection of suitable lands for new planting or replanting, use of drought and heat tolerant cultivars.

1.3 Business Risk (Rating MODERATE)

Non implementation of Revenue enhancing and Cost saving measures, Strategic Plans and Initiatives on profitable investments results in reducing future growth of the Company reducing revenue, cash flow and profitability.

In order to mitigate business risks the Board of Directors and the management committee hold regular meetings to formalise strategies and plans for the future. The use of Best Practices in Agriculture and Company Diversification Policy also contributes in mitigating business risks.

1.4 Political and Environmental Risks (Rating HIGH)

Political and Economic upheaval in key markets and volatility of the world economy causes rapid fluctuations in Tea prices.

The main risk factor is that fluctuating prices affect profitability and reduce profit margins.

In order to mitigate these risks the Company focuses mainly on producing quality Teas and has been very successful in the Uva Regions where Malwatte Valley Plantations obtains the highest averages on a continuous basis and also its factories output is maintained at high volumes with the increased market high prices in the Uva Region.

In order to mitigate risks further the Company converts low yielding Tea lands to cultivate subsidiary crops.

2. Operational Risk

2.1 Product Quality (Rating HIGH)

Non maintenance of product Quality lowers Demand
This results in buyers curtailing purchases and looking for new suppliers. This will drop market prices and erode market share.

In order to mitigate these risks the Company maintains a regular dialogue with buyers and brokers to obtain feedback, and take prompt and corrective action on Broker Reports.

Also the Company on a continuous basis improves its manufacturing processes both in Tea and Rubber to produce quality products.

RISK MANAGEMENT

2.2 Human Resource (Rating MODERATE)

Reduction in resident manpower, low productivity, immobility within estates / between estates and difficulty in retaining management / supervisory staff.

Lack of Human Resources will make it difficult for the Company in achieving the targeted crops. If there are work disruptions to operations and performance it will affect productivity and profitability.

In order to mitigate these risks, the Company maintains a close Dialogue with employees, staff training and development programmed are in place to improve performance, determine remuneration in line with the Industry Several programs are in place to uplift the living standards of employees and their families. These have resulted in a better relationship with the workforce. The Company has performance oriented reward schemes to motivate staff and labour force. This helps high performers to improve earnings which motivate them further.

2.3 Reputation Risk (Rating MODERATE)

Reputation risk refers to compliance of legal and statutory requirements and ethical practices as well as maintaining loyalty and trust worthiness among stakeholders.

These risks will result in the Company losing of reputation, fines and even litigation.

In order to mitigate these losses, the Company ensures highest standards of business conduct in adopting a code of Corporate Governance by all employees, senior management and Board of Directors. Seek expert legal advice to incorporate risk mitigatory clauses in drafting legal contracts and agreements. Maintain effective Internal Control Systems to minimise fraud and error. Close dialogue with Golden Shareholder. Membership in Employers Federation, Ceylon Chamber of Commerce and Planters Association of Ceylon.

2.4 Risk of Land Acquisitions (Rating LOW)

The Company is exposed to the risk of acquisition of productive land for public purposes. These are as far as possible resolved by discussion and negotiation to minimise losses. Compensation claims are lodged for any lands acquired.

3. Financial Risk

3.1 Liquidity (Rating HIGH)

Sufficient working capital including readily available funds is crucial for the Industry.

The company has considered the importance of cash flow management and planned more controls over this activity such as strict monitoring of its cash flows to mitigate the adverse impacts which could affect the liquidity of the company by COVID-19 pandemic.

3.2 Credit Risk (Rating MODERATE)

The Company sells most of its produce through the auction mechanism. There is satisfactory system to control and maximise the recovery of debts arising from direct sales as there are stipulated settlement dates for auction produce. Direct exports are usually covered by letters of credit or bank drafts.

3.3 Interest Rate Risk (Rating HIGH)

This mainly refers to high finance costs resulting from fluctuating Interest rates.

Finance costs have a direct impact on profitability and cash flows.

The Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments.

3.4 Foreign Exchange Risk (Rating HIGH)

This affects Company's profitability with fluctuating exchange rates.

This affects the Company's exports.

In order to mitigate the losses, exchange rate movements are monitored and outlook is closely followed in respect of currencies in which the company carries exposure. Exports have a direct exposure in respect of this risk which the Company closely monitors.

AUDIT COMMITTEE REPORT

1. Composition

The Board appointed Audit Committee of Malwatte Valley Plantations PLC comprises two members, Mr. G. C. De Silva and Mr. Zal Chitty both of whom are independent, Non-Executive Directors. Mr. G. C. de Silva, the Chairman of the Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Mr. Zal Chitty, an experienced professional in the tea industry coupled with extensive experience in shipping and agriculture industries.

2. Role of the Committee

The role and functions of the Committee are regulated by the 'Rules on Corporate Governance' of the listing rules of the Colombo Stock Exchange. The key objective of the Committee is to assist the Board of Directors in discharging its responsibilities towards the stakeholders and to ensure that sound Internal Audit practices are carried out covering all aspects of the Company activities. The Committee is empowered, among other things, to examine any matters and reporting relating to the financial affairs, review of operational activities within the Company and further to examine the adequacy of systems and internal controls as well as adherence to statutory and regulatory requirements.

3. Internal Audit and Meetings

During the financial year ended 31st December, 2022 the Committee held Eight (08) meetings altogether. The Chairman, the Managing Director, Director Finance, and the CEO/Director Operations attended all audit Committee meetings by invitation. When required, other senior officers of the Company are invited to attend these meetings and to clarify any observations by the internal auditor arising from issues that may concern their respective sphere of activities. The Committee also noted the detailed studies, reviews, and follow-up action by the Managing Director in regard to matters that arise out of the Internal Audit findings and recommendations. The Internal Audit function is headed by an experienced professional from the Plantation industry, as Head of Internal Audit. The Head of Internal Audit submits comprehensive audit reports under each estate and other operating units that are further reviewed at the Audit Committee.

Additionally, as discussed under No. 4 of this report, opportunity is also taken, wherever applicable and needs attention, to discuss and follow-up internal audit related issues in the 'Financial and Administration Monitoring Committee' (FAMCOM) meetings that are held at monthly intervals.

The proceedings of the Audit Committee are also strengthened with a follow up action mechanism by the inclusion of an 'action tracker'. This feedback system contains a structured summary of all cumulative outstanding issues grouped under Operations and Finance related issues, reported back by the respective heads of Operations and Finance.

It is opportune to mention that the Committee also encourage 'feedforward' strategic controls discussed that address strategic environmental considerations and developments.

4. Financial Reporting

The management has the primary responsibility for the financial statements and the reporting process. The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholders. In this context, the Committee receives, discusses and reviews with the management the quarterly financial statements and the Annual Report and financial statements prior to their issuance. The Committee focuses on the key judgments and estimates, appropriateness of significant accounting policies adopted in preparation of the financial statements and the extent of compliance with the Sri Lanka Accounting Standards and applicable disclosure requirements.

5. Statutory and Regulatory Compliance

A procedure has been laid down for reporting on the applicable statutory compliances of the Company. Such reported exceptions are followed up to ensure appropriate corrective action. Due compliance with all requirements is monitored through this process.

6. Corporate Governance

The Committee also reviewed the level of compliance with corporate governance rules as per Sec. 7.10 of the Listing Rules of the Colombo Stock Exchange and is satisfied that the Company has complied with all mandatory requirements of this.

7. External Audit

The external auditors were given adequate access by the Committee to ensure they had no cause to compromise their independence and objectivity, prior to commencement of the Annual audit.

AUDIT COMMITTEE REPORT

The Audit Committee also reviewed the external auditor's management letter of the previous year together with the management's responses thereto. The Committee has also received a declaration from the external auditors as required by the Companies Act No. 07 of 2007, confirming that they do not have any relationship or interest in the Company which may have a bearing on their independence.

The Audit Committee has recommended to the Board that Ernst & Young be re- appointed as statutory auditors for the financial year ending 31 December 2023 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

8. Conclusion

Based on the review of reports submitted by the external and internal auditors and the information received during the deliberations, the Committee is satisfied that the internal controls and procedures in place are adequately designed and have been operating effectively to provide reasonable assurance that the Company's assets are safeguarded and that steps are being taken to continuously improve the Internal control environment maintained within the Company. The Committee is also satisfied that the financial position of the Company is regularly monitored and that the Company has adopted appropriate accounting policies and that the financial statements of the Company are reliable.

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Chamindra de Silva
Chairman - Audit Committee

29th May, 2023

REMUNERATION COMMITTEE REPORT

Subsequent to the demise of Mr. Nilantha De Silva in 2021, Mr. Zal Chitty was appointed an Independent Non-Executive Director of the Company and also Chairman of the Remuneration Committee. The Committee is responsible for determining the compensation of the Directors and Key Management Personnel and laying down guidelines and parameters for the compensation structure of the management staff of Malwatte Valley Plantations PLC.

As a key strategic driver, the reward policies are designed to help achieve the Company's high-performance goals and to encourage and reward superior performance in this competitive industry.

During the Remuneration Committee meeting held during the year, Chairman of the Board, Managing Director, and the Finance Director were invited for participation and assisted the Committee in its analyses and deliberations, except when their own compensation packages were discussed and considered.

The Committee was made available with useful insights, internal appraisals and required information in connection with the performances of the KMPs in all applicable divisions, SBUs and functional areas of the Operational and Support services of the Company. The functioning of the Committee is largely assisted on a continual basis as both non-executive directors of this Committee are active members of the Finance and Administration Committee that meets and analyze in detail the strategic and operational performance at monthly intervals.

In this volatile and challenging year under review, compounded by the recent increases in Taxation as well, the Committee carefully considered numerous factors on remuneration structures and Company's performance that will assist the Company to maintain stability by way of competent staff, as a key driver of profitability and growth.

Z. Chitty

Zal Chitty
Chairman of the Remuneration Committee

Colombo
29th May, 2023

REPORT OF THE COMMITTEE ON RELATED PARTY TRANSACTIONS

The Related Party Transactions Review Committee for the year under review comprised of Mr. Chamindra de Silva (Chairman) and Mr. Zal Chitty both being independent, non-executive directors. The Chairman, Managing Director, Director Finance and CEO/ Director Operations also participated by invitation.

The Committee reviewed the related party transactions during the period under review and has identified the relevant related parties. The Committee has conducted four meetings during the year under review.

OBJECTIVE

To ensure that the related party transactions are done and related disclosures are made in compliance with the requirements of the laws and regulations of Securities and Exchange Commission, Companies Act, Colombo Stock Exchange, Central Bank of Sri Lanka, and Accounting Standards.

IDENTIFICATION OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Director Finance of the Company, a senior Chartered Accountant, informs on a quarterly basis any changes in the transactions of the Related Parties to the Committee.

The Company Secretary under supervision of the Director Finance, has sent declaration forms specifying the details required by the regulators to all directors and have obtained the filled declaration forms.

ACTIVITIES DURING THE YEAR

The Committee reviewed the recurrent related party transactions entered into by the Company, related party transactions as at the end of every quarter and an affirmative statement by the Director Finance, re-assuring that all transactions entered into during the quarter were recurrent transactions, which have been entered into on an arms-length basis where no favorable terms have been offered to related parties and that there had not been any non-recurrent related party transactions during the year under review.

Also none of the recurrent related party transactions entered into by the Company fall under the category where the aggregate value of such transactions exceeds 10% of the gross revenue / income as per the latest Audited Financial Statements.

All Related party transactions entered into by the Company during the year under review have been disclosed on page 81.

DECLARATION

The Directors have also disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24. With effect from December 2016, all proposed recurrent and non-recurrent related party transactions have been placed before the Related Party Transactions Review Committee formed under the Listing Rules of the Colombo Stock Exchange, for its review and recommendations. The aggregate value of transactions of related parties (as defined in LKAS 24 – 'Related Parties Disclosure') with the Company are set out in Note 34.1 to the Financial Statements on pages 81.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party 'more favorable treatment' than that accorded to other similar constituents of the Company. The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st December 2022.

The Committee will continue to conduct their reviews on a quarterly basis during the financial year commencing 1st January 2023

Chamindra de Silva
Chairman - Committee on Related Party Transactions
29th May, 2023

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

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

General

Malwatte Valley Plantations PLC is a public limited liability Company which was incorporated under the Companies Act, No. 17 of 1982 as a private limited company on 22nd June, 1992, converted to a public limited liability company on 22nd June, 1997 and listed on the Colombo Stock Exchange on 26th July, 2000 and re-registered as per the Companies Act, No.7 of 2007 on 26th December, 2007 under Registration Number PQ 111.

Principal activities of the Company and review of performance during the year

The principal activities of the Company are processing and selling of Tea, Rubber and Spices.

A review of the business and performance of the Company during the year, with comments on financial results, future strategies and prospects are contained in the Chairman's review which form an integral part of this Report.

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board are given on pages 27-85.

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 22-26.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 34-50 to the Financial Statements. There were no significant changes to the accounting policies used by the Company during the year under review.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 7-8.

Mr. Frits Bogtstra – Chairman
Mr. Lucas Bogtstra – Managing Director
Mr. S. D. Samaradiwakara – Director/CEO
Mr. K. G. M. Piyaratne – Executive Director
Mr. G. Chamindra De Silva – Independent Non-Executive Director
Mr. G. Z Ajit Chitty – Independent Non-Executive Director

Resignations / Cessations / Appointments

There were no resignations / cessations / appointments during the year under review.

Directors Interests in Contracts

During the period under review, except as given in the notes to the financial statements, no Director of the Company has a direct or indirect interest in any other contract entered into by the Company.

Directors Direct and Indirect Shareholdings

Details pertaining to Directors shareholdings as required under the Colombo Stock Exchange Rules are given in the shareholder and Investor information pages of this report.

Interest Register - Particulars of entries made during the year

The Directors' Interest register is maintained by the Company. Related Party Disclosures of the Company are disclosed in Note No.34.1 to the Financial Statements.

Directors' Remuneration

The Directors' remuneration is disclosed under Note 34.2 to the Financial Statements on page 82.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 21.

Auditors

Messrs. Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/ consultancy services. They do not have any interest in the Company other than that of Auditor and provider of other non-audit/ consultancy services.

A total amount of Rs.4.972 million is payable by the Company to the Auditors for the year under review.

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

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company as at 31st December 2022 consists of Voting Shares amounting to Rs.350,000,010/- and Non-Voting Shares amounting to Rs. 23,000,000/-.

Directors Direct and Indirect Shareholdings

The relevant interests of Directors in the shares of the Company as at 31st December 2022 and 31st December 2021 are as follows:

	Shareholding as at 31.12.2022	Shareholding as at 31.12.2021
Mr. Frits Bogtstra	-	-
Mr. Lucas Bogtstra	100,000	100,000
Mr. S. D. Samaradiwakara	-	-
Mr. K. G. M. Piyaratne	-	-
Mr. G. Chamindra De Silva	-	-
Mr. G. Z Ajit Chitty	-	-

* Mr. Frits Bogtstra and Mr. Lucas Bogtstra are shareholders of M/s Bogtstra and Gerlach (Pvt) Ltd which holds 69.14% of Wayamba Plantations (Pvt) Ltd. The said Wayamba Plantations (Pvt) Ltd is the major shareholder of the Company and holds 135,839,160 ordinary voting shares constituting 66.98% of the shares representing the stated capital of the Company.

Shareholders

There were 18,115 shareholders registered as at 31st December 2022 (18,844 shareholders as at 31st December 2021).

Major Shareholders, Distribution Schedule and Other Information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company and public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 86-89 under Shareholder and Investor information.

Employment Policy

The Company's employment policy is totally non-discriminatory and respects individuals and provides career opportunities irrespective of gender, race or religion.

As at 31st December 2022, 4,274 persons were in employment (5076 persons as at 31st December 2021).

Reserves

The reserves of the Company with the movements during the year are given on page 31.

Fixed Assets

The Company has invested Rs. 345 million on acquisition of fixed assets during the year which includes acquisition of plant and machinery, motor vehicles, land improvements, land and buildings etc. Information relating to the movements of fixed assets is given in the notes to the accounts.

Land Holdings

The Company's landholdings are referred to on pages 91-93.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 13 to the Financial Statements on pages 60-63.

Investments

Details of the Company's quoted and unquoted investments as at 31st December 2022 are given in Note 15 to the Financial Statements on page 66.

Donations

No Donations have been made during the year under review.

Dividends

As required by Section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to declaring all dividends.

The Board of Directors have proposed a final dividend payment of Rs. 0.16 per share for the financial year under review.

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

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee. Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 12-13.

Statutory Payments

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

Contingent Liabilities

There are no known contingent liabilities exist as at the Statement of Financial Position date.

Events Occurring after the Reporting Date

There are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements. Other than disclosed in Note 33.1.

Corporate Governance

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

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

The Corporate Governance Statement on pages 9-11 explains the measures adopted by the Company during the year.

Board Sub-Committees

An Audit Committee, Remuneration Committee and a Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees is reflected on pages 10-11 under Corporate Governance.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 21 of this Report.

Going concern

The Board being satisfied that the Company has adequate resources to continue its operation in the foreseeable future has adopted the going concern basis in preparing the financial statements.

Annual General Meeting

The Notice of the Twenty-Ninth (29th) Annual General Meeting and Supplementary Notice to the Shareholders appear on page 95.

This Annual Report is signed for and on behalf of the Board of Directors by:

……………………………
Mr. Lucas Bogtstra

……………………………
Mr. S. D. Samaradiwakara

……………………………
Secretarius (Private) Limited
Secretaries

29th May, 2023

DIRECTORS' RESPONSIBILITIES

The Companies Act requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the State of Affairs of the Company as at the end of the financial year and of the Profit and Loss of the Company for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgment and estimates have been made, and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards Act No. 15 of 1995 and provide the information required by the Companies Act No.7 of 2007 and the Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of frauds and other irregularities. The Auditors have carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the financial statements. The Directors have extended full co-operation to the Auditors and have provided them with every opportunity to carry out their statutory obligation of expressing an opinion on the financial statements. The Directors also confirm that to the best of their knowledge all taxes and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other known statutory obligations as were due as at the statement of financial position date have been either duly paid or appropriately provided for in the financial statements.

By Order of the Board

Malwatte Valley Plantations PLC

Secretarius (Private) Limited
Secretaries

29th May, 2023

INDEPENDENT AUDITOR'S REPORT

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

Tel : + 94 11 2463500
Fax Gen : + 94 11 2697369
Tax : + 94 11 5578180
eysl@lk.ey.com
ey.com

BW/VM/KJF

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MALWATTE VALLEY PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malwatte Valley Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, 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 and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.

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Key audit matters common to both Group and Company

<table>
<tr><th colspan="2">Revenue with Contract with Customers</th></tr>
<tr><td>The Group derived its revenue of Rs. 9.33 Bn, primarily from sale of black tea and export sales as disclosed in Note 6 and 6.1 to the financial statements.

Revenue from contracts with customers was a key audit matter due to following:

• Materiality of reported revenues; Revenue from sale of black tea and export sales represent 44% & 41 % of reported revenue, respectively.

• Significant increase (165%) in group export revenue.</td><td>Our audit procedures included the following:
• Evaluated the design of internal controls and tested the operating effectiveness of relevant key controls relating to sale of black tea and export sales. Tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition.
• Performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues.
• Tested the revenue recognized during the year, by reviewing relevant Seller Contracts, invoices, export documents, sales order and other relevant supporting documents.
• Performed procedures to test revenue cutoff at the period-end date to determine whether transactions are recorded in the proper period and to the proper accounts.
• For export sales, we reviewed the spot exchange rate at the transaction date to test proper translation of foreign currency – denominated revenue to local currency.
We also assessed the adequacy of the related disclosures given in Notes 6 and 6.1 in the financial statements.</td></tr>
<tr><th colspan="2">Valuation of Consumable Biological Assets</th></tr>
<tr><td>As at 31 December 2022, Group consumable biological assets carried at fair value in accordance with its accounting policy disclosed in note 3.6.6.3 amounted to Rs.1,668 Mn, while gain on such valuation for the year amounted to Rs. 191 Mn.
This was a key audit matter due to:
• Materiality of the balance and its significance to total assets (17%) of the Group; and
• Complexity of the valuation process and degree of judgments and estimates involved in the valuation, as disclosed in Note 14 to the financial statements.
Key areas of significant judgments, estimates and assumptions as disclosed in Note 14.2.1 to the financial statements, included the following:
• Discount Rate
• Expected timber volume
• Price per cubic foot</td><td>Our audit procedures included the following:
• We evaluated the competence, capability and objectivity of the external valuer engaged by the group.
• We read the external valuer’s report and understood the key estimates made and the approach taken by the valuer in determining the fair value of consumable biological assets.
• We assessed the completeness and accuracy of the key data used by the external valuer, by cross checking those to the underlying books and records maintained by the group. This also included assessing the appropriateness & consistency of the application of the method used for deriving the expected timber volume.
• We assessed the reasonableness of the significant judgements, estimates and assumptions used, in particular the discount rate, expected timber volume and price per cubic foot by comparing with the industrial statistics that are generally used in determining fair value of consumable biological assets.
We also assessed the adequacy of the related disclosures given in Notes 3.6.6.3 and 14.2 in the financial statements.</td></tr>
</table>

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Measurement of Bearer Biological Assets	
Bearer biological assets are a significant non-current asset of the Group representing 16% of the total assets comprising of Rs. 970 Mn as Mature Plantations and Rs. 621 Mn as Immature Plantations as at 31 December 2022. as disclosed in Notes 3.6.6.1 and 14.1 to the financial statements. Measurement of Bearer Biological assets in the financial statements was a key audit matter due to following: • Materiality of the balance and its significance to total assets (16%) of the group. • Identification of costs to be capitalized 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.	Our audit procedures included the following: • Assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations. • Validated the significant amounts capitalized (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidence. • Assessed the reasonableness of depreciation provided on the matured plantations by performing independent computations. • Assessed timely transfer of matured plants to respective matured plantation categories by examining the ageing profile of immature plantations. • 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. We also assessed the adequacy of the related disclosures given in Notes 3.6.6.1 and 14.1 in the financial statements.
Valuation of Retirement benefit obligations	
The retirement benefit obligation as at 31 December 2022 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group. Measurement of the retirement benefit obligation was a key audit matter due to following reasons: • The retirement benefit obligation of the Group is significant (Rs. 1,001 Mn) in the context of the total liabilities of the Group (25% of total liabilities). • 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. • 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. Key areas of significant judgements, estimates and assumptions are disclosed in note 27 to the financial statements.	Our audit procedures included the following: • We assessed the competency, capability and objectivity of the external actuary engaged by the Group. • 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. • We assessed reasonableness the discount rate used, with our internally developed benchmarks. • We validated the key data used by the actuary to the underlying data held by the Group. We have also assessed the adequacy of the disclosures made in notes 27 to the financial statements relating to the significant judgements and estimates.

Other Information included in the Company's 2022 Annual Report

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

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

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

Responsibilities of 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M- 2440.

Ernst & Young

29th May, 2023
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
Revenue	6	**9,330,903,408**	4,791,647,719	**9,210,022,117**	4,712,944,734
Cost of sales		**(7,111,556,461)**	(4,308,955,300)	**(7,054,096,839)**	(4,266,696,714)
Gross profit /(loss)		**2,219,346,947**	482,692,418	**2,155,925,277**	446,248,020
Gain on change in fair value of biological assets	17.2	**198,857,240**	94,433,323	**198,857,240**	94,433,323
Other income	7	**74,750,530**	183,024,606	**74,750,530**	182,750,000
Selling and distribution expenses		**(22,073,249)**	(11,930,387)	-	-
Administrative expenses		**(427,006,660)**	(294,248,248)	**(409,479,639)**	(286,221,273)
Results from operating activities		**2,043,874,808**	453,971,713	**2,020,053,408**	431,387,405
Finance Income	8.1	**610,724,508**	40,715,978	**610,724,508**	40,715,978
Finance expenses	8.2	**(110,383,863)**	(71,821,094)	**(110,116,179)**	(70,971,611)
Interest paid to government lease	8.3	**(39,113,989)**	(35,571,987)	**(39,113,989)**	(35,571,987)
Net finance cost		**461,226,656**	(66,677,103)	**461,494,340**	(65,827,620)
Profit/ (Loss) before tax	9	**2,505,101,464**	387,294,610	**2,481,547,749**	371,382,451
Tax (expense) /Reversal	10	**(348,180,316)**	(88,628,474)	**(348,180,316)**	(88,628,474)
Profit / (Loss) for the year		**2,156,921,148**	298,666,135	**2,133,367,432**	282,753,976
Attributable to:					
Equity holders of the parent		**2,156,921,148**	298,666,135	**2,133,367,432**	282,753,976
Non - Controlling interest		-	-	-	-
Profit/ (Loss) for the year		**2,156,921,148**	298,666,135	**2,133,367,432**	282,753,976
Basic earnings/ (loss) per share (Rs.)	11	9.67	1.34	9.56	1.27

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
Profit/(Loss) for the year		**2,156,921,148**	298,666,135	**2,133,367,432**	282,753,973
Other Comprehensive Income for the year, net of tax					
Net other comprehensive Income/(Loss) not be reclassified to profit or Loss in subsequent period					
Net (loss) / gain on financial assets at fair value through OCI	15.2	**(40,711)**	127,255	**(40,711)**	127,255
Actuarial gains/ (losses) on defined benefit plans	27	**21,938,889**	(200,620,270)	**21,938,889**	(200,620,270)
Tax effect	10.2	**(6,581,667)**	28,086,838	**(6,581,667)**	28,086,838
Total Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period		**15,316,511**	(172,406,177)	**15,316,511**	(172,406,177)
Total Other comprehensive income for the year, net of tax		**15,316,511**	(172,406,177)	**15,316,511**	(172,406,177)
Total comprehensive income for the year, net of tax		**2,172,237,659**	126,259,957	**2,148,683,943**	110,347,796

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
ASSETS					
Non-current assets					
Right-of-use assets	12	**247,251,464**	350,191,293	**247,251,464**	350,191,293
Freehold Property, plant & equipment	13	**2,059,319,646**	2,079,516,917	**2,058,489,403**	2,078,520,777
Bearer biological assets	14.1	**1,592,412,427**	1,352,044,998	**1,592,412,427**	1,352,044,998
Consumable biological assets	14.2	**1,668,465,474**	1,479,464,332	**1,668,465,474**	1,479,464,332
Other non current financial assets	15.3	**204,984**	245,695	**204,984**	245,695
Investment in Subsidiary	16	-	-	**22,166,000**	22,165,980
Goodwill	16.1	**22,166,000**	22,165,980	-	-
Total non-current assets		**5,589,819,995**	5,283,629,216	**5,588,989,751**	5,282,633,076
Current assets					
Produce on Bearer Biological Assets	17	**9,567,189**	2,010,311	**9,567,189**	2,010,311
Inventories	18	**1,015,197,180**	460,620,257	**913,583,894**	422,386,336
Trade and other Receivables	19	**2,380,766,594**	719,044,508	**2,338,532,526**	700,547,488
Income Tax Recoverable		**34,573,492**	34,573,492	**34,573,492**	34,573,492
Amounts due from related companies	20	**847,139**	828,267	**138,548,926**	62,216,474
Short - term investments	21.1	**284,966,499**	413,687,894	**284,966,499**	413,687,894
Cash and cash equivalents	21.2	**386,155,039**	179,590,789	**381,424,898**	175,582,083
Total current assets		**4,112,073,130**	1,810,355,519	**4,101,197,423**	1,811,004,077
Total assets		**9,701,893,126**	7,093,984,735	**9,690,187,174**	7,093,637,153
EQUITY AND LIABILITIES					
Equity					
Stated capital	22	**373,000,010**	373,000,010	**373,000,010**	373,000,010
Timber reserve		**1,563,652,382**	1,374,651,241	**1,563,652,382**	1,374,651,241
Revaluation reserve	23	**860,357,130**	860,357,130	**860,357,130**	860,357,130
Retained earnings		**2,842,875,980**	886,404,621	**2,832,897,846**	899,980,202
Total equity		**5,639,885,502**	3,494,413,002	**5,629,907,368**	3,507,988,583

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
Non-current liabilities					
Interest-bearing borrowings	24	-	4,500,000	-	4,500,000
Deferred income	25	**126,313,335**	128,699,065	**126,313,335**	128,699,065
Deferred tax liability	26	**723,049,478**	368,287,495	**723,049,478**	368,287,495
Retirement benefit obligations	27	**1,001,832,232**	1,071,539,030	**1,001,832,232**	1,071,539,030
Lease liabilities	28	**226,435,094**	302,745,926	**226,435,094**	302,745,924
Total non-current liabilities		**2,077,630,139**	1,875,771,517	**2,077,630,139**	1,875,771,517
Current liabilities					
Trade and other payables	29	**764,171,807**	716,374,925	**762,443,987**	714,951,763
Lease liabilities	28	**5,299,726**	20,084,201	**5,299,726**	20,084,201
Interest-bearing borrowings payable within one year	24	**1,205,633,966**	635,052,749	**1,205,633,966**	622,552,749
Dividend payables		**4,865,943**	3,961,741	**4,865,943**	3,961,741
Bank overdraft	21.3	**4,406,043**	348,326,600	**4,406,043**	348,326,600
Total current liabilities		**1,984,377,485**	1,723,800,216	**1,982,649,665**	1,709,877,054
Total liabilities		**4,062,007,624**	3,599,571,733	**4,060,279,804**	3,585,648,572
Total equity and liabilities		**9,701,893,126**	7,093,984,735	**9,690,187,174**	7,093,637,153

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Director Finance

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Malwatte Valley Plantations PLC.

DIRECTOR

DIRECTOR

29th May, 2023

Colombo

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

	Group				
	Stated Capital Rs.	Timber Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2021	373,000,010	1,280,117,270	860,357,130	876,978,633	3,390,453,043
Profit for the year	-	-	-	298,666,135	298,666,135
Total Other comprehensive income for the year, net of tax	-	-	-	(172,406,177)	(172,406,177)
Transferred to the Timber Reserve	-	96,090,915	-	(96,090,915)	-
Realised gain on harvested timber trees	-	(1,556,945)	-	1,556,945	-
Dividend Declared	-	-	-	(22,300,000)	(22,300,000)
Balance as at 31 December 2021	373,000,010	1,374,651,240	860,357,130	886,404,621	3,494,413,001
Profit for the year	-	-	-	2,156,921,148	2,156,921,148
Total Other comprehensive income for the year, net of tax	-	-	-	15,316,511	15,316,511
Transferred to the Timber Reserve	-	191,300,362	-	(191,300,362)	-
Realised gain on harvested timber trees	-	(2,299,221)	-	2,299,221	-
Dividend Declared	-	-	-	(26,765,159)	(26,765,159)
Balance as at 31 December 2022	373,000,010	1,563,652,382	860,357,130	2,842,875,979	5,639,885,501

	Company				
	Stated Capital Rs.	Timber Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2021	373,000,010	1,280,117,270	860,357,130	906,466,374	3,419,940,784
Profit for the year	-	-	-	282,753,976	282,753,976
Total Other comprehensive income for the year, net of tax	-	-	-	(172,406,177)	(172,406,177)
Transferred to the Timber Reserve	-	96,090,915	-	(96,090,915)	-
Realised gain on harvested timber trees	-	(1,556,945)	-	1,556,945	-
Dividend Declared	-	-	-	(22,300,000)	(22,300,000)
Balance as at 31 December 2021	373,000,010	1,374,651,240	860,357,130	899,980,204	3,507,988,583
Profit for the year	-	-	-	2,133,367,432	2,133,367,432
Total Other comprehensive income for the year, net of tax	-	-	-	15,316,511	15,316,511
Transferred to the Timber Reserve	-	191,300,362	-	(191,300,362)	-
Dividend Declared	-	-	-	(26,765,159)	(26,765,159)
Realised gain on harvested timber trees	-	(2,299,221)	-	2,299,221	-
Balance as at 31 December 2022	373,000,010	1,563,652,382	860,357,130	2,832,897,846	5,629,907,368

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

As at 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit / (Loss) before Taxation		2,505,101,464	387,294,610	2,481,547,749	371,382,449
ADJUSTMENTS FOR					
Dividend Income	7	(20,134)	(12,789)	(20,134)	(12,789)
Interest Income	8.1	(37,822,327)	(40,715,978)	(37,822,327)	(40,715,978)
Unrealized Exchange Gain/ (Loss)	8.1	(572,902,181)	-	(572,902,181)	-
Depreciation	12/13/14	151,617,753	155,149,253	151,404,459	154,974,588
Provision for Defined Benefit Plan	27	174,638,122	116,373,716	174,638,122	116,373,716
Amortisation of Grants	25	(9,488,263)	(8,548,287)	(9,488,263)	(8,548,287)
Finance Costs	8.2/8.3	149,497,852	107,393,081	149,230,168	106,543,598
Profit on disposal of Property, Plant & Equipments	7	-	(18,132,113)	-	(18,132,113)
Gain on change in fair value of biological assets	17.2	(198,857,240)	(94,433,323)	(198,857,240)	(94,433,323)
Provision for inventories	18	-	655,719	-	655,719
Profit from sale of timber trees	7	(11,435,580)	(39,505,055)	(11,435,580)	(39,505,055)
Write-off Opening Balance		(2,689,744)	274,740	(2,689,744)	-
Write Back of Long Outstanding		10,507,602	(246,776)	10,507,602	-
Unclaimable ESC write-off		42,047,886	-	42,047,886	-
Write-off of Bearer Biological assets (Immature/Mature)		3,669,019	-	3,669,019	-
Operating Profit before Working Capital Changes		2,203,864,228	565,546,798	2,179,829,534	548,582,525
(Increase)/Decrease in Inventories		(554,820,345)	12,636,372	(491,440,893)	20,929,403
(Increase)/Decrease in Trade and Other Receivables		(1,714,277,574)	(399,991,820)	(1,690,540,526)	(395,618,127)
Increase/(Decrease) in Trade and Other Payables		48,701,066	(38,182,068)	48,396,427	(32,901,382)
(Increase)/Decrease in amounts due from Related Parties		(18,775)	-	(76,332,452)	12,073,887
Cash Generated from Operations		(16,551,400)	140,009,283	(30,087,911)	153,066,306
Finance Costs Paid		(89,600,273)	(66,832,823)	(89,332,589)	(65,983,340)
Defined Benefit Plan Costs paid	27	(222,406,031)	(121,263,002)	(222,406,031)	(121,263,002)
Net Cash from Operating Activities		(328,557,704)	(48,086,542)	(341,826,531)	(34,180,036)

STATEMENT OF CASH FLOWS
As at 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**Rs.**	Rs.	**Rs.**	Rs.
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES					
Investment in Short - term Investments		128,721,395	286,580,612	128,721,395	286,580,612
Dividend Income Received	7	20,134	12,789	20,134	12,789
Grants Received	25	7,102,533	11,741,311	7,102,533	11,741,311
Proceeds from Sale of Property, Plant & Equipments		-	18,132,113	-	18,132,113
Field Development Expenditure		(305,083,421)	(162,964,617)	(305,083,421)	(162,964,617)
Cash received on harvested timber		13,734,800	41,062,000	13,734,800	41,062,000
Purchase of Property, Plant & Equipment		(39,750,565)	(43,591,829)	(39,703,168)	(43,029,776)
Finance Income	8.1	610,724,508	40,715,978	610,724,508	40,715,978
Net Cash used in Investing Activities		415,469,385	191,688,357	415,516,782	192,250,410
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES					
Payment of Government lease rentals		(59,897,579)	(68,781,371)	(59,897,579)	(68,781,371)
Proceeds from loans		2,980,629,988	1,928,747,131	2,980,629,983	1,928,747,131
Payment of loans		(2,414,548,766)	(1,821,204,247)	(2,402,048,766)	(1,808,704,247)
Dividend Paid		(42,610,517)	-	(42,610,517)	-
Net Cash from (used in) Financing Activities		463,573,127	38,761,513	476,073,122	51,261,513
Net Increase/(Decrease) in Cash & Cash Equivalents		550,484,807	182,363,328	549,763,373	209,331,887
A. Cash & Cash Equivalents at the beginning of the year		(168,735,811)	(351,099,141)	(172,744,517)	(382,076,405)
B. Cash & Cash Equivalents at the end of the year		381,748,996	(168,735,811)	377,018,855	(172,744,519)
NOTE A					
Cash & Bank Balances		179,590,789	139,082,536	175,582,083	108,105,272
Bank Overdrafts		(348,326,600)	(490,181,677)	(348,326,600)	(490,181,677)
		(168,735,811)	(351,099,141)	(172,744,517)	(382,076,405)
NOTE B					
Cash & Cash Equivalents at the end of the year					
Cash & Bank Balances		386,155,039	179,590,789	381,424,898	175,582,083
Bank Overdrafts		(4,406,043)	(348,326,600)	(4,406,043)	(348,326,600)
		381,748,996	(168,735,811)	377,018,855	(172,744,517)

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. REPORTING ENTITY

1.1 Domicile and legal form

Malwatte Valley Plantations PLC (the Company) was incorporated and domiciled in Sri Lanka, under the Companies Act. No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007), in terms of the provisions of the Conversion of Public Corporation and Government Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 280, Dam Street, Colombo 12, and Plantations are situated in the planting areas of Bandarawela, Badulla, and Awissawella.

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

The Consolidated Financial Statement of Malwatte Valley Plantations PLC as at and for the year ended 31 December 2022 comprises the company and its subsidiary namely Malwatte Species (Pvt) Ltd which is incorporated in Sri Lanka (together referred to as the 'Group').

The Financial Statements of the Company and the Group comprise 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 the Financial Statements.

The Financial Statement of all companies in the Group are prepared for a common financial year, which ends on 31 December.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Malwatte Valley Plantations PLC were the cultivation, manufacture, sale and export Black Tea and Rubber and the sale of solar generators and other crops.

Malwatte Spices is the subsidiary company of Malwatte Valley Plantations PLC, and the company engages in the sale of spices as the business nature.

1.3 Ultimate Parent Enterprise

The Company's ultimate parent undertaking is Wayamba Plantations (Pvt) Ltd.

1.4 Date of authorization for issues

The Financial Statements of Malwatte Valley Plantations PLC for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 31st May 2022.

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 the Company and the Group 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.

2.2 Basis of measurement

These Financial Statements have been prepared on a historical cost convention, other than consumable biological assets, produce on bearer biological asset, Land & buildings, Defined Benefit Obligation and financial instruments that have been measured at fair value and where appropriate specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the current year are comparable with those of the previous year.

3.2 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 Group's ability to continue as a going concern in the foreseeable 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.

3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiary as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognized at fair value. Company-level investments in subsidiaries are recognized in cost.

3.3.1 Business Combinations 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, which is measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether to measures the Non-Controlling Interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group 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.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 09 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with SLFRS 09. Other contingent consideration that is not within the scope of SLFRS 09 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.4 Current versus non-current classification

The Group presents assets and liabilities in 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

- It doesn't have a right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, results in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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3.5 Fair Value Measurement

The Group measures financial instruments and non-financial assets indicated below 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:

- Land and Buildings - Note 13
- Consumable biological assets - Note 14.2
- Produce on bearer biological asset - Note 17
- Financial Instrument (including those carried fair value through OCI)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing 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 recognized in the financial statements at fair value on a recurring basis, the Group 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 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 Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group 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.

3.6 Property, Plant and Equipment

The Group 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 supply of goods, for rental to other or for administration purpose and are expected to be used for more than one year.

3.6.1 Basis of Recognition and Measurement

Property, Plant and Equipment is recognized if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost (or at fair value in the case of land & building), less accumulated depreciation and accumulated impairment losses, if any.

3.6.2 Owned assets

The cost of property, plant and 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-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, 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.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is preformed, its cost is recognized 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 recognized in the statement of profit or loss 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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The Group's policy is to revalue Land and Buildings once in every 3-5 years. Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

3.6.3 De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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.

3.6.4 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes 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 Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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, as follows:

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Motor vehicle	5 years
Machinery	13.33 years

Amortization

The leasehold rights of assets taken over from JEDB/ SLSPC are amortized in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of years	Rate (%)
Right to use of land	26	3.85
Improvements to land	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Mature plantations (Tea & Rubber)	30	3.33

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (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 Group 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 Group's lease liabilities are included in Note 28 to the financial statements.

c) Short-term leases and leases of low-value assets

The Group 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.

3.6.5 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 capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.6.6 Biological Assets

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

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.

3.6.6.1 Bearer Biological Asset

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, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.6.6.2 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, 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 Profit or Loss Statement in the year in which they are incurred.

3.6.6.3 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees is 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. All other assumptions and sensitivity analysis are given in Note 14.2.

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

Impairments to Biological Asset are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.6.6.4 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.

3.6.6.5 Produce on Bearer Biological Assets

In accordance with LKAS 41, Group recognize 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 Group 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.

3.6.7 Depreciation and amortization

(a) Depreciation

Depreciation is recognized in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of

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Property, Plant & Equipment. Assets held under right to use 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 Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of years	**Rate (%)**
Building & Roads	40	2.50
Plant and other machinery	20/13.33	5.00/7.50
Motor vehicles – Supervisory	5	20.00
Motor vehicles – Utility	10	10.00
Equipment	8	12.50
Land Improvements	10	10.00
Furniture and fittings	10	10.00
Sanitation water supply & Electricity	20	5.00

Mature plantations (Replanting and new planting)	**No. of years**	**Rate (%)**
Tea	33 1/3	3.00
Rubber & Other	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognized. 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 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.

3.7.1 Financial assets

3.7.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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 recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, investments, trade and other receivables, available for sale financial assets.

3.7.1.2 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 Group 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial instrument at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) **Financial assets at fair value through OCI (debt instruments)**

The Group 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.

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3.7.1.3 Derecognition

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

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.7.1.4 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

3.7.2 Financial liabilities

3.7.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.7.2.2 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 incurred for the purpose of repurchasing in the near term.

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

b) **Financial instrument at amortized cost**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.7.2.3 Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

3.7.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 35.

3.8 Inventories

Finish goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

Input materials, Spares and consumables

At actual cost on weighted average basis.

Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form and integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.10 Impairment of Non-Financial Assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets 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 group 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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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, 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 Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only

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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.

3.11 Provisions

Provisions are recognised when the Group 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 Group 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.

3.12 Employees' Benefits

(a) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

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

The company contributes 12% on consolidated salary 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 to which the company contributes 3% on the consolidated salary of such employees.

(b) **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 in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the Statement of Profit or Loss.

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 Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 27.

3.13 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

3.14 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.

3.15 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.16 Deferred income - 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.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3.17 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 Group's performance.

3.17.1 Revenue

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

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

Revenue from contract with customers

- **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 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 Group'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.

- **Sale of Solar Panels & Batteries**

  The company imports the Solar Panels and batteries and selling them to the local customers. Revenue from sale of Solar Panels and Batteries are recognized at the point in time when the control of the good is transferred to the customer.

- **Export sales**

  Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions.

3.17.2 Other Source of Revenue

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

- **Dividend Income**

  Dividend income is recognized when the right to receive payment is established.

- **Interest Income**

  Interest income is recognized based on 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.

3.17.3 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit / loss for the year.

3.17.4 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 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.

3.17.5 Taxes

3.17.5.1 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 Group 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.

3.17.5.2 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, 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 utilised, 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 utilised. 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 realized 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised 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.

3.18 Statement of cash flow

The Statement of Cash Flow 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, for the purpose of presenting the Cash Flow Statement.

3.19 Segment reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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 Note 6 in the Notes 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 interest-bearing loans, borrowings, and expenses.

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

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Group's Consolidated Financial Statements in conformity with SLFRS/LKAS 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 recognized in the period in which the estimate is revised if the revision affects only that period and any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes:

- Note 14 - Biological Assets
- Note 26 - Deferred Taxation
- Note 27 - Measurement of the Defined Benefit Obligations

4.1 Taxation

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 Group operates and generates taxable income.

As per 3rd Schedule to Inland Revenue Act No.24 of 2017 & subsequent amendments, Agro farming is exempted from income tax for a period of 5 years, effective from 01st April 2019. As per provisions of Inland Revenue (amendment) Act No. 45 of 2022, for the first 06 months of year of assessment 2022/2023 profits from Agro Processing is taxable at 14% and profits from second 06 months is taxable of 30%.

4.2 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 Group.

Further details about Retirement benefit obligations are provided in Note 27.

4.3 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 14.2.

4.4 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber 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.

4.5 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group’s stand-alone credit rating).

5. SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group’s financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group 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 were 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 2025, 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.

5.2 Definition of Accounting Estimates - Amendments to LKAS 8

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

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

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized 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.

5.4 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

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

5.5 Classification of Liabilities as Current or Non - current - Amendments to LKAS 1

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
6.	**REVENUE**				
6.1	**Industry Segment Revenue**				
	Tea	**4,150,762,973**	2,663,106,470	**4,150,762,973**	2,663,106,470
	Rubber	**525,924,725**	389,814,023	**525,924,725**	389,814,023
	Coconut	**5,800,454**	4,859,338	**5,800,454**	4,859,338
	Tea Export	**3,846,879,509**	1,450,236,641	**3,846,879,509**	1,450,236,641
	Solar Project	**357,427,450**	-	**357,427,450**	-
	Others	**444,108,296**	283,631,247	**323,227,005**	204,928,262
	Total	**9,330,903,408**	4,791,647,719	**9,210,022,117**	4,712,944,734
6.2	**Segment Information**				
a)	**Segment Revenue**				
	Tea				
	Revenue	**4,150,762,973**	2,663,106,470	**4,150,762,973**	2,663,106,470
	Revenue Expenditure	**(2,335,227,720)**	(2,227,076,063)	**(2,335,227,720)**	(2,227,076,063)
	Depreciation	**(57,818,439)**	(58,181,711)	**(57,818,439)**	(58,181,711)
	Other Non Cash Expenditure	**(148,804,388)**	(98,879,919)	**(148,804,388)**	(98,879,919)
	Segment Results	**1,608,912,426**	278,968,777	**1,608,912,426**	278,968,777
	Rubber				
	Revenue	**525,924,725**	389,814,023	**525,924,725**	389,814,023
	Revenue Expenditure	**(288,741,384)**	(256,239,136)	**(288,741,384)**	(256,239,136)
	Depreciation	**(42,816,877)**	(41,410,567)	**(42,816,877)**	(41,410,567)
	Other Non Cash Expenditure	**(13,967,980)**	(12,468,837)	**(13,967,980)**	(12,468,837)
	Segment Results	**180,398,485**	79,695,484	**180,398,485**	79,695,484
	Coconut				
	Revenue	**5,800,454**	4,859,338	**5,800,454**	4,859,338
	Revenue Expenditure	**(3,246,869)**	(1,950,672)	**(3,246,869)**	(1,950,672)
	Segment Results	**2,553,585**	2,908,665	**2,553,585**	2,908,665

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

6 REVENUE (Contd.)

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Export				
Revenue	**3,846,879,509**	1,450,236,641	**3,846,879,509**	1,450,236,641
Revenue Expenditure	**(3,697,810,941)**	(1,403,435,486)	**(3,697,810,941)**	(1,403,435,486)
Depreciation	**(1,532,874)**	(1,532,874)	**(1,532,874)**	(1,532,874)
Segment Results	**147,535,694**	45,268,281	**147,535,694**	45,268,281
Solar Project				
Revenue	**357,427,450**	-	**357,427,450**	-
Revenue Expenditure	**(286,705,301)**	-	**(286,705,301)**	-
Depreciation	-	-	-	-
Segment Results	**70,722,149**	-	**70,722,149**	-
Others				
Revenue	**444,108,296**	283,631,247	**323,227,005**	204,928,262
Revenue Expenditure	**(372,585,573)**	(197,684,441)	**(177,424,067)**	(155,425,854)
Depreciation	-	(9,964,801)	-	(9,964,801)
Other Non Cash Expenditure	-	(130,794)	-	(130,794)
Segment Results	**71,522,724**	75,851,211	**145,802,938**	39,406,813
Total				
Revenue	**9,330,903,408**	4,791,647,719	**9,210,022,117**	4,712,944,734
Revenue Expenditure	**(6,846,615,904)**	(4,086,385,798)	**(6,789,156,282)**	(4,044,127,211)
Depreciation	**(102,168,190)**	(111,089,953)	**(102,168,190)**	(111,089,953)
Other Non Cash Expenditure	**(162,772,368)**	(111,479,550)	**(162,772,368)**	(111,479,550)
Segment Results	**2,219,346,947**	482,692,418	**2,155,925,277**	446,248,020
Gains on fair value of biological assets	**198,857,240**	94,433,323	**198,857,240**	94,433,323
Other Income	**74,750,530**	183,024,606	**74,750,530**	182,750,000
Finance Income	**610,724,508**	40,715,978	**610,724,508**	40,715,978
Administrative Expenses	**(427,006,660)**	(294,248,248)	**(409,479,639)**	(286,221,273)
Interest paid on government lease	**(39,113,989)**	(35,571,987)	**(39,113,989)**	(35,571,987)
Finance expenses	**(110,383,863)**	(71,821,094)	**(110,116,179)**	(70,971,611)
Selling and distribution expenses	**(22,073,249)**	(11,930,387)	-	-
Operating Profit / (Loss) of the Company	**2,505,101,464**	387,294,610	**2,481,547,750**	371,382,451

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6 REVENUE (Contd.)

		Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
6.2	**Segment Information (Contd..)**				
b)	**Segment Assets**				
	Non Current Assets				
	Tea	**1,313,177,111**	2,213,080,817	**1,312,346,868**	2,213,080,817
	Rubber	**915,866,619**	772,004,842	**915,866,618**	772,004,842
	Tea Export	**12,474,924**	12,474,924	**12,474,924**	12,474,924
	Unallocated	**3,348,301,341**	2,286,068,633	**3,348,301,341**	2,285,072,493
		5,589,819,995	5,283,629,216	**5,588,989,751**	5,282,633,077
	Current Assets				
	Tea	**1,521,363,449**	496,928,513	**1,509,839,182**	496,928,513
	Rubber	**258,644,177**	85,126,726	**258,644,177**	85,126,726
	Coconut	**406,494**	228,546	**406,494**	228,546
	Tea Export	**312,819,954**	460,961,616	**312,819,954**	460,961,616
	Unallocated	**2,019,487,616**	767,758,676	**2,019,487,616**	767,758,676
		4,112,073,131	1,810,354,518	**4,101,197,423**	1,811,004,076
	Total Assets	**9,701,893,128**	7,093,983,734	**9,690,187,175**	7,093,637,152
c)	**Segment Liabilities**				
	Non Current Liabilities and Deferred Income				
	Tea	**1,884,027,260**	1,700,978,728	**1,884,027,260**	1,700,978,728
	Rubber	**96,568,582**	87,186,161	**96,568,582**	87,186,161
	Unallocated	**97,034,297**	87,606,628	**97,034,297**	87,606,628
		2,077,630,139	1,875,771,517	**2,077,630,139**	1,875,771,517
	Current Liabilities				
	Tea	**589,210,236**	506,656,683	**587,482,416**	506,656,683
	Rubber	**104,746,602**	90,335,582	**104,746,602**	90,335,582
	Unallocated	**1,290,420,647**	1,126,807,951	**1,290,420,647**	1,112,884,788
		1,984,377,485	1,723,800,216	**1,982,649,665**	1,709,877,053
	Total Liabilities	**4,062,007,624**	3,599,571,733	**4,060,279,804**	3,585,648,570

6 REVENUE (Contd.)

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
d) Segment Capital Expenditure				
Field Development				
Tea	-	1,501,503	-	1,501,503
Rubber	**116,888,445**	43,389,545	**114,812,703**	43,389,545
	116,888,445	44,891,048	**114,812,703**	44,891,048
Property, Plant & Equipment				
Tea	**36,530,036**	36,530,036	**16,961,927**	36,530,036
Rubber	**4,104,770**	4,104,770	**11,788,922**	4,104,770
	40,634,806	40,634,806	**28,750,849**	40,634,806
Unallocated	**121,030,592**	121,030,592	**196,976,046**	120,468,539
	121,030,592	121,030,592	**196,976,046**	120,468,539
Total Capital Expenditure	**278,553,842**	206,556,446	**340,539,597**	205,994,393

7. OTHER INCOME

	Group 2022	Group 2021	Company 2022	Company 2021
Profit on disposal of property, plant & equipment	-	18,132,113	-	18,132,113
Dividend income	**20,134**	12,789	**20,134**	12,789
Sale of other trees	**2,643,200**	54,271,905	**2,643,200**	54,271,905
Profit from sale of timber trees	**11,435,580**	39,505,055	**11,435,580**	39,505,055
Amortisation of government grants	**9,488,263**	8,548,287	**9,488,263**	8,548,287
Items written back	**4,020,218**	1,557,913	**4,020,218**	1,557,913
Foreign exchange gain/(loss)	-	5,822,666	-	5,822,666
Written back of Long Outstandings	**2,689,744**	-	**2,689,744**	-
Sundry income	**44,453,392**	55,173,878	**44,453,392**	54,899,273
Total	**74,750,530**	183,024,606	**74,750,530**	182,750,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

		Group		Company	
		2022	2021	**2022**	2021
		Rs.	Rs.	**Rs.**	Rs.
8	**NET FINANCE INCOME/ (EXPENSES)**				
8.1	**Finance Income**				
	Foreign exchange gain	**572,902,181**	-	**572,902,181**	-
	Interest income	**37,822,327**	40,715,978	**37,822,327**	40,715,978
	Total	**610,724,508**	40,715,978	**610,724,508**	40,715,978
8.2	**Finance Expenses**				
	Interest on Overdraft	**42,999,599**	29,736,405	**42,999,599**	29,736,405
	Interest on lease liability	**2,005,171**	4,988,267	**2,005,171**	4,988,267
	Interest on Term Loan	**24,828,695**	6,823,100	**9,195,910**	5,989,767
	Bank Charges & Others	**11,239,028**	2,679,655	**11,179,677**	2,663,505
	Interest on Packing Credit Loans	**29,311,370**	12,458,493	**29,311,370**	12,458,493
	Interest on short term borrowings	-	15,135,174	**15,424,452**	15,135,174
	Total	**110,383,863**	71,821,094	**110,116,179**	70,971,611
8.3	**Interest paid to Government on lease liability**	**39,113,989**	35,571,987	**39,113,989**	35,571,987
	Total	**39,113,989**	35,571,987	**39,113,989**	35,571,987
8.4	**Net Finance Income/ (Expenses)**	**461,226,656**	(60,854,438)	**461,494,340**	(60,004,954))

9. PROFIT / (LOSS) BEFORE TAXATION

Profit/ (Loss) before tax is stated after charging all expenses including the following:

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Directors' emoluments	**87,143,600**	65,248,800	**87,143,600**	65,248,800
Auditors' fees	**4,972,590**	4,156,900	**4,572,590**	4,156,900
Depreciation /Amortisation				
Right-of-use-asset	**30,622,943**	35,964,200	**30,622,943**	35,964,200
Freehold Property, Plant & Equipment	**59,947,836**	60,150,588	**59,734,542**	59,975,923
Immature/Mature Plantations	**61,046,973**	59,034,465	**61,046,973**	59,034,465
Personnel Cost				
Defined Benefit Plan Costs - Gratuity	**222,406,031**	116,373,716	**222,406,031**	116,373,716
Salaries and Wages	**1,456,265,683**	1,289,596,973	**1,456,265,683**	1,289,596,973
Defined Contribution Plan Costs - EPF & ETF	**145,408,829**	196,478,786	**145,408,829**	196,478,786

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
10 INCOME TAX EXPENSE				
10.1 Statement of Profit or Loss				
(I) Current Tax Expense				
Income taxes on current year's profit (10.3)	-	-	-	-
Under / (Over)provision in respect of previous years	-	-	-	-
(II) Deferred Tax Expense				
Deferred Tax Charge or (Reversal)	**348,180,316**	88,628,474	**348,180,316**	88,628,474
	348,180,316	88,628,474	**348,180,316**	88,628,474
Net Tax Charge or (Reversal) reported in Statement of Profit or Loss	**348,180,316**	88,628,474	**348,180,316**	88,628,474
10.2 Statement of Other Comprehensive Income				
Tax Effect on Actuarial gains/ (losses) on defined benefit plans	**6,581,667**	(28,086,838)	**6,581,667**	(28,086,838)
Tax Effect on Reevaluation of Land & Building	-	-	-	-
Net Tax Charge directly to Other Comprehensive Income	**6,581,667**	(28,086,838)	**6,581,667**	(28,086,838)

The Company is liable to income tax at the rate of 14% on its business income earned during the year.

	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
10.3 Reconciliation of Accounting Profit to Income Tax Expense				
Profit/ (Loss) before tax	2,505,101,464	387,294,610	2,481,547,749	371,382,451
Exempt Amounts & Other Sources	(275,819,394)	(215,732,212)	(275,819,394)	(215,732,212)
Aggregate Disallowable Expenses	420,108,951	313,610,731	420,108,951	313,610,731
Aggregate Tax deductible Expenses	(666,711,201)	(354,684,159)	(666,711,201)	(354,684,159)
Other sources of Income	-	18,132,113	-	18,132,113
Total statutory income	1,982,679,820	132,708,922	1,959,126,106	132,708,924
Tax exempt income from Agro Farming	806,778,339	51,749,715	806,778,339	51,749,715
Taxable income from Agro Procesing	443,382,301	41,271,566	443,382,301	41,271,566
Taxable income from Export	671,123,004	-	671,123,004	-
Total statutory income	1,921,283,644	93,021,281	1,921,283,644	93,021,281
Dividend Income	37,842,461	39,687,642	37,842,461	39,687,642
Tax losses Claimed during the year	(1,152,347,766)	(80,959,208)	(1,152,347,766)	(80,959,208)
Tax exempt Income	806,778,339	51,749,715	806,778,339	51,749,715
Total Taxable Income	-	-	-	-

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10 INCOME TAX EXPENSE (Contd.)	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Income Tax @ 14%	-	-	-	-
Income Tax @ 30%	-	-	-	-
Dividend Tax @ 14%	-	-	-	-
Income tax on current year profit	-	-	-	-

10.4 Tax losses carried forward

Tax losses brought forward	**1,503,524,402**	1,544,808,757	**1,503,524,402**	1,544,808,757
Adjustments on finalisation of liability	**(25,490,017)**	-	**(25,490,017)**	-
Tax losses arising during the year	-	-	-	-
Utilisation of tax losses	**(1,153,388,891)**	(41,284,355)	**(1,153,388,891)**	(41,284,355)
Tax losses carried forward	**324,645,494**	1,503,524,402	**324,645,494**	1,503,524,402

11 EARNINGS / (LOSS) PER SHARE

Basic earnings/ (loss) per Share

The calculation of the basic earnings /(loss) per share is based on after tax profit for the year which attributable to the ordinary shareholders of the parent divided by the weighted average number of ordinary shares outstanding during the period and calculated as follows.

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Amount used as the Numerator				
Profit / (Loss) attributable to ordinary shareholders of the parent (Rs.)	**2,156,921,148**	298,666,135	**2,133,367,432**	282,753,976
Amount used as the Denominator				
Weighted average number of ordinary shares	**223,042,992**	223,042,992	**223,042,992**	223,042,992
Basic earnings / (loss) per share (Rs.)	**9.67**	1.34	**9.56**	1.27

12 RIGHT-OF-USE ASSETS

		Group / Company	
	Notes	**2022**	2021
		Rs.	Rs.
Right-of-use asset -Land	12.1	**185,581,223**	265,966,858
Right-of-use asset- immovable bearer biological assets	12.2.1	**22,422,992**	32,577,087
Right-of-use asset-other property, plant and equipments	12.2.2	-	294,651
Right -of-use asset- motor vehicles & machineries	12.3	**39,247,249**	51,352,697
		247,251,464	350,191,293

12 RIGHT-OF-USE ASSETS (Contd...)

12.1 Right-to-use of Land

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 January 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset- Land" and "Lease Liability" has been enhanced. "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.

	Group/ Company	
	2022	2021
Capitalized Value		
As at 1st January	**277,049,824**	281,396,403
Transferred in due to reassessment of lease liability	**(11,082,966)**	(10,822,939)
Adjustment on reassessment of lease liability	**(72,316,886)**	6,476,360
As at 31st December	**193,649,972**	277,049,824
Amortisation		
As at 1 January	**11,082,966**	10,822,939
Transferred out due to reassessment of lease liability	**(11,082,966)**	(10,822,939)
Deprecation for the year	**8,068,749**	11,082,966
As at 31 December	**8,068,749**	11,082,966
Carrrying amount	**185,581,223**	265,966,858

12.2 Right-of-use-assets immovable assets

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. These assets have accounted in accordance with SLFRS 16 - Leases.

12.2.1 Right-of-use asset- immovable bearer biological assets

	Group/Company			
	Mature Plantations			
	Tea Rs.	Rubber Rs.	**2022** **Rs.**	2021 Rs.
Cost	176,688,366	127,934,487	**304,622,853**	304,622,853
Depreciation				
As at 1st January	157,792,894	114,252,872	**272,045,766**	261,891,671
Depreciation for the year	5,889,612	4,264,483	**10,154,095**	10,154,095
As at 31st December	163,682,506	118,517,355	**282,199,861**	272,045,766
Carrying amount	13,005,860	9,417,132	**22,422,992**	32,577,087

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12 RIGHT-OF-USE ASSETS (Contd...)

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 plantation (revalued as at 22nd June 1992). All of which have been transferred to mature Plantations as at Statement of Financial Position date.

12.2.2. Right-of-use asset-other property, plant and equipments

	Group/Company				
	Land Development	Buildings	Machinery	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.
Cost	18,757,900	113,171,583	16,503,578	**148,433,061**	148,433,061
Depreciation					
As at 1st January	18,463,249	113,171,583	16,503,578	**148,138,410**	147,513,147
Depreciation for the year	294,651	-	-	**294,651**	625,263
As at 31st December	18,757,900	113,171,583	16,503,578	**148,433,061**	148,138,410
Carrying amount	-	-	-	-	294,651

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 14.1.

	Group /Company			
	Motor Vehicles	Machinery	2022	2021
	Rs.	Rs.	Rs.	Rs.
12.3 Right-of-use asset - motor vehicles & machineries				
Cost				
As at 1st January	102,649,212	41,329,000	**143,978,212**	149,378,212
Disposal During the Year	-	-	-	(5,400,000)
Additions	-	-	-	-
As at 31st December	102,649,212	41,329,000	**143,978,212**	143,978,212
Depreciation				
As at 1st January	81,480,602	11,144,913	**92,625,515**	83,923,639
Disposals During the year	-	-	-	(5,400,000)
Depreciation during the year	9,005,713	3,099,735	**12,105,448**	14,101,876
As at 31st December	90,486,315	14,244,648	**104,730,963**	92,625,515
Written Down Value	12,162,897	27,084,352	**39,247,249**	51,352,697

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

Group	Land At Valuation Rs.	Buildings At Valuation Rs.	Building Improvements Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.
Cost or valuation					
As at 1st January	1,242,376,000	347,174,000	279,872,125	174,988,915	493,886,142
Additions	-	-	1,553,500	-	29,188,330
Disposals	-	-	-	-	-
Written off	-	-	-	-	-
Revaluation	-	-	-	-	-
Transferred due to revaluation	-	-	-	-	-
Transferred from capital working progress	-	-	-	-	
As at 31st December	**1,242,376,000**	**347,174,000**	**281,425,625**	**174,988,915**	**523,074,472**
Accumulated Depreciation					
As at 1st January	-	8,679,350	103,123,044	158,492,096	277,567,006
Charge for the year	-	8,679,350	6,974,097	9,521,938	25,776,801
Provision over/under adjustment	-	-	-	-	-
On Disposals	-	-	-	-	-
Transferred due to revaluation	-	-	-	-	-
As at 31st December	**-**	**17,358,700**	**110,097,141**	**168,014,034**	**303,343,807**
Carrying Value					
As at 31 December 2022	1,242,376,000	329,815,300	171,328,484	6,974,881	219,730,665
As at 31 December 2021	1,242,376,000	338,494,650	176,749,081	16,496,819	216,319,136

Company	Land At Valuation Rs.	Buildings At Valuation Rs.	Building Improvements Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.
Cost or valuation	.				
Balance as at 01 st January	1,242,376,000	347,174,000	279,872,125	174,988,915	493,886,142
Additions	-	-	1,553,500	-	29,188,330
Disposals	-	-	-	-	-
Written off	-	-	-	-	-
Revaluation	-	-	-	-	-
Transferred due to revaluation	-	-	-	-	-
Transferred from capital working progress	-	-	-	-	-
Balance as at 31 December	**1,242,376,000**	**347,174,000**	**281,425,625**	**174,988,915**	**523,074,472**
Accumulated Depreciation					
Balance as at 01 st January	-	8,679,350	103,123,044	158,492,096	277,567,006
Charge for the year	-	8,679,350	6,974,097	9,521,938	25,776,801
On Disposals	-	-	-	-	-
Transferred due to revaluation	-	-	-	-	-
Balance as at 31 December	**-**	**17,358,700**	**110,097,141**	**168,014,034**	**303,343,807**
Carrying Value					
As at 31 December 2022	1,242,376,000	329,815,300	171,328,484	6,974,881	219,730,665
As at 31 December 2021	1,242,376,000	338,494,650	176,749,081	16,496,819	216,319,136

Furniture & Fittings Rs.	Equipments Rs.	Land Improvement Rs.	Water & Sanitation and Others Rs.	Capital Work in Progress Rs.	Total 2022 Rs.	Total 2021 Rs.
33,826,097	161,844,670	39,895,911	67,728,746	32,524,070	2,874,116,676	2,843,407,731
526,770	19,609,320		-	16,958,475	67,836,395	43,591,829
(22,040)		-	-	-	(22,040)	(12,882,885)
-	-	-	-	(2,082,537)	(2,082,537)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(25,983,090)	(25,983,090)	-
34,330,827	**181,453,990**	**39,895,911**	**67,728,746**	**21,416,918**	**2,913,865,404**	**2,874,116,675**
31,212,816	119,487,664	38,289,096	57,748,686	-	794,599,758	747,232,055
458,385	6,702,347	517,150	1,317,770	-	59,947,836	60,150,588
-	-	-	-	-	-	-
(1,837)	-	-	-	-	(1,837)	(12,782,885)
-	-	-	-	-	-	-
31,669,364	**126,190,011**	**38,806,246**	**59,066,456**	**-**	**854,545,757**	**794,599,758**
2,661,463	55,263,980	1,089,665	8,662,290	21,416,918	2,059,319,646	2,079,516,917
2,613,280	42,357,006	1,606,815	9,980,060	32,524,070	2,079,5167,917	-

Furniture & Fittings Rs.	Equipments Rs.	Land Improvement Rs.	Sanitation and Others Rs.	Work in Progress Rs.	Total 2022 Rs.	Total 2021 Rs.
33,804,057	160,678,007	39,895,911	67,728,746	32,524,070	2,872,927,973	2,842,781,082
526,770	19,541,720	-	-	16,958,475	67,768,795	43,029,776
-	-	-	-	-	-	(12,882,885)
-	-	-	-	(2,082,537)	(2,082,537)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(25,983,090)	(25,983,090)	-
34,330,827	**180,219,727**	**39,895,911**	**67,728,746**	**21,416,918**	**2,912,631,141**	**2,872,927,973**
31,210,979	119,296,939	38,289,096	57,748,686	-	794,407,196	747,214,158
458,385	6,489,053	517,150	1,317,770	-	59,734,542	59,975,923
-	-	-	-	-	-	(12,782,885)
-	-	-	-	-	-	-
31,669,364	**125,785,992**	**38,806,246**	**59,066,456**	**-**	**854,141,738**	**794,407,196**
2,661,463	54,433,736	1,089,666	8,662,290	21,416,918	2,058,489,403	2,078,520,777
2,593,077	41,381,069	1,606,815	9,980,060	32,524,070	2,078,520,777	

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

13.1 The assets shown above are those movable assets vested in the Company by gazette notification at the date of formation of the company (22nd June 1992) and all additions to 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.

13.2 Details on assets pledged under facilities are given under the Note 30 of the financial statements.

13.3 Revaluation of land and buildings

As per the Valuation policy of the Malwatte Valley plantations PLC, The next valuation will be carried on financial year ended 31 December 2023.

The company measures land and building at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of changes in equity. The company engaged independent valuation specialist to determine fair value of land and buildings as at 31 December 2020.

The Freehold Lands and Building on freehold lands were revalued by Mr. G.J. Sumanasena, Incorporated Valuer as of 31 December 2020. The results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of Land and Building Method or Contractors' Test Method. Fair value is determined by reference to market-based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

The valuations as of 31 December 2020 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Information on fair value measurement on land and building as at 31 December 2020 using significant unobservable inputs (level 3) is given below.

Type of Asset	Location	Fair Value as at 31st December 2020	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Land	Bopitiya, Wattala	42,350,000	Market Approach	Estimated price per perch	Rs. 550,000/- per perch	Positively correlated sensitivity
Land	Vakarai, Batticallo	47,200,000	Market Approach	Estimated price per perch	"Rs. 4,800,000/- to Rs. 5,600,000/- per acre"	Positively correlated sensitivity
Land	Dam Street, Colombo 02	794,850,000	Market Approach	Estimated price per perch	Rs. 7,000,000/- per perch	Positively correlated sensitivity
Buildings	Dam Street, Colombo 02	130,150,000	Cost Approach	Estimated price per square foot	Rs.2,200/- to Rs.6,500/- per square foot	Positively correlated sensitivity
Land	Hendala, Wattala	357,976,000	Market Approach	Estimated price per perch	Rs.700,000/- to Rs. 1,200,000/- per perch	Positively correlated sensitivity
Buildings	Hendala, Wattala	217,024,000	Cost Approach	Estimated price per square foot	Rs.2,800/- to Rs.5,200/- per square foot	Positively correlated sensitivity
		1,589,550,000				

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13 FREEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

Information on fair value measurement on land and building as at 31 December 2017 using significant unobservable inputs (level 3) is given below.

Type of Asset	Location	Fair Value as at 31 December 2017	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Land	Bopitiya, Wattala	25,000,000	Market Approach	Estimated price per perch	Rs.325,000/- per perch	Positively correlated sensitivity
Land	Vakarai, Batticallo	44,500,000	Market Approach	Estimated price per perch	Rs.5,000,000/- per acre	Positively correlated sensitivity
Land	Dam Street, Colombo 02	700,182,375	Market Approach	Estimated price per perch	Rs.6,250,000/- per perch	Positively correlated sensitivity
Buildings	Dam Street, Colombo 02	124,817,625	Cost Approach	Estimated price per square foot	Rs.3,325/- per square foot	Positively correlated sensitivity
Land	Hendala, Wattala	275,500,000	Market Approach	Estimated price per perch	Rs.716,667/- per perch	Positively correlated sensitivity
Buildings	Hendala, Wattala	214,500,000	Cost Approach	Estimated price per square foot	Rs.4,044/- per square foot	Positively correlated sensitivity
		1,384,500,000				

13.4 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Group/Company	
	2022 Rs.	2021 Rs.
Cost	**883,239,312**	883,239,312
Accumulated depreciation	**(155,521,640)**	(145,668,685)
Carrying value	**727,717,672**	737,570,627

13.5 The cost of fully depreciated and still in use assets of the company amounts to Rs. 611 Mn as of 31 December 2022. (2021 - 40 Mn).

14 BIOLOGICAL ASSETS

14.1 Bearer Biological Assets

Group/Company	Immature Plantations				Mature Plantations					
	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	**2022 Rs.**	2021 Rs.
Cost										
As at 1 January	17,794,926	97,230,388	350,690,074	465,715,388	486,257,709	738,041,459	263,108,287	1,487,407,455	**1,953,122,843**	1,790,158,227
Additions during the year	-	116,888,445	188,194,976	305,083,421	2,288,009	21,683,347	121,181,981	145,153,337	**450,236,758**	305,017,003
Transfers (from)/to	(2,288,009)	(21,683,347)	(121,181,981)	(145,153,337)	-	-	-	-	**(145,153,337)**	(142,052,386)
Written- off/back	(4,991)		(3,664,028)	(3,669,019)	-	-	-	-	**(3,669,019)**	-
As at 31 December	15,501,926	192,435,485	414,039,042	621,976,453	488,545,718	759,724,806	384,290,268	1,632,560,792	**2,254,537,245**	1,953,122,844
Depreciation										
As at 1 January	-	-	-	-	240,301,714 -	306,091,193 -	54,684,939	601,077,846	**601,077,846**	542,043,381
Charge for the year	-	-	-	-	14,616,331	33,433,076	12,997,565	61,046,973	**61,046,973**	59,034,465
Written- back	-	-	-	-	-	-	-	-	-	-
As at 31 December	-	-	-	-	254,918,045	339,524,269	67,682,504	662,124,819	**662,124,819**	601,077,846
Carrying amount	15,501,926	192,435,485	414,039,042	621,976,453	233,627,672	420,200,537	316,607,764	970,435,973	**1,592,412,427**	1,352,044,998

These are investments in immature/mature plantations since the aquistion of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12.2.1 and 12.2.2. 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.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalised during the year under Immature Plantations.

14.2 Consumable Biological Assets

	Group/Company	
	2022 Rs.	2021 Rs.
As at 1st January	**1,479,464,332**	1,384,930,361
Increase due to development	-	-
Gain/(loss) arising from changes in fair value less cost to sell	**191,300,362**	96,090,915
Cost of Harvested Timber trees	**(2,299,221)**	(1,556,945)
As at 31st December	**1,668,465,474**	**1,479,464,332**

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

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14 BIOLOGICAL ASSETS (Contd)

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. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows an investor to reasonably challenge the financial impact of the assumptions used in the SLFRS 13 against his own assumptions.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activities in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Perera Sivaskantha & Company, incorporated valuers, using Discounted Cash Flow (DCF) methods.In ascertaining the fair value of timber valuer has considered the different species, size, condition and location of timber trees. The future cash flows are determined by reference to current timber prices without considering the future increase of timber prices.

14.2.1 Information About Fair Value Measurements Using Significant Unobservable Input (Level3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs		Relation of Unobservable Inputs to Fair Value
			2022	2021	
Consumable Biological Assets	Discounted Cash Flow Method	Discounted Rate	20.00%	13.00%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20 -25 years	20 -25 years	Lower the rotation period, the higher the fair value
		Volume at rotation	0.06- 23.11 Cu' Meter	0.06- 22.06 Cu' Meter	The higher the volume, the higher the fair value
		Price per cu. Meter	Rs.2,000/= to Rs.28,750/=	Rs.1,500/= to Rs.27,000/=	The higher the volume, the higher the fair value

14.3 Consumable Biological Assets - Managed Trees

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. The market rates applied has been arrived at after discounting. The commodity markets are inherently volatile and that long term price projection are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

14.3.1 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

14 BIOLOGICAL ASSETS (Contd)

	Impact on Consumable Biological Assets Rs. -10%	Rs. +10%
As at 31st December 2022	(166,846,547)	166,846,547
As At 31st December 2021	(147,946,433)	147,946,433

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets Rs. -1%	Rs. +1%
As at 31st December 2022	8,060,078	(7,613,688)
As At 31st December 2021	10,462,747	(9,748,820)

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2022 (2021 - nil).

There are no commitments for the development or acquisition of biological assets.

15 OTHER NON CURRENT FINANCIAL ASSETS

15.1 Financial assets at fair value through OCI	No. of Shares	2022 Rs.	2021 Rs.
Investment in quoted companies			
Agalawatte Plantation PLC	100	**3,190**	5,370
Balangoda Plantation PLC	100	**8,200**	3,030
Bogawantalawa Plantation PLC	150	**6,735**	3,375
Hapugasthenne Plantation PLC	100	**5,070**	4,490
Horana Plantation PLC	100	**6,190**	3,010
Kahawatte Plantation PLC	100	**2,450**	2,760
Kegalle Plantation PLC	100	**13,750**	16,800
Kotagala Plantation PLC	150	**1,155**	1,155
Kelani Valley Plantation, PLC	100	**16,340**	17,580
Madulsima Plantation PLC	100	**1,130**	1,260
Namunukula Plantation PLC	100	**36,500**	38,975
Talawakelle Plantation PLC	100	**19,560**	10,440
Udapussellawa Plantation PLC	100	**9,900**	6,020
Watawala Plantation PLC	1,000	**74,814**	131,430
Total Financial Assets at fair value through OCI	2,400	**204,984**	245,695

15.2 Net (loss) / gain on financial assets at fair value through OCI	**(40,711)**	127,255

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15 OTHER NON CURRENT FINANCIAL ASSETS (Contd)

15.3 Fair Value Hierarchy for Financial

Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets)	Level 2 (Significant observable inputs)	Level 3 (Significant unobservable inputs)
		Rs.	Rs.	Rs.
Investment in quoted equity shares	31-Dec-22	204,984	-	-
	31-Dec-21	245,695	-	-

16 INVESTMENT IN SUBSIDIARY

	Percentage of Holding	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Malwatte Species (Pvt) Ltd	100%	-	-	**22,166,000**	22,165,980
		-	-	**22,166,000**	22,165,980

The Group has invested in Malwatte Species (Pvt) Ltd (Formally known as Bloemendal Flower Company (Pvt) Ltd), which is involved in the business of manufacturing and sale of spices. With effect from 26 May 2020, Malwatte Species (Pvt) Ltd became a fully owned subsidiary of Malwatte Valley Plantations PLC.

16.1 Goodwill

	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
At cost				
As at 1 January		-		
Acquisition of operations (Note 16.1)	**22,166,000**	22,165,980	-	-
As at 31 December	**22,166,000**	22,165,980	-	-
Accumulated amortisation and impairment	-	-	-	-
Carrying amount	**22,166,000**	22,165,980	-	-

The recoverability amount of goodwill is determined with reference to the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below;

Business growth - Based on the long term average growth rate used in consistent with the forecast included in industry reports.

Spice business growth rate 10%

Inflation rate - Based on current inflation rate.

Discount rate - Risk free rate adjusted for the specific risk relating to the industry. (10.05%)

Margin - Based on past performance and budgeted expectations.

16 INVESTMENT IN SUBSIDIARY (Contd)

16.2 The Summarized Financial Information of Malwatte Spices (Pvt) Ltd are set out below.

	Company	
	2022 Rs.	2021 Rs.
Current assets, including cash and cash equivalents Rs. 4,730,141/- (2021 - Rs. 4,008,706/-)	**148,577,495**	60,739,646
Non current assets	**830,243**	996,140
Current liabilities, including tax payable. Rs. Nil/- (2021 - Nil)	**(139,429,692)**	(75,311,369)
Non current liabilities	-	-
Total Equity	**9,978,046**	(13,575,583)

Summarised statement of profit or loss of Malwatte Spices (Pvt) Ltd		
Revenue	**258,583,175**	78,702,985
Cost of sales	**(195,161,506)**	(42,258,587)
Other income	-	274,605
Administration expenses including depreciation Rs. 213,294/- (2021- Rs. 174,665/-)	**(17,527,021)**	(8,082,341)
Selling and Distribution expenses	**(22,073,249)**	(11,930,387)
Finance cost	**(267,684)**	(849,483)
Profit Before Tax	**23,553,715**	15,856,792
Income tax expense	-	-
Profit for the year	**23,553,715**	15,856,792
Total comprehensive income for the year	**23,553,715**	15,856,792

17 PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group/ Company	
	2022 Rs.	2021 Rs.
As at 1st January	**2,010,311**	3,667,903
Change in fair value less cost to sell	**7,556,878**	(1,657,592)
As at 31st December	**9,567,189**	2,010,311

17.1 Fair Value Hierarchy for Non financial asstes

Non Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Produce on Bearer Biological assets	31-Dec-22	-	9,567,189	-
	31-Dec-21		2,010,311	

Details on Produce on Bearer Biologcal assets are given under the Note 3.6.6.5 of the accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

17 PRODUCE ON BEARER BIOLOGICAL ASSETS (Contd)

17.2 Gain/(Loss) on Fair Value of Biological Assets

		Group/ Company	
		2022	2021
	Note	Rs.	Rs.
Gain/(Loss) arising from Consumable Biological Assets	14.2	**191,300,362**	96,090,915
Gain/(Loss) arising from Produce on Bearer Biological Assets	17	**7,556,878**	(1,657,592)
Total Change in Fair Value of Biological Assets		**198,857,240**	94,433,323

Level 2 inputs were used when arriving the above figures.

18 INVENTORIES

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Input Materials	**173,507,225**	48,000,876	**173,507,225**	48,000,876
Nurseries	**67,723,572**	57,800,004	**67,723,572**	57,800,004
Trading Stocks (Solar)	**129,386,583**	-	**129,386,583**	-
Consumables & Spares	**4,400,923**	4,021,925	**4,400,923**	4,021,925
Harvested Crops	**588,648,407**	361,339,933	**588,648,407**	361,339,933
Spices Stock	**101,613,286**	39,708,722	-	1,474,801
	1,065,279,996	510,871,461	**963,666,710**	472,637,540
Less: Provision for Inventories	**(50,082,817)**	(50,251,204)	**(50,082,817)**	(50,251,204)
	1,015,197,180	460,620,2577	**913,583,894**	422,386,336

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Produce debtors	**2,184,769,559**	476,813,273	**2,184,769,559**	476,813,273
Trade receivables	**37,774,666**	17,234,499	-	-
Advances & Prepayments	**38,806,976**	25,474,360	**36,841,976**	24,211,839
Other debtors	**74,141,253**	115,761,419	**71,646,851**	115,761,419
Staff Debtors	**40,564,480**	37,818,674	**40,564,480**	37,818,674
WHT Recoverable	**4,709,661**	4,709,661	**4,709,661**	4,709,661
ESC Recoverable	-	42,047,886	-	42,047,886
	2,380,766,594	719,859,772	**2,338,532,526**	701,362,752
Less: Provision for Impairment	-	(815,264)	-	(815,264)
	2,380,766,594	719,044,508	**2,338,532,526**	700,547,488

20 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Uva Resorts & Residencies (Pvt)Ltd	**18,151,383**	18,151,383	**18,151,383**	18,151,383
Malwatte Leisure (Pvt) Ltd	**847,105**	828,233	**847,105**	828,233
Malwatte Spieces (Pvt) Ltd	-	-	**137,701,787**	61,388,207
	18,998,488	18,979,616	**156,700,274**	80,367,823
Less: Provision for impairment				
Uva Resorts & Residencies (Pvt)Ltd	**18,151,349**	18,151,349	**18,151,349**	18,151,349
	18,151,349	18,151,349	**18,151,349**	18,151,349
	847,139	828,267	**138,548,926**	62,216,474

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
21.1 Short term deposits				
Short term fixed deposits	**284,966,499**	413,687,894	**284,966,499**	413,687,894
Total	**284,966,499**	413,687,894	**284,966,499**	413,687,894
21.2 Favorable balances				
Cash at bank	**383,369,397**	177,811,560	**378,654,986**	173,802,854
Cash in hand	**860,351**	144,940	**844,621**	144,940
Cash in transits	**1,913,178**	1,624,899	**1,913,178**	1,624,899
Stamps	**12,112**	9,390	**12,112**	9,390
Total	**386,155,039**	179,590,789	**381,424,898**	175,582,083
21.3 Unfavorable balances				
Bank overdraft	**4,406,043**	348,326,600	**4,406,043**	348,326,600
Total	**4,406,043**	348,326,600	**4,406,043**	348,326,600

Short-term deposits are made for varying periods between three months and twelve months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The securities pledged have been disclosed in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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22 STATED CAPITAL

	Group/ Company	
	2022 Number	2021 Number
Issued and Fully Paid Number of Shares		
No. of Voting Ordinary Shares including one Golden Share held by the Treasury which has special rights	**202,792,332**	202,792,332
No. of Non- Voting Ordinary Shares	**20,250,660**	20,250,660
	223,042,992	223,042,992

	Group/ Company	
	2022 Rs.	2021 Rs.
Stated Capital including one Golden Share held by the Treasury which has special rights	**350,000,010**	350,000,010
Issue of Non - Voting Ordinary Shares	**23,000,000**	23,000,000
	373,000,010	373,000,010

Stated capital represents the amount paid to the company in respect of issuing 202,792,332 Ordinary Shares including one Golden Share which has special rights and 20,250,660 Non-Voting Ordinary Shares.

23 REVALUATION RESERVE

	Group/ Company	
	2022 Rs.	2021 Rs.
At the beginning of the year	**860,357,130**	860,357,130
Transfers through Other Comprehensive Income, net of tax	-	-
At the end of the year	**860,357,130**	860,357,130

The above revaluation reserve consists of net surplus resulting from the revaluation of property, plant and equipment as described in Note 12 and 13 to these financial statements. This unrealised amount cannot be distributed to shareholders.

24 INTEREST BEARING LOANS AND BORROWINGS

	2022			2021		
	Payable within One year Rs.	Payable After 1 year less than 5 years Rs.	Total payable Rs.	Payable within One year Rs.	Payable After 1 year less than 5 years Rs.	Total Payable Rs
24.1 Group						
Term loan facilities (Note 24.2.1 and Note 24.2.2)	1,205,633,966	-	1,205,633,966	635,052,749	4,500,000	639,552,749
	1,205,633,966	-	1,205,633,966	635,052,749	4,500,000	639,552,749
24.2 Company						
Term loan facilities (Note 24.2.1)	1,205,633,966	-	1,205,633,966	622,552,749	4,500,000	627,052,749
	1,205,633,966	-	1,205,633,966	622,552,749	4,500,000	627,052,749

24.2.1 Term loan facilities

Company	Payable within One year Rs.	Payable After 1 year less than 5 years Rs.	Payable after 05 years Rs.	Total as at 31.12.2022 Rs.	Total as at 31.12.2021 Rs.	Facility Details
Long-term Loans						
Seylan Bank Loan I	2,018,863	-	-	2,018,863	52,529,863	I
Seylan Bank Loan II	-	-	-	-	5,000,000	II
Hatton National Bank PLC	-	-	-	-	10,500,000	III
Short term Loans - Packing Credit Loans						
Hatton National Bank PLC (USD)	377,979,140	-	-	377,979,140	158,642,132	IV
DFCC Money Market Loan	-	-	-	-	50,000,000	V
Hatton National Bank PLC Money Marcket Loan	-	-	-	-	140,000,000	VI
Bank of Ceylon Packing Credit Loans	78,773,010	-	-	78,773,010	-	VII
Public Bank Packing Credit Loan	117,360,400	-	-	117,360,400	-	VIII
Union Bank PLC Packing Credit Loans	629,502,553	-	-	629,502,553	119,380,754	IX
Public Bank	-	-	-	-	50,000,000	X
Hatton National Bank Solar Loan	-	-	-	-	41,000,000	XI
Total Term Loan Facilities	1,205,633,966	-	-	1,205,633,966	627,052,749	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

24.2.2 Other term loan facilities

	Repayable within One year Rs.	Repayable After 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total as at 31.12.2022 Rs.	Total as at 31.12.2021 Rs.	Facility details
Company- **Malwatte Spices (pvt) Limited**						
National Development Bank PLC	-	-	-	-	12,500,000	XII
	-	-	-	-	12,500,000	

24.3 Details of the interest bearing loans and borrowing facilities

Facility details	Rate of interest	Terms of repayment
I	6.93% P.a.	After an initial grace period of 12 months, by 13 instalments commenced from February 2021.
II	6.93% P.a.	23 consecutive monthly instalments.
III	AWPLR + 2% (Monthly Review)	To be repaid over a period of 03 Years in 36 equal monthly instalments of Rs.500,000/- each plus interest.
IV	06 (Months) LIBOR + 3.25%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again.
V	AWPLR + 1.25%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again.
VI	AWPLR + 0.5%	This loan has been provided for 6 months. After completion of 6 months that will be renewed again.
VII	8% P.a.	This loan has been provided for 3 months. After completion of 3 months that will be renewed again.
VIII	9.62% P.a.	This loan has been provided for 4 months. After completion of 4 months that will be renewed again.
IX	LIBOR (03 months)+ 8.25%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again.
X	AWPLR+ 0.75%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again.
XI	AWPLR+ 0.75%	To be paid over 5 years in 50 monthly instalment of Rs. 804,000/- plus interest after an initial grace period of 9 months.
XII	4%	This is a term loan obtained for working capital puporses of Malwatte Spices (Pvt) Ltd for a 2 year repayment period (with six month grace)

24.4 Changes in Liability arising from financing activities

	1-Jan-22 Rs.	Cash flows Rs.	New leases Rs.	Others Rs.	31-Dec-22 Rs.
Group					
Current interest-bearing loans and borrowings (excluding items listed below)	635,052,749	583,081,217	-	-	1,205,633,966
Current obligations under finance leases	20,084,201	(14,784,475)	-	-	5,299,726
Non-current interest-bearing loans and borrowings (excluding items listed below)	4,500,000	(4,500,000)	-	-	-
Non-current obligations under finance leases	302,745,926	(76,310,830)	-	-	226,435,096
Total liabilities from financing activities	962,382,876	487,485,912	-	-	1,437,368,788

	1-Jan-22 Rs.	Cash flows Rs.	New leases Rs.	Others Rs.	31-Dec-22 Rs.
Company					
Current interest-bearing loans and borrowings (excluding items listed below)	622,552,749	583,081,217	-	-	1,205,633,966
Current obligations under finance leases	20,084,201	(14,784,475)	-	-	5,299,726
Non-current interest-bearing loans and borrowings (excluding items listed below)	4,500,000	(4,500,000)	-	-	-
Non-current obligations under finance leases	302,745,926	(76,310,830)	-	-	226,435,096
Total liabilities from financing activities	949,882,876	487,485,912	-	-	1,437,368,788

25 DEFERRED INCOME

	Group/ Company	
	2022 Rs.	2021 Rs.
Deferred Grants and Subsidies		
As at 1 January	**128,699,065**	125,506,041
Add : Grants received during the year	**7,102,533**	11,741,311
Less : Amortisation for the year	**(9,488,263)**	(8,548,287)
As at 31 December	**126,313,335**	128,699,065

The Company has received funding from the Plantation Housing and Social Welfare Trust and Asian Development Bank for the development of workers facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies.

NOTES TO THE FINANCIAL STATEMENTS

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26 DEFERRED TAX LIABILITY

	Group/Company			
	2022		2021	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 January	2,630,624,964	368,287,495	2,203,913,275	307,745,858
Amount originated during the year transferred to Statement of Profit or Loss	(242,398,926)	348,180,316	627,331,959	88,628,474
Amount originated during the year transferred to Other Comprehensive Income	21,938,889	6,581,667	(200,620,270)	(28,086,838)
As at 31 December	2,410,164,927	723,049,478	2,630,624,964	368,287,495
Right-of-use assets	144,606,285	43,381,885	288,243,969	40,354,156
Property, Plant and Equipment	625,001,506	187,500,452	1,922,364,458	269,131,024
Biological assets	3,198,147,133	959,444,140	2,715,450,711	380,163,099
Unrealized Exchange gain and loss	50,705,365	15,211,610	-	-
Retirement benefit obligation	(1,001,832,232)	(300,549,669)	(1,071,539,030)	(150,015,464)
Lease liabilities	(231,734,820)	(69,520,446)	(298,754,327)	(41,825,606)
Provision for Inventories	(50,082,817)	(15,024,845)	(50,251,204)	(7,035,169)
Provision for impairment of amounts due from balances	-	-	(815,264)	(114,137)
Carried forward tax losses	(324,645,494)	(97,393,648)	(874,074,349)	(122,370,409)
As at 31 December	2,410,164,927	723,049,478	2,630,624,964	368,287,494
Income Tax Expense - Rate change impact				
Balance as at 01 January	368,287,495	307,745,858	368,287,495	307,745,858
Amount of tax effect relating to the origination/(reversal) to Profit or Loss	(27,792,961)	88,628,474	(27,792,961)	88,628,474
Amount of tax effect relating to the origination/(reversal) to Other Comprehensive Income	(3,071,444)	(28,086,838)	(3,071,444)	(28,086,838)
Amount of tax effect originated / (reversal) to Profit or Loss relating to change in tax rates	375,973,277	-	375,973,277	-
Amount of tax effect originated / (reversal) to Other Comprehensive Income relating to change in tax rates	9,653,111	-	9,653,111	-
Balance as at 31 December	723,049,478	368,287,495	723,049,478	368,287,495

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2022 is 30% (2021 - 14%) for the company. The applicable tax rates has changd due to the amendment of Act No. 45 of 2022. (Refer Note 4.1)

During the year 2022, the company has tax losses carried forward amounting to Rs. 324 Mn (Refer Note 10.4) that are available for offsetting against future taxable profits of the Company.

27 RETIREMENT BENEFIT OBLIGATIONS

	Group/ Company	
	2022	2021
	Rs.	Rs.
As at 1 January	**1,071,539,030**	854,251,090
Interest Cost	**117,869,293**	59,797,576
Current Service Cost	**56,768,828**	56,576,140
Actuarial (Gain) / Loss due to changes in financial assumptions	**32,285,871**	36,738,530
Actuarial (Gain) / Loss due to experience adjustment	**(54,224,760)**	163,881,740
Payments / Payable for the year	**(222,406,031)**	(99,706,047)
As at 31 December	**1,001,832,232**	1,071,539,030

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 December 2022 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 December 2022. 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 assumptions 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.

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27 RETIREMENT BENEFIT OBLIGATIONS (Contd)

According to the actuarial valuation report issued by Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries as at 31 December 2022 the actuarial present value of promised retirement benefits amounted to Rs.1,001,832,232/=. 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. 775,224,876/=

The following payments are expected from the defined benefit plan obligation in future years.

	Monthly Paid Staff Rs.	Daily paid Staff Rs.	**2022 Rs.**	2021 Rs.
Within the next 12 months	35,526,082	154,704,267	**190,230,349**	184,225,021
Between 2 and 5 years	13,703,835	227,459,891	**241,163,726**	257,734,827
Beyond 5 years	15,103,542	555,334,615	**570,438,157**	629,579,180
	64,333,459	937,498,773	**1,001,832,232**	1,071,539,028

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 3.99 years and 8.59 Years for staff and workers respectively (2021 - 5.06 years and 8.67 years or staff and workers respectively).

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following;

		2022	2021
(i)	Rate of Interest	18.9%	11%
(ii)	Retirement Age		
	Workers	60 years	60 years
	Staff	60 years	60 years

27.1 Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

	Impact on Retirement Benefit Obligation Rs.Mn.	Rs.Mn.
A one percentage point change in the discount rate.	+1%	-1%
As at 31 December 2022	(62.90)	71.30
As at 31 December 2021	(75.90)	87.10

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 December 2022	73.20	(65.50)
As at 31 December 2021	78.90	(70.00)

28 LEASE LIABILITY

	Note	2022 Rs.	2021 Rs.
Lease liability on right-of-use asset- land	28.1	**218,959,080**	292,058,399
Lease liability on right-of-use asset - motor vehicles and machineries	28.2	**12,775,740**	30,771,726
		231,734,820	322,830,125

28.1 Lease liability on right-of-use asset- land

	2022 Rs.	2021 Rs.
As at 1 January	**292,058,399**	287,759,436
Adjustment on reassessment of lease liability	**(72,316,886)**	6,476,360
Accretion of interest	**39,113,989**	35,571,987
Payments	**(39,896,422)**	(37,749,384)
As at 31 December	**218,959,080**	292,058,399
Current	**921,706**	2,439,524
Non - Current	**218,037,374**	289,618,875

28.1.2 Maturity analysis of lease liabilities are as follows;

	2022 Rs.	2021 Rs.
Payable within one year		
Gross liability	**39,896,422**	37,749,384
Finance cost allocated to future periods	**(38,974,716)**	(35,309,860)
Net liability transferred to current liabilities	**921,706**	2,439,524
Payable within two to five years		
Gross liability	**119,689,266**	188,746,920
Finance cost allocated to future periods	**(115,817,756)**	(171,344,209)
Net liability	**3,871,510**	17,402,711
Payable after five years		
Gross liability	**758,032,018**	679,488,912
Finance cost allocated to future periods	**(543,866,154)**	(407,272,747)
Net liability	**214,165,864**	272,216,165

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

28 LEASE LIABILITY (Contd)

28.2 Lease liability on right-of-use asset - motor vehicles and machineries

	2022 Rs.	2021 Rs.
As at 1 January	**30,771,726**	56,815,442
Additions	-	-
Accretion of interest	**2,005,171**	4,988,271
Payments	**(20,001,157)**	(31,031,987)
As at 31 December	**12,775,740**	30,771,726
Current	**4,378,020**	17,644,677
Non - Current	**8,397,720**	13,127,049

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2022 **Rs.**	2021 Rs.	**2022** **Rs.**	2021 Rs.
Trade Creditors	**66,682,666**	64,253,628	**66,682,666**	64,253,628
Employee Related Creditors	**172,599,611**	212,539,125	**172,599,611**	212,539,125
Gratuity Payable	**343,128,986**	287,920,321	**343,128,986**	287,920,321
Provision for Gratuity Surcharge	**90,375,503**	80,204,705	**90,375,503**	80,204,705
Accrued Expenses	**23,147,395**	18,925,056	**23,147,395**	18,925,056
Others	**68,237,646**	52,532,091	**66,509,826**	51,108,928
	764,171,807	716,374,925	**762,443,987**	714,951,763

30 SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs.	Security	Balance outstanding of facility 2022 Rs.	2021 Rs.
30.1 Group				
(a) Malwatte Species (Pvt) Ltd				
National Development Bank PLC	25,000,000	Corporate guarantee of Malwatte Valley Plantations PLC	-	12,500,000
30.2 Company				
Hatton National Bank PLC	358,000,000	Primary mortgage over leasehold rights of Dickwella & Sarnia Estates.	4,406,043	117,696,611
Union Bank PLC	200,000,000	Primary mortgage over leasehold rights of Dyraba & Aislaby Estates.	-	185,086,692
DFCC Bank PLC	50,000,000	Primary mortgage over leasehold rights of Welimada Estate	-	45,089,779
Long term Loan				
National Developemnt Bank PLC	USD 3,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of Neluwa & Uva Highlands	-	-
Indian Overseas Bank PLC	USD 1,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of St James Estate	-	-
National Development Bank PLC	Rs. 111,820,000	Primary mortgage over leasehold rights over Land, Plantations, buildings and Plant & Machinery of Moralioya Estate Further mortgage over Lease hold rights over land, Plantations, Buildings, and Plant & Machinery of Neluwa and Uva Highlands Estates	-	-
Seylan Bank Loan I	Rs.240,000,000	Leasehold rights of Hugoland estate and mortgage over machineries purchased through term loan obtained from Seylan bank	2,018,863	52,529,863
Seylan Bank Loan I	Rs. 60,000,000		-	5,000,000
Hatton National Bank PLC	Rs. 16,000,000	Secondary mortgage of existing leasehold rights of estates given as collaterals	-	10,500,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

31 CAPITAL COMMITMENTS

	2022 Rs.	2021 Rs.
Followings are the capital commitments as at the Statement of Financial Position date.		
Contracted , but not provided for	**Nill**	Nil
Total	**Nil**	Nil

32 CONTINGENCIES

There are no known contingent liabilities exist as at the Statement of Financial Position date.

33. EVENTS AFTER THE REPORTING PERIOD

33.1 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. There are no any major impact to current year financial statements.

33.2 Dividend Declaration

On 28th April 2022, the Directors of the Company have recommended the payment of final dividend of Rs. 35,686,879 (Rs. 0.16 per share) under 15% of WHT for the period ended 31st December 2022 subject to approval of the shareholders at the Annual General Meeting to be held on 23rd June 2023.

34 RELATED PARTY DISCLOSURES

34.1 Details of Significant Related Party Disclosures are as follows.

Transactions with the parent and related entities

				Amount Charged/ (Credited)	
Nature of the Company	Relationship	Name of Director	Nature of Transaction	2022 Rs.	2021 Rs.
Malwatte Spices (Pvt) Ltd	Subsidary	Mr. Lucas Bogtstra Mr. S. D. Samaradiwakara Mr. K. G. M. Piyaratne	Sale of Spices	**76,313,580**	61,388,207
Malwatte Leisure (Pvt) Ltd	Related Company	Mr. Lucas Bogtstra	Advances	**18,872**	

34.2 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 20, 34.1 and 34.2 to the Financial Statements.

	Group		Company	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Directors Fee	**72,738,835**	63,655,076	**72,738,835**	63,655,076
Directors Incentive	**14,404,765**	6,353,322	**14,404,765**	6,353,322
Gratuity provision	**3,500,000**	2,500,000	**3,500,000**	2,500,000
	90,643,600	72,508,398	**90,643,600**	72,508,398

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Credit risk

This is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers.

Liquidity risk

Liquidity risk arises when the Group is unable to meets its financial obligations due to insufficient cash flow situations. The Group'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 Group's reputation.

Currency risk

The Group is exposed to currency risk on sales and purchases, receivables and long term loan obligations that are denominated in a currency other than the respective functional currency of the Group. The currency in which these transactions primarily denominated is in USD.

Interest rate risk

Interest Rate Risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

35.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies. The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

The Audit Committee of the Group oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

35.2 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from the customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

35.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

` The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the company at the reporting date is Rs.108Mn. The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

35.2.2 Investments

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

35.2.3 Cash and Cash Equivalents

The Group held cash and Cash Equivalents of Rs.179 Mn as at 31st December 2022 (The Company 2021 – Rs.139 Mn) which represents its maximum credit exposure on these assets.

35.2.4 Amounts due from related parties

The Group held amounts due from related parties of Rs.0.8 Mn as at 31st December 2022 (The Company 2021 – Rs. 0.8Mn) which represents its maximum credit exposure on these assets.

35.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

	Group				
As at 31st Dec 2022	**Less than 3 Months (Rs.)**	**3 to 12 Months (Rs.)**	**2 to 5 years (Rs.)**	**>5 years (Rs.**	**Total (Rs.)**
Interest bearing loans & borrowing	574,632,407	1,241,802,985	-	-	1,816,435,393
Lease Liabilities	1,324,931	3,974,794	12,269,230	214,165,864	231,734,820
Trade payables	66,682,666	-	-	-	66,682,666
Bank overdraft	4,406,043	-	-	-	4,406,043
	642,640,004	1,245,777,780	12,269,230	214,165,864	2,114,852,878

	Company				
As at 31st Dec 2022	**Less than 3 Months (Rs.)**	**3 to 12 Months (Rs.)**	**2 to 5 years (Rs.)**	**>5 years (Rs.**	**Total (Rs.)**
Interest bearing loans & borrowing	574,632,407	1,241,802,985	-	-	1,816,435,393
Lease Liabilities	1,324,931	3,974,794	12,269,230	214,165,864	231,734,820
Trade payables	66,682,666	-	-	-	66,682,666
Bank overdraft	4,406,043	-	-	-	4,406,043
	647,046,047	1,245,777,780	12,269,230	214,165,864	2,119,258,921

As at 31st Dec 2021	**Less than 3 Months (Rs.)**	**3 to 12 Months (Rs.)**	**2 to 5 years (Rs.)**	**>5 years (Rs.**	**Total (Rs.)**
Interest bearing loans & borrowing	354,564,942	99,623,947	58,390,564	-	512,579,453
Lease Liabilities	5,021,050	15,063,151	30,529,760	272,216,165	322,830,126
Trade payables	64,253,628	-	-	-	64,253,628
Bank overdraft	348,326,600	-	-	-	348,326,600
	772,166,221	114,687,097	88,920,324	272,216,165	1,247,989,807

35.4 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 three types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

35.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Group Effect on profit before tax Rs.	Company Effect on profit before tax Rs.
2022	+1%	-	-
	-1%	-	-
2021	+1%	6,395,527	6,270,527
	-1%	(6,395,527)	(6,270,527)

35.4.2 Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These currency primarily is USD.

SHAREHOLDER & INVESTOR INFORMATION

Share Holders Categorized Summary Report as at 31/12/2022 (Voting)

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	8,072	44.56%	3,376,861	1.67%
1,001 – 10,000	9,944	54.89%	18,013,605	8.89%
10,001 – 100,000	79	0.44%	2,790,674	1.38%
100,001 – 1,000,000	13	0.07%	3,446,231	1.70%
1,000,001 – & over	7	0.04%	175,164,960	86.36%
Grand Total	18,115	100.00%	202,792,331	100.00%

Analysis Report of Share Holders as at 31/12/2022

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	18,049	99.64%	28,907,725	14.25%
Local Institution	53	0.29%	172,973,585	85.30%
Foreign Individual	11	0.06%	41,021	0.02%
Foreign Institution	2	0.01%	870,000	0.43%
Grand Total	18,115	100.00%	202,792,331	100.00%

Share Holders Categorized Summary Report as at 31/12/2022 (Non Voting)

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	417	77.08%	80,121	0.40%
1,001 – 10,000	93	17.19%	337,901	1.67%
10,001 – 100,000	23	4.25%	743,545	3.67%
100,001 – 1,000,000	4	0.74%	1,640,844	8.11%
1,000,001 – & over	4	0.74%	17,448,249	86.15%
Grand Total	541	100.00%	20,250,660	100.00%

Analysis Report of Share Holders as at 31/12/2022

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	518	93.80%	1,695,677	8.37%
Local Institution	22	5.72%	18,554,783	91.63%
Foreign Individual	1	0.36%	200	0.00%
Foreign Institution	0	0.12%	0	0.00%
Grand Total	541	100.00%	20,250,660	100.00%

SHAREHOLDER & INVESTOR INFORMATION

Top 20 Voting Shareholder's List as at 31st December 2022

No's	Name/Address	No. of Shares	%
1	WAYAMBA PLANTATIONS (PRIVATE) LIMITED	135,839,160	66.984
2	HATTON NATIONAL BANK PLC/ALMAS CAPITAL (PRIVATE) LIMITED	21,251,827	10.480
3	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	8,584,521	4.233
4	AMANA BANK PLC/ALMAS HOLDINGS (PVT) LTD	5,946,119	2.932
5	MIS A. RADHAKRISHNAN	1,206,667	0.595
6	MIS M. P. RADHAKRISHNAN	1,206,666	0.595
7	DR N. D. GUNAWARDENA	1,130,000	0.557
8	MR R. MAHESWARAN	946,756	0.467
9	TRANZ DOMINION,L.L.C.	520,000	0.256
10	PERSHING LLC S/A AVERBACH GRAUSON & CO.	350,000	0.173
11	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	279,500	0.138
12	MR K.C. VIGNARAJAH	226,378	0.112
13	MR M.V. THEAGARAJAH & MRS L. THEAGARAJAH	200,000	0.099
14	MARIAPILLAIS (PRIVATE) LIMITED	180,000	0.089
15	ALMAS HOLDINGS (PRIVATE) LIMITED	142,041	0.070
16	MR R.E. RAMBUKWELLE	137,000	0.068
17	MRS S. VIGNARAJAH	128,000	0.063
18	MR K.M.S.M. RAZIK & MR K.M.S.M. RAJABUDEEN	125,000	0.062
19	MR W.L. BOGTSTRA	106,546	0.053
20	MR H.V.M.S. DE SILVA	105,010	0.052
21	MR L. BOGTSTRA	100,000	0.049
22	ESJAY ELECTRONICS (PVT) LTD	100,000	0.049
23	QUALITEA CEYLON (PRIVATE) LIMITED	100,000	0.049
24	PULOLY INVESTMENTS (PRIVATE) LIMITED	100,000	0.049
25	HATTON NATIONAL BANK PLC/DINESH NAGENDRA SELLAMUTTU	100,000	0.049
26	MR J.M. ISAACS	100,000	0.049
27	MR Z.G. CARIMJEE	79,333	0.039
28	MR G.C. GOONETILLEKE	75,000	0.037
29	COCOSHELL ACTIVATED CARBON COMPANY (PRIVATE) LIMITED	72,920	0.036
30	ACUITY PARTNERS (PVT) LTD/MR.N.RAMESHKUMAR	70,000	0.035

Public Shareholding - 32.96%
No of Voting Share Holders -18,115

SHAREHOLDER & INVESTOR INFORMATION

Top 20 Non-Voting Shareholder's List As At 31st December 2022

No's	Name/Address	No. of Shares	%
1	LANKA MOUNTCASTLE (PRIVATE) LIMITED	7,851,190	38.770
2	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	4,929,910	24.344
3	HATTON NATIONAL BANK PLC/ALMAS CAPITAL (PRIVATE) LIMITED	3,274,100	16.168
4	AMANA BANK PLC/ALMAS HOLDINGS (PVT) LTD	1,393,049	6.879
5	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	800,000	3.950
6	MR R.E. RAMBUKWELLE	613,000	3.027
7	PEOPLE'S LEASING & FINANCE PLC/MR.L.K.N.K.KULAWARDENA	124,650	0.616
8	MR L.K.R.D. KULAWARDENA	103,194	0.510
9	SEYLAN BANK PLC/JAYANTHA DEWAGE	94,676	0.468
10	MR L.K.N.K. KULAWARDENA	67,916	0.335
11	MR P.H.K.U.A. RANASINGHE	67,344	0.333
12	MR L.K. SEPALAGE	66,631	0.329
13	MR W.A.S. CHATHUMADHURA	65,408	0.323
14	ALMAS HOLDINGS (PRIVATE) LIMITED	56,821	0.281
15	MR W.G.A. FERNANDO	32,089	0.158
16	MR M.A. AHAMED ZAHVIE	30,000	0.148
17	MR H.M.Z. SHAFEEK	27,500	0.136
18	MR P.L. SOMARATNE	27,100	0.134
19	MR D.M.M. DISSANAYAKE	19,796	0.098
20	MR S. SUPRAMANIAM	19,000	0.094
21	MERCHANT BANK OF SRI LANKA & FINANCE PLC/L.K.N.K. KULAWARDENA	18,000	0.089
22	MR S. GOWRISANGAR	18,000	0.089
23	MR S.P.S.K. SERASINHA	18,000	0.089
24	MR K.P.S. PERERA	18,000	0.089
25	MR H.D.D.S. PERERA	17,752	0.088
26	MR R.A.M. PERERA	17,500	0.086
27	MR S.T. AMUNUGAMA	15,000	0.074
28	MR H.A.D.A.S. ARIYARATHNE	13,941	0.069
29	MR P.T. MADURASINGHE	11,669	0.058
30	MR K.M.P.D.R. BANDARA	10,902	0.054

Public Shareholding - 100.00%
No of Voting Share Holders - 541

SHAREHOLDER & INVESTOR INFORMATION

Directors Shareholdings in the Company - VOTING

Name	As at 31.12.2022	As at 31.12.2021
Mr. Frits Bogtsra	Nil	Nil
Mr. Lucas Bogtstra	100,000	100,000
Mr. S.D. Samaradiwakara	Nil	Nil
Mr. G.C. De Silva	Nil	Nil
Mr. K.G.M. Piyaratne	Nil	Nil
Mr. G.Z.A. Chitty	Nil	Nil

Directors & CEO’s Shareholding in the Company – NON-VOTING

Name	As at 31.12.2022	As at 31.12.2021
Mr. Frits Bogtsra	Nil	Nil
Mr. Lucas Bogtstra	Nil	Nil
Mr. S.D. Samaradiwakara	Nil	Nil
Mr. G.C. De Silva	Nil	Nil
Mr. K.G.M. Piyaratne	Nil	Nil
Mr. G.Z.A. Chitty	Nil	Nil

Stock Exchange

Interim Financial Statements for the forth quarter 31st December 2022 has been submitted to the Colombo Stock Exchange as required by the listing rules.

Market Value	Voting - 2022	Voting -2021	Non Voting - 2022	Non Voting - 2021
Market Value	Voting-2022	Voting-2021	Non Voting– 2022	Non Voting - 2021
Highest	85.00	32.00	55.50	19.90
Lowest	19.00	9.10	12.70	7.00
Year End	71.80	28.00	44.90	18.20

Float adjusted market Capitalization (‘000)

Voting	4,799,137	1,871,530
Non Voting	909,255	368,562
Price Earning Ratio (times)	4	14

The company complies with Section 7.14.1(a) of the listing rules-Float adjusted market capitalization is 4.7 Bn.

SHAREHOLDER & INVESTOR INFORMATION

FIVE YEAR SUMMARY (COMPANY)

	12 (Month) Rs.'000 2022	12 (Month) Rs.'000 2021	12 (Month) Rs.'000 2020	12 (Month) Rs.'000 2019	12 (Month) Rs.'000 2018
Turnover	9,210,022	4,712,945	5,068,575	4,857,372	4,755,030
Gross Profit/(Loss)	2,155,925	446,248	342,965	(85,579)	173,429
Operating Profit/(Loss)	2,020,053	431,387	317,972	(111,350)	171,295
Gross Profit on Cost of Sales (%)	31	10	6.8	-	3.8
Gross profit on Turnover (%)	23	9	7.25	-	3.6
Profit/(Loss) Before Tax	2,481,541	371,382	262,525	(169,564)	136,569
Tax expenses	348,180	88,628	35,084	58,654	29,845
Profit/(Loss) After Tax	2,133,367	282,754	227,440	(228,219)	106,724
Fixed Assets	5,588,989	5,282,633	5,130,575	4,575,628	4,366,980
Current Assets	4,101,197	1,811,004	1,669,806	1,659,649	1,839,277
Current Liabilities	1,982,649	1,709,877	1,719,911	1,699,217	1,385,244
Shareholders Funds	5,629,907	3,507,989	3,419,940	2,953,529	3,317,619
Capital expenditure	435,000	206,000	318,000	175,000	149,395
Earnings Per Share (Rs.)	9.56	1.27	1.02	(1.02)	0.48
Net Assets Per share (Rs.)	25.24	15.74	15.33	13.24	14.87
Dividend Per Share (Rs.)	0.16	0.12	0.10	-	-
Dividend Payout Ratio (%)	1.7	9.4	9.8	-	-
Stated Capital	373,000	373,000	373,000	373,000	373,000
Capital Employed	7,707,537	5,383,760	5,080,471	4,536,059	4,821,013
Net Assets	5,629,907	3,507,989	3,419,940	2,953,529	3,317,619
Return on Capital Employed (%)	32	7	5	-	4
Market Capitalisation	14,560,489	5,678,185	2,599,535	1,338,315	1,660,752

FREEHOLD AND LEASEHOLD LAND AND BUILDINGS

LEASEHOLD BUILDINGS

ESTATE NAME	LOCATION	NO OF BUILDINGS	BUILDINGS AT VALUATION (RS.)
AISLABY	BANDARAWELA	52	3,438,945
NELUWA	BANDARAWELA	40	5,606,195
UVA HIGHLAND	BANDARAWELA	38	10,731,585
UNUGALLA	HALI-ELA	53	3,403,012
WARWICK	AMBEWELA	20	763,718
HUGOLAND	LUNUWATTE	17	1,438,569
DOWNSIDE	WELIMADA	65	2,217,251
ST JAMES	HALI-ELA	56	10,531,114
ATTAMPITIYA	ATTAMPITIYA	28	22,197,555
DICKWELLA	HALI-ELA	58	2,782,070
LEDGERWATTE	HALI-ELA	43	7,507,444
SARNIA	BADULLA	66	12,235,154
QUEENTOWN	HALI-ELA	81	2,926,380
WELIMADA	WELIMADA	52	4,232,457
DYRABBA	MIRAHAWATTE	69	7,482,764
UVA KETAWELA	HALI-ELA	14	2,586,801
MORALIOYA	RUWANWELLA	52	696,548
SUNNYCROFT	WAHARAKA	53	3,801,242
TALDUA	AVISSAWELLA	44	1,681,283
CHESTERFORD	GONAGALDENIYA	14	673,009
GLENESK	AMITHIRIGALA	10	821,221
VINCIT	GONAGALDENIYA	36	3,755,524
HAKGALLA	BORAGAS	22	1,352,285
REGIONAL OFFICE	BADULLA	1	309,457
Total Leasehold Buildings			**113,171,583**

FREEHOLD AND LEASEHOLD LAND AND BUILDINGS

FREEHOLD BUILDINGS & BUILDING IMPROVEMENT

ESTATE NAME	LOCATION	NO OF BUILDINGS	BUILDINGS AT VALUATION (RS.)
HEAD OFFICE	NO. 280, DAM STREET, COLOMBO 12	1	130,150,000
STORES	WATTALA	1	217,024,000
Total Freehold Buildings & Building Improvements			**347,174,000**
AISLABY	BANDARAWELA		11,801,067
DOWNSIDE	WELIMADA		4,973,024
HUGOLAND	LUNUWATTE		3,194,609
NELUWA	BANDARAWELA		4,973,039
UVA HIGHLANDS	BANDARAWELA		11,260,429
ATTAMPITIA	ATTAMPITIYA		10,914,518
WARWICK	AMBEWELA		7,563,142
UNUGALLE	HALI-ELA		7,940,862
DICKWELLA	HALI-ELA		19,296,773
DYRAABA	MIRAHAWATTE		4,104,069
SARNIA	BADULLA		31,916,983
ST JAMES	HALI-ELA		10,249,339
LEDGERWATTE	HALI-ELA		8,616,904
QUEENSTOWN	HALI-ELA		13,413,392
WELIMADA	WELIMADA		19,792,016
UVE KETAWELA	HALI-ELA		20,304,214
MORALIOYA	RUWANWELLA		28,279,904
SUNNYCROFT	WAHARAKA		26,506,629
VINCIT	GONAGALDENIYA		12,887,310
CIRCUIT BUNGLOW	AMBEWELA	1	6,076,599
TALDUA MANOR	TALDUA	1	8,307,302
Total Leasehold Buildings & Building Improvements			**272,372,125**
Total			**619,546,125**

FREEHOLD AND LEASEHOLD LANDS AND BUILDINGS

LEASEHOLD LANDS

ESTATE NAME	LOCATION	LAND EXTENT (HA)	LAND AT VALUATION (RS.)
AISLABY	BANDARAWELA	731	22,768,576
NELUWA	BANDARAWELA	246	8,614,953
UVA HIGHLAND	BANDARAWELA	369	13,155,751
UNUGALLA	HALI-ELA	888	23,737,735
WARWICK	AMBEWELA	450	14,605,197
HUGOLAND	LUNUWATTE	142	5,116,541
DOWNSIDE	WELIMADA	380	12,680,606
ST JAMES	HALI-ELA	356	12,006,097
ATTAMPITIYA	ATTAMPITIYA	565	19,348,427
DICKWELLA	HALI-ELA	604	18,154,521
LEDGERWATTE	HALI-ELA	1134	28,570,074
SARNIA	BADULLA	1015	31,129,334
QUEENTOWN	HALI-ELA	610	18,281,903
WELIMADA	WELIMADA	374	12,517,680
DYRABBA	MIRAHAWATTE	460	14,853,803
UVA KETAWELA	HALI-ELA	268	9,324,075
MORALIOYA	RUWANWELLA	433	11,310,368
SUNNYCROFT	WAHARAKA	726	16,425,745
TALDUA	AVISSAWELLA	795	18,296,178
CHESTERFORD	GONAGALDENIYA	317	8,670,841
GLENESK	AMITHIRIGALA	303	8,324,899
VINCIT	GONAGALDENIYA	911	23,515,798
HAKGALLA	BORAGAS	217	7,686,210
Total Leasehold Lands			**359,095,312**

FREEHOLD LANDS

HEAD OFFICE	NO. 280, DAM STREET, COLOMBO 12	0.2872(HA)	794,850,000
STORES	WATTALA	1.0136(HA)	357,976,000
Land	GALBANTHOTAWATTE	77.02 (PERCH)	42,350,000
Land	VAKARAI	9 (ACRE)	47,200,000
Total Freehold Lands			**1,242,376,000**

ESTATES & SUPERINTENDANTS

ESTATE	NAME OF EXECUTIVES	DESIGNATION
AISLABY - Bandarawela	Lasantha Ediriweera	Group Manager
ATTAMPETTIA - Ettampitiya	Indika Premachandra	Group Manager
DYRAABA - Bandarawela	Senura Lockkubalasooriya	Superintendent
HUGOLAND - Lunuwatte	Lahiru Rajapakse	Deputy Manager
NELUWA - Bandarawela	Dharshana Edirisinghe Arachy	Superintendent
ST.JAMES - Haliela	Buddhika Sanjeewa	Deputy Manager In-Charge
UNUGALLA - Haliela	Niroshan Dassanayake	Superintendent
UVA HIGHLANDS - Bandarawela	Daminda Wanigasekara	Snr.Group Manager
DICKWELLA - Haliela	Chaminda Perera	Genaral Manager-Group 01
DOWNSIDE - Welimada	Charith Edirisinghe	Superintendent
LEDGERWATTE - Kandegedara	Supun Wijesuriya	Superintendent
QUEENSTOWN - Haliela	Ravindra Sannasuriya	Snr.Superintendent
SARNIA - Badulla	Kasun Samaradiwakara	Genaral Manager-Group 02
UVAKETAWELA - Haliela	Shalitha Silva	Snr Asst.Superintendent
PROCESSING CENTER-UK - Haliela	Mr T Wickramathunga	Manager Operations
WARWICK - Ambewela	Chethiya Bandara	Superintendent
WELIMADA - Welimada	Kasun Dhanapala	Group Manager
VINCIT / TALDUA - Waharaka	Mr A.R.U. Mathavan	Superintendent
"MORALIOYA / GLENESK / CHESTERFORD - Ruwawella"	Mr R.M.V. Ratnayake	Group Manager
SUNNYCROFT - Ruwanwella	Mr E A G C Athauda	Superintendent

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-NINTH (29TH) ANNUAL GENERAL MEETING OF MALWATTE VALLEY PLANTATIONS PLC, WILL BE HELD ON FRIDAY, 23RD JUNE, 2023 AT 10.30 A.M AT THE BOARD ROOM OF THE COMPANY AT NO. 280, DAM STREET, COLOMBO 12, AND ON A VIRTUAL PLATFORM.

AGENDA

1. To receive and consider the Report of the Directors, Statement of Accounts of the Company for the year ended 31st December 2022 and the Report of the Auditors thereon.

2 To declare a final dividend of Rs. 0.16 per share for the year ended 31st December, 2022 as recommended by the Directors..

3. To re-appoint M/s. Ernst and Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.

4. To authorize the Directors to determine Donations for the year 2023, and up to the date of the next Annual General Meeting.

5. To consider any other business of which due notice has been given in accordance with the prevailing rules and regulations.

BY ORDER OF THE BOARD
MALWATTE VALLEY PLANTATIONS PLC

SECRETARIUS (PRIVATE) LIMITED
Secretaries

Colombo
29th May, 2023

Note:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.

2. A Form of Proxy is enclosed in this Report.

3. To be valid the completed Form of Proxy should be lodged at the Registered Office of the Company at No. 280, Dam Street, Colombo 12, not less than 24 hours before the appointed time for holding the Meeting.

MALWATTE VALLEY PLANTATIONS PLC- PQ 111

SUPPLEMENTARY NOTICE TO SHAREHOLDERS 29TH ANNUAL GENERAL MEETING

Dear Shareholder/s

The Board of Directors of the Company have decided to convene the 29th Annual General Meeting ("AGM") of the Company by way of virtual means by adopting electronic and teleconference mechanisms as per the Article 7 (b) of the Articles of Association of the Company.

Accordingly, the Board of Directors of the Company will conduct the AGM in the following manner:

1. The 29th AGM of the Company shall be convened on Friday, 23rd June, 2023 at No. 280, Dam Street, Colombo 12 at 10.30 am.
2. The AGM shall be held in accordance with the Article 7 (b) of the Articles of Association of the Company, by means of audio / audio and visual communication by which all shareholders participating and constituting a quorum can simultaneously hear each other throughout the meeting.
3. Only the key officials who are required for the administration of formalities at the AGM will be physically present in the Board Room. All others including shareholders will participate via an online meeting platform.
4. Adequate arrangements will be made for the shareholders who wish to participate in the AGM via an online meeting platform, with log-in information being forwarded to shareholders well in advance of the meeting. In order to enable such facilities, shareholders who wish to participate in the meeting are required to forward their details to the Company as specified in the attached specimen marked "A".
5. Shareholders who participate in the meeting online, will be given the opportunity to raise their questions or comments on the matters listed on the agenda for the AGM.
6. Voting on the items on the agenda will be registered by using an online platform or a designated ancillary online application. All such procedures will be explained to shareholders prior to the commencement of the meeting.
7. The Notice of Meeting for the 29th AGM of the Company will be published in newspapers/e-newspapers in Sinhala, English and Tamil languages. The Notice of Meeting, Form of Proxy and other related documents will also be made available on the Company's official website (www.malwattevalley.com) and on the Colombo Stock Exchange (CSE) web site (www.cse.lk).
8. Shareholders are also reminded that they have the right to appoint an individual/ a member of the Board to act as their proxy if they wish to. The shareholders who wish to submit their proxies, must duly complete and forward the same to the Company, via either of the modes specified below, on or before 10.30 a.m on 22nd June, 2023.

   E-mail - kanthi@malwatte.lk

   Fax - 011 5388806

   By post / By hand - No. 280, Dam Street, Colombo 12.
9. Shareholders who are unable to participate at the virtual meeting via the designated online meeting platform are invited to forward their suggestions, questions and concerns (if any) relating to items on the agenda, to the Company in the manner specified under item 09 of this Notice. The Board will ensure that they are discussed and addressed at the AGM, if relevant.
10. All documents relating to the AGM must be forwarded to kanthi@malwatte.lk or handed over to the Registered Office of the Company at No. 280, Dam Street, Colombo 12 on or before 10.30 am on 22nd June, 2023 to ensure that they will reach the Company Secretaries on time.

For any queries regarding this Supplementary Notice, please contact us on 0094 11 333431 / 0094 11 2399090 during normal office hours. The Board wishes to thank the shareholders of the Company for their unwavering cooperation.

BY ORDER OF THE BOARD

Secretarius (Private) Limited
Secretaries

Colombo
29th May, 2023

Annexure A

MALWATTE VALLEY PLANTATIONS PLC- PQ 111

29TH ANNUAL GENERAL MEETING
REGISTRATION OF SHAREHOLDER DETAILS FOR ONLINE MEETING

To:
Secretarius (Private) Limited
Company Secretaries
Malwatte Valley Plantations PLC
No. 40, Galle Face Court 2
Colombo 02.

1. Full Name of the Shareholder : ....

   ....

2. Shareholder's Address : ....

   ....

   ....

3. Shareholder's NIC No. / Passport No. / Co. Reg No.: ....

4. Shareholder's Contact No. : (Residence) .... (Mobile)... .

5. Name of the Proxyholder : ....

6. Proxyholder's NIC No. / Passport No. / Co. Reg No.: ....

7. Proxyholder's Contact No. : (Residence) .... (Mobile) ....

8. Shareholder's/ Proxyholder's E-mail : ....

9. Participation in the AGM Via an online platform: YES /NO

10. Name of Joint holder/s (If any): (i) ....

    (ii) ....

11. National Identity card number/s of Joint holder/s: (i) ....

    (ii) ....

....	....	....
Shareholder's signature & Date	1st Joint holder's signature & Date	2nd Joint holder's signature & Date

Note:
1) Shareholders are requested to provide their email address in the space provided in order to forward the web link / user name / password / necessary instruction, if they wish to attend the Meeting through an online platform.
2) In the case of a Company/Corporation, the Shareholder details form must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
3) In the case of a Power of Attorney, the Shareholder Details Form signed by the Power of Attorney must be deposited at the Registered Office of the Company for registration.

FORM OF PROXY

*I/We ....

of...

being * a shareholder(s) of Malwatte Valley Plantations PLC hereby appoint:

(1)..

of...

Or failing him/her

Mr. Frits Bogtstra or failing him

Mr. Lucas Bogtstra or failing him

Mr. S. D. Samaradiwakara or failing him

Mr. K. G. M. Piyaratne or failing him

Mr. G. Chamindra De Silva or failing him

Mr. G. Z Ajit Chitty

as *my/our Proxy to represent me/us and *to speak/ to vote on *my/our behalf at the TWENTY NINTH (29TH) ANNUAL GENERAL MEETING of the Company to be held on Friday, 23rd June, 2023, at 10.30 a.m. and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

*I/we indicate *my/our vote on the resolutions below as follows:	FOR	AGAINST
1) To declare a final dividend of Rs. 0.16 per share for the year ended 31st December, 2022 as recommended by the Directors.		
2) To re-appoint M/s. Ernst and Young, Chartered Accountants, as Auditors of the Company, and to authorize the Directors to determine their remuneration.		
3) To authorize the Directors to determine Donations for the year 2023 and up to the date of the next Annual General Meeting.		

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

Note: 1. * Please delete the inappropriate words.
2. Instructions as to completion appear on the reverse.
3. If you wish your proxy to speak at the Meeting you should interpolate the words “to speak and” at the asterisk immediately before the words “to vote”

....

*Signature/s

Instructions as to Completion

1. To be valid this Form of Proxy should be deposited at the Registered Office of the Company at No. 280, Dam Street, Colombo 12, not less than Twenty Four (24) hours before the time fixed for the Meeting.

2. In perfecting the Form of Proxy, ensure that all details are legible.

3. If you wish to appoint a person other than the Chairman (or failing him, any one of the Directors) as your Proxy, please insert the relevant details at (1) overleaf and initial against this entry.

4. 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 in his discretion will vote, as he thinks fit.

5. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

6. In the case of a proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office for Registration, if such Power of Attorney has not already been registered with the Company.

NOTE

NOTE

malwatte
VALLEY PLANTATIONS PLC