HATTON PLANTATIONS PLC

Belief

ANNUAL REPORT 2022|2023


WALTRIM
TEA FACTORY
MAIN ENTRANCE

At Hatton Plantations, we incorporate the art of **“Belief “** into our daily business practices.

Being bold enough to think bigger and believe bolder helps us expand the potential of the company and

Succeed in an ever-changing business environment.

OUR FUTURE

"To be the most admired
Plantation Company in Sri Lanka"

OUR PURPOSE

"Growing Hatton Plantations to
be the Industry Leader"

OUR VALUES

- **Our Approach** - Integrity, Honesty, open and transparent
- **Our Heritage** - Perseverance, Never give up
- **Our Solutions** - Innovation, Improvement through continuous change
- **Our Promise** - Responsibility, Accountability to all stakeholders
- **Trust** - The foundation upon which we grow

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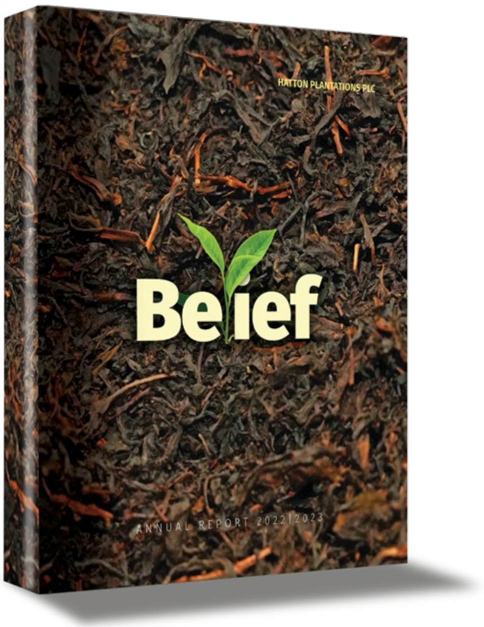
ABOUT THIS REPORT



OVERVIEW

We are pleased to present our sixth Annual Report of Hatton Plantations PLC for the twelve months financial period ended 31st March 2023, which has been prepared to provide financial performance and position and the Company's engagements to fulfil its responsibilities to its diverse stakeholders including shareholders in the context of the surrounding economic, social and environmental conditions. This report discusses in different sections how we propose to sail through many challenges ahead and potential growth into the future to meet stakeholders' expectations.

CONTENT AND REPORTING SCOPE AND BOUNDARY

This report covers our tea plantations, their factory processing operations and Head Office management functions across thirteen (13) tea estates and one tea reprocessing operation at Hatton, Watawala and Lindula located in high and medium growing regions in the upcountry and Hydro Power with Head Office in Colombo.

The Company operates its production of tea in eleven(11) factories and one tea re-processing factory.

This Annual Report provides an accurate and balanced review of the Company's and Group's financial, social and environmental performance within the context of its strategy, risks and opportunities and long-term prospects. The Report covers the operations of the Company and the Group for the year ended 31st March 2023 and where relevant is supported by comparable data relating to the previous period information pertaining to the year ended 31st March 2022. Unless otherwise mentioned, the boundary for all material aspects reported in this Report is the Company and the Group.

There has been no restatement of information from the previous Annual Report. We elaborate our engagements, responsibilities and compliances through Audited financial position and performance, Chairman's Message, Managing Director's Review, Profile of the Board of Directors, Annual Responsibility Statement of Directors, Corporate Governance, Risk Management, Statement on Internal Controls and responsibility statements of sub committees.

ASSURANCE AND COMPLIANCE

Messrs. PricewaterhouseCoopers, Chartered Accountants have issued an independent report on the Financial Statement of the Company and the Consolidated Group for the period ended 31st March 2023.

The Financial Statements of the Company and the Consolidated Group has been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Sri Lanka Accounting Standards which comprise Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The Company has followed additional guidelines as established by the Companies Act No. 07 of 2007.

For governance-related matters, where applicable, we voluntarily comply with the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Report also complies with the listing requirements of the Colombo Stock Exchange.

The Board believes that the Annual Report of Hatton Plantations PLC has been prepared in accordance with best practices in reporting. The information is scrutinized to ensure reliability and is a fair representation of its performance in the year under review and prospects. The Board approved the Annual Report 2022/23 on 22nd August 2023 for release to shareholders.

QUERIES

We welcome your comments or inquiries on this Annual Report 2022/23. Please contact:

Mrs. Annemarie Outschoorn - Chief Financial Officer

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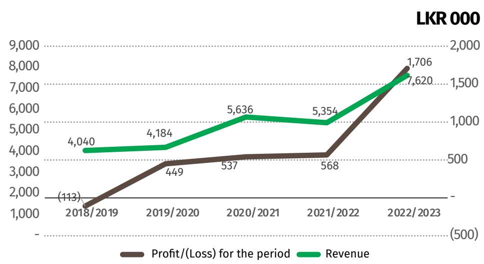
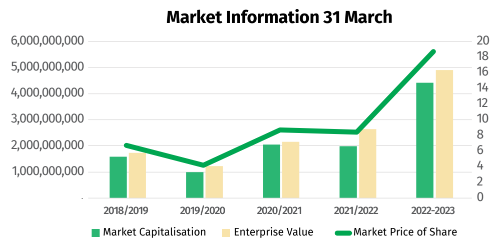
email: anne@hattonplantations.lk

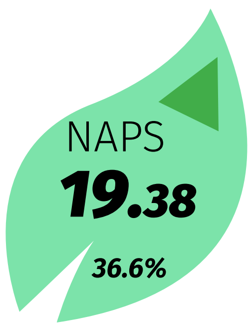
HIGHLIGHTS

		Group			Company		
		Year ended 2022/2023	**Year ended 2021/2022**	**Variance %**	**Year ended 2022/2023**	**Year ended 2021/2022**	**Variance %**
EARNINGS HIGHLIGHTS AND RATIOS							
Revenue	LKR Mn	**7,708.0**	5,392.5	42.9%	**7,619.8**	5,354.0	42.3%
Results from operating activities	LKR Mn	**2,089.8**	454.6	>100%	**2,127.0**	515.8	>100%
Profit before tax	LKR Mn	**2,041.3**	416.5	>100%	**2,076.8**	450.5	>100%
Profit after tax	LKR Mn	**1,669.6**	532.8	>100%	**1,706.0**	568.1	>100%
Dividends	LKR Mn	**355.0**	118.3	>100%	**355.0**	118.3	>100%
Basic / diluted earning per share	LKR	**7.05**	2.25	>100%	**7.21**	2.40	>100%
BALANCE SHEET HIGHLIGHTS AND RATIOS							
Total assets	LKR Mn	**7,105.5**	5,555.3	27.9%	**7,105.7**	5,576.9	27.4%
Total debt	LKR Mn	**414.0**	680.8	-39.2%	**414.0**	680.8	-39.2%
Total shareholders' funds	LKR Mn	**4525.5**	3267.5	38.5%	**4,586.5**	3,357.3	36.6%
Net assets per share	LKR	**19.13**	13.81	38.5%	**19.38**	14.19	36.6%
Debt/equity	%	**9.2**	20.9	-56.0%	**9.1**	20.3	-55.2%
Debt/total assets	%	**5.9**	12.3	-52.0%	**5.9**	12.3	-52.0%
MARKET/SHAREHOLDER INFORMATION							
Market price of share as at 31 March (actual)	LKR	**18.70**	8.40	>100%	**18.70**	8.40	>100%
Market capitalisation as at 31 March	LKR Mn	**4425.7**	1,988.0	>100%	**4,425.7**	1,988.0	>100%
Enterprise value	LKR Mn	**4,921.5**	2648.7	85.8%	**4,905.2**	2,650.1	85.1%
Dividend per share	LKR/share	**1.50**	0.50	>100%	**1.50**	0.50	>100%
Dividend yield	%	**8.1**	6.0	35.0%	**8.1**	6.0	35.0%

COMPANY







ABOUT HATTON PLANTATIONS PLC

Our journey began in 1992 with the privatisation of 22 regional plantation companies in Sri Lanka by the Government, paving the path for a strategic joint venture between Watawala Plantations PLC and Tata Tea Ltd. of India. The joint venture continued up to 1996 until Estate Management Services (Pvt) Ltd took over the steering of Watawala Plantations PLC.

In 2017, the entity underwent a demerger leading to the floating of a new entity known as Hatton Plantations PLC which was incorporated on 14 September 2017 as a part of the arrangement proceedings carried out by Watawala Plantations PLC under the Section 256 of the Companies Act No. 07 of 2007 to carry out the existing upcountry tea business of Watawala Plantations PLC.

Since the demerger from Watawala Plantations PLC in 2017, Hatton Plantations PLC has consolidated its position primarily on tea as one of the largest tea plantation companies in Sri Lanka, with a strong emphasis on innovation and value addition. The Company has continued to build upon the established and proud reputation of being one of the prime producers of pure Ceylon tea and continue to set new standards in the industry.

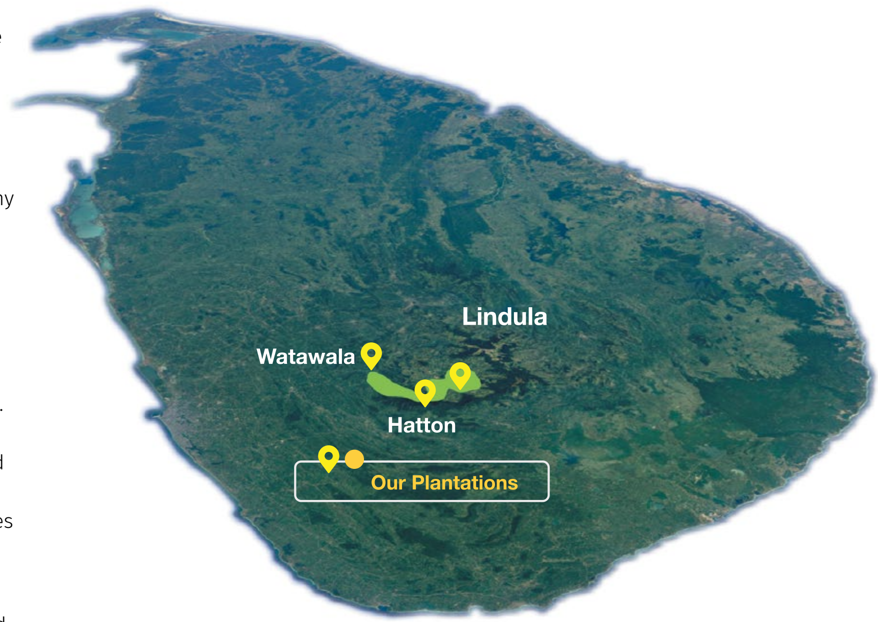
On 28 May 2019, Estate Management Services (Pvt) Limited, the parent company of Hatton Plantations PLC divested a majority controlling stake in Hatton Plantations PLC to Lotus Renewable Energy (Private) Limited and its ultimate parent being Renewables (Singapore) Pte Ltd, through the Colombo Stock Exchange at a price of LKR 8.30 per share. The significant premium over its market value signals the Company's strength and positive long-term prospects, resulting from decades of sustainable Agri practices employed by management.

Our 13 estates with a total area of 7,206 ha are located over Watawala, Hatton and Lindula regions ranging from Western High to Western Medium elevations in the central hills of Sri Lanka. We own 12 tea processing factories with a combined green leaf capacity of 155,500 kg per day, using orthodox,CTC, Leafy and green Tea manufacturing methods supported by versatile production facilities. We produce high and medium-grown teas in the key regions of Watawala, Hatton and Lindula. As a stand-alone company, we produce over thirty-five grades of tea, combining sustainable agricultural practices and balanced nutrient intake to harness the best in quality parameters. Our modernised and well-equipped factories are capable of extracting the most in liquoring characteristics whilst retaining all its flavour and quality considerations. Approximately, 95% is auctioned at the Colombo Tea Auction and the balance is sold directly to buyers.

We continue to build upon the long-standing legacy of excellence spun off from our pursuit of excellence, and the continued quest to become the most respected producer of tea in Sri Lanka. Endowed with a strong capital base, our expertise, innovativeness and the commitment to uphold ethical business values and practices have been the critical success factors that propel us to focus on driving higher crop volumes and yields with attention to detail to produce highest quality tea for domestic and international markets.

On 30th September 2021, Hatton Plantations PLC acquired 95.43% of Mark Marine Services (Private) Ltd, a Hydro Power Company for an investment of Rs. 458.9 million under its diversification strategy into different business segments. Hatton Plantations PLC extended its diversification strategy to three holiday bungalows and a Tea Center in Hatton and Watawala Region.

As evident and continued in the past, it is our prime responsibility and pride to look after estate population of 43746 including estate employees, their families, estate communities and the environment with due care to national economy in a sustainable manner.



OUR ESTATES AND FACTORIES

Name of Estate	LAND EXTENT				PRODUCTION					EMPLOYEES	
	Total Extent	Revenue Extent Tea	Other	Total Cultivated Extent	Elevation Category	Main Crop	Type of Factory	Factory Elevation	Crop with Bought Crop	Staff	Workers
	Ha	Ha	Ha	Ha				Meters	Kgs	(Nos)	(Nos)
Watawala Region											
Kenilworth	600.86	258.61	178.75	437.36	Western Medium Grown	Tea	Ortho/RV	616	281,294	28	261
Carolina	892.42	220.25	188.07	484.32	Western Medium Grown	Tea	CTC	960	501,952	31	222
Wigton	667.58	134.30	112.70	299.50	Western Medium Grown	Tea	-		141,219	8	236
Shannon	262.04	175.43	21.24	200.26	Western High Grown	Tea	Ortho/RV	1372	429,443	24	171
Sub Total	**2,422.90**	**788.59**	**500.76**	**1,421.44**					**1,353,908**	**91**	**890**
Hatton Region											
Abbotsleigh	427.46	245.43	116.82	362.25	Western High Grown	Tea	CTC	1330	1,603,726	32	387
Dickoya	629.59	268.72	238.26	483.66	Western High Grown	Tea	Ortho/RV	1292	684,952	29	450
Vellaioya	840.00	324.50	246.18	568.68	Western Medium Grown	Tea	Ortho/RV	1331	422,628	29	524
Strathdon	644.39	264.53	242.84	508.37	Western Medium Grown	Tea	CTC	1112	441,601	29	417
Sub Total	**2,541.44**	**1,103.18**	**844.10**	**1,922.96**					**3,152,907**	**119**	**1,778**
Lindula Region											
Waltrim	578.25	397.92	100.83	419.17	Western High Grown	Tea	Ortho/RV	1400	507,580	37	606
Henfold	540.00	406.60	46.45	453.05	Western High Grown	Tea	Ortho/RV	1381	423,643	29	531
Tangakelle	367.79	283.56	34.51	336.13	Western High Grown	Tea	Ortho/RV	1472	263,206	23	408
Agrakande	228.75	149.75	55.75	205.50	Western High Grown	Tea	Ortho/RV/GT	1369	169,315	14	249
Ouvahkelle	527.25	255.34	160.70	409.29	Western High Grown	Tea	Re-processing	1573	235,548	27	527
Sub Total	**2,242.04**	**1,493.17**	**398.24**	**1,823.14**					**1,599,292**	**130**	**2,321**
Grand Total	**7,206.38**	**3,384.94**	**1,743.10**	**5,167.54**					**6,106,107**	**340**	**4,989**

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Hatton Plantations PLC for the financial year ended 31 March 2023. I welcome you all to the 6th Annual General Meeting of Hatton Plantations PLC.

Performance of the year 2022/23 was achieved amidst various challenges faced by the Sri Lankan tea industry due to the extreme economic crisis which had never been faced by the country, political instability, and socio-economic unrest. The economic crisis initially caused supply disruptions in the forms of severe shortages of consumer goods, energy sources, including fuel and electricity, and inputs for various industries, mainly on account of the sharp depletion of foreign exchange liquidity in the market leading to a significant increase in prices. Sudden strict fiscal and monetary policy measures of the Government to address the crisis badly affected the businesses and households during the year.

We moved rapidly to adapt ourselves and respond to the changing needs of our operations. In spite of this turbulent year of operation, Hatton Plantations PLC was able to record a group profit after tax of Rs. 1,669.6 million as against the profit of Rs. 532.8 million in the previous year 2021/2022. The Company continued to focus on assuring commercial viability blended with social and environmental sustainability to create value for all stakeholders during the year. As we continue to focus on being progressive and rising above challenges, we remain one step ahead to deliver consistent value year on year.

Global Economy on Tea Industry in Sri Lanka

As evident, World Tea production and export volumes decreased by 71.6 million kilograms and 49.2 million kilograms respectively in year 2022 than previous year 2021. The economy and Tea industry of Sri Lanka have its' own country specific macro-economic issues to be addressed to grab the opportunities of Global Tea Industry.

World tea production (6,397.9 Mn Kg) decreased by 1.1% in 2022 compared to 2021 attributed to the erratic weather conditions and country specific issues of tea producing countries specially being Sri Lanka, Africa, Bangladesh, Indonesia, and India. China remains the largest global producer of tea. India retains second place as the world's largest tea producing nation. Kenya retained the position as the world's third largest tea-producing nation. The 16% fall in tea production in 2022, has resulted in Sri Lanka moving down to fifth place in the world's largest tea-producing nations list, while Turkey, with a production volume of 280 million kilograms regains its fourth-place position lost in 2021.

Global turmoil such as rising oil prices, the Russia/Ukraine war, and developments in key export markets such as Turkey together with devalued currencies in many global tea importing nations also impacted the Sri Lankan tea industry in 2022. However, while both internal and external market developments continued to put pressure on industry operations , Sri Lanka maintains its branding worldwide as "Ceylon Tea."

The total tea production of Sri Lanka decreased to 251.5 million kilograms in 2022 from 299.5 million kilograms in 2021. The decrease was 48.0 million kilograms (16%) largely due to the lagged effect of acute shortages of fertilisers and agrochemicals.

Sri Lanka's annual export volume stood at 282.9 million kilograms in 2022 including imported and re-exported teas compared to 262.7 million kilograms in 2021.

Among World Tea Auction Centres, tea prices continued its downward trend in 2022 except at Colombo, Mombasa, and Kolkata Auction Centres. Colombo Tea Auction maintains the top position at US$ 3.81 per kg with a price increase of US$ 0.71 against price achieved in 2021. The gap was US$ 0.99 with second highest Kolkata Auction Centres. The cumulative average tea price in 2022 was Rs. 1,270.50 per kilogram for the period January to December 2022, a remarkable increase of Rs. 651.35 per kilogram compared to Rs. 619.15 per kilogram achieved in 2021. We need to believe and keep on producing **'Finest Quality Teas'** to fetch a significant premium price consistently among World Auction Centres.

The cost of producing a kilo of tea in Sri Lanka is amongst the highest in the tea producing countries. Growing scarcity of labour and escalating cost of labour accounted for 67 % of cost of production, depreciating rupee, domestic inflation and rising input costs, declining productivity, age profile of tea bushes and high social costs have led to higher cost of production against counterparts such as Kenya and India. Higher productivity and cost reduction will have to be achieved through modern technology in enhancing the competitiveness of 'Ceylon Teas' in the world market in the medium to long term. These trends emphasise the importance of improving productivity and efficient resource usage by adopting modern Technologies, use of alternative inputs and utilities and Geographic Information Systems in the agriculture sector. Therefore, global competitiveness of 'Ceylon Teas' will largely depend on how quickly the industry addresses these vital issues to remain as a viable industry.

GROUP/ COMPANY PERFORMANCE

The Group recorded a turnover of Rs. 7,708.0 million which is a remarkable increase of 42.9 % over the previous year turnover of Rs. 5,392.5 million. The Company recorded a turnover of Rs. 7,619.8 million which is a remarkable increase of 42.3 % over the previous year turnover of Rs. 5,354.0 million.

Sale average of the Company increase by Rs. 633.65 per kg in line with average price increase in the Colombo Tea Auction by Rs. 651.35 per kg compared to tea prices obtained in the previous year 2021/22. Sale volume of the Company remarkably dropped by 33% over previous year due to drop in production volume as a result of the lagged effect of acute shortages of fertilisers and agrochemicals.

During the reporting year, the Group was able to secure a group profit after tax of Rs. 1,669.6 million as against the profit of Rs. 532.8 million in year 2021/22. The Company was able to secure a profit after tax of Rs. 1,706.0 million as against the profit of Rs. 568.1 million in year 2021/22. Gross profit of the Company significantly increased by Rs. 1,502.5 million compared to the previous year mainly due to improved tea prices at the Colombo Tea Auction during the year. The Company was able to maintain input costs well under control with our stringent measures adopted to control all outgaining expenditure to mitigate increase in input prices.

Other operating income of the Company decreased by 18.13% over the previous year due to drop in hydro power income and rent income during the period under review. Net finance cost of the Company decreased by 23 % mainly due to increase in finance income.

Overall, our financial discipline has enabled us to maintain a healthy financial position, providing us with a sound working capital management for operational funding and medium to long term capital funding.

The Company Shareholders' funds retained at Rs. 4,586.5 million which is a significant increase of 36.6 % over the previous year of Rs. 3,357.3 million. Earnings per share of the Company rose to Rs. 7.21 per share for the financial year as against Rs. 2.40 per share in year 2021/22. Net asset value per share of the Company rose to 19.38 per share as of 31st March 2023, from 14.19 per share as of 31st March 2022.

The Board of Directors declared two interim dividends of Rs. 1/50 cents per share during the financial year ended 31st March 2023 (-/50 cents per share – 2021/22).

CHANGES TO THE BOARD OF DIRECTORS

Board of Directors remained unchanged during the financial year ended 31st March 2023.

No directors resigned from the Board during the financial year under review.

GOOD GOVERNANCE

The Board continues to maintain overall sight of the strategic and operational affairs and the management of strategic and operational risks across the Group and the Company. The Board remains committed to excellent corporate governance, participates fully in formal Board meetings where operational and strategic aspects are carefully assessed. Our directors have considerable knowledge and experience of the plantation sector and bring other relevant experience to the Board to assist the Company in achieving its strategic goals.

During the year, we followed and complied with the prescribed governance codes and standards.

DEDICATED TO SOCIAL RESPONSIBILITY

With a large community base living within our tea estates, our community engagement is extensive and intense.

A total of LKR 194.72 million (157.0 million – 2021/22) was spent for worker housing, school, welfare, and sports, creches for children, water, and sanitation etc during the financial year to uplift and facilitate resident communities with better living conditions and higher quality of life.

LOOKING FORWARD

We are mindful of the ongoing macro volatilities, such as tightening of fiscal and monetary policies in several economies, rising interest and inflation rates, and war between Russia and Ukraine, which continue to create uncertainties.

Several macro-economic measures undertaken by the Government indicates gradual development of economic indicators in the country and positive stability. We are optimistic that businesses and households will re- gain their growth momentum in 2023.

Availability of foreign exchange to import critically essential inputs such as fuel, fertilizer, agrochemical, machinery, packing materials etc. will recover lagged effects and re-stablish the tea production, yields, quality of the tea plantations and smoothen the manufacturing process to its expectations.

Our tea industry is traditionally dependent on labour intensive agricultural and manufacturing practices. We need to deploy prudent cost management models rewarding workers' earnings driving through productivity improvements.

Teas are traditionaly sold at the Colombo Tea Auction which deprives the workers and the work horses of the industry , the benefit they deserve. A direct marketing system which would allow better prices for tea.

Key input materials such as fuel, fertiliser, agrochemicals, packing materials, machinery are imports in the tea industry. Rising input material prices will continue due to rupee devaluation as evident throughout. High cost of production is a burning issue in the tea industry. Government policy makers need to address this burning issue of the plantation sector by understanding of the ground level realities.

Mechanisation and innovation of our agriculture and production processes, centralisation and consolidation of support services and administrative functions of Estates and Head Office through IT development are key to long term sustainability of our estates.

The Company will continue its diversification strategy to minimise dependency on a single crop and improve product mix to harness long term sustainability of our plantations. We are continuing with our large-scale replanting programme with Coffee and forestry. The increased demand for health drinks, especially green tea and herbal tea varieties and the growing trend for carbonated tea drinks will continue to have a positive impact on the growth of the tea industry. We have expanded our product portfolio into green tea production which fetches a premium price and higher profitability.

APPRECIATIONS

I wish to extend my gratitude to the present Board of Directors for their consistent support, and guidance during this challenging year.

I appreciate the total commitment and dedication of Mr. Menaka Athukorala, Managing Director/ CEO, the Executive Management Team, and all employees including the estate work force during the year.

I take this opportunity to thank and be grateful specially to all those frontline employees and their families who have worked tirelessly to continue operations in plantations and to help keepothers safe and provide essential goods and services to all during the crisis period.

My warm thanks to our Shareholders, Buyers, Brokers, Suppliers, Banks, Government Authorities and all other service providers for their continued support and confidence placed in us and the support extended to sustain operational growth for all stakeholders.

G D Seaton
Chairman
22nd August 2023

MANAGING DIRECTOR'S REVIEW

I am pleased to announce the achievement of exceptional performance level of Hatton Plantations PLC during the financial year 2022/23, amidst a multitude of economic crisis, social unrest, political instability, and environmental challenges and changes faced by the entire nations and industries. Despite many setbacks, the plantation operations are being continued. Our prudent strategic operational management commitments and decisions were able to mitigate and combat such to a greater extent and report a commendable performance to stakeholders of the Group.

I am confident that with strategic guidance of the Board, the Group and the Company will be a sustainable business model for future growth for all its' stakeholders with a great ambition to face challenges and uncertainties today and in the future.

FINANCIAL PERFORMANCE

During the year, the Group and the Company recorded profits after tax of Rs. 1,669.6 million and Rs. 1,706.0 million as against the profits after tax of Rs. 532.8 million and Rs. 568.1 million respectively in the year 2021/22. The Company's profit for the reporting year 2022/23 increased unexpectedly due to the increase in Colombo Auction averages as a result of sharp devaluation of the rupee against the US Dollar and also recording steep increases in Dollar terms in comparison with other major tea producing countries. Hyper-inflation in the country, unavailability and shortage of main input materials and utilities such as fertilizer, agrochemicals, fuel, electricity, packing materials, disruption of transportation etc. resulted in low production volume and elevated cost of production. However, our prudent operational management and cost management strategies were in place to mitigate the ill effects of these supply chain disruptions to achieve a commendable performance during the financial period.

The company revenue increased by 42.3% and sales volume dropped by 34.0% in comparison to the previous year. Production volume declined by from 2.6 million kilos (30%) in 2022/23 in comparison to previous year 2021/22 due to many disruptions in supply chain and lack of input materials. Weather conditions did not significantly impact on crops throughout all four quarters compared to the previous year. Yet again, Hatton Plantations PLC secured its position of number one rank among Regional Plantations Companies by selling the highest quantity at the Colombo Tea Auction. We continued with our strategy of growth based on quality of our tea, best agricultural practices, mechanization, and investment in estate workers and communities. Our sound financial management systems and strategic growth in market share ensured to maintain a healthy working capital position and to fulfill our responsibility and commitment to employees, suppliers, banks, statutory dues, government and all other service providers in a timely manner.

Annual Averages in Colombo Tea Auction increased to Rs. 1,270.50 per kg during the year 2022/23 from Rs. 619.15 in 2021/22. The Company revenue reached a historically highest level to Rs. 7,619.8 million during the year as against Rs. 5,354.0 million in the year 2021/22. In the year 2022/23, the Company sale average increased by Rs. 633.65 per kg (114.3%) over the year 2021/22 in line with increase in Colombo Auction average.

The production of Tea registered a notable decline of 30.0% since privatization of plantations in 1992. Our production was 6.1 million kilos in 2022/23 as against production of 8.71 million kilos in year 2021/22. The Company Tea yield per hectare significantly declined to 1,174 kgs in 2022/23 compared to 1,425 kgs in the previous year 2021/22 particularly in the absence of correct dosage of urea-based fertilizer and weedicides to mature tea fields.

Cost of sale at 915.41 per kg was an increase by Rs. 386.38 per kg over the previous year at 529.03 The tea sector experienced a rise in production costs in 2022/23 due to the elevated prices of chemical fertilisers and other agricultural inputs coupled with domestic shortages of these inputs, as well as the upward adjustments in utility prices, including fuel, and electricity. However, we were able to keep our cost of production at this level with our careful monitoring and stringent cost control measurements. Our expenditure was limited only to the essential and unavoidable expenditure required for the production process. Administration expenses of Rs. 283.4 million was above the previous year by 62.6% due to an increase in utility prices and provision of employees' incentive in line with increased profitability. Net finance costs decreased by 23.0% due to the high interest rates earned for fixed deposits during the year under review.

Our short-term investment and cash and cash equivalent increased by Rs. 240.4 million at the end of the reporting year as against previous year 2021/22 due to reaching maturity period of long-term fixed deposits. Current ratio improved to 2.43 times in year 2022/23 compared to 1.40 times in the previous year. The debt equity ratio reduced from 0.27 times (2021/22) to 0.14 times (2022/23) due to settlement of long-term borrowings. Total equity of shareholders increased to Rs. 4,586.5 million in year 2022/23 as against Rs. 3,357.3 million in the previous year 2021/22. Therefore, Net Asset value per share increased to Rs. 19.38 in 2022/23 as against Rs. 14.19 in the previous year 2021/22. We were able to generate an operational cash flow surplus of Rs. 1,101.7 million during the reporting year and Rs. 524.9 million was spent during the year for capital expenditure as long-term growth prospect and shareholder wealth creation. We declared two interim dividends amounting to Rs. 355.0 million (Rs. 118.3 million – 2021/22) to shareholders during the year and finally ended up with Rs. 79.3 million cash surpluses.

DEVELOPMENT PROGRAMMES

The company's development programs continued to receive priority. In keeping with our strategy for long term sustainability of our estates, we strive to increase our year-on-year investments.

Capital expenditure incurred during the year amounted to Rs. 524.9 million (Rs. 353.7 million – 2021/22), a 48.4% increase over the previous year investments, of which Rs. 358.3 million was invested in replanting and maintenance of immature Tea and Coffee fields. Investment in Commercial Timber planting was Rs. 28.4 million (Rs. 20.4 million – 2021/22). The balance capital expenditure amounting to Rs. 166.7 million was invested in factory buildings and factory machinery for upgrading and efficiency and productivity improvements, transportation, modern technical equipment, furniture & fittings, water sanitation etc. of which we have invested Rs. 90.7 million in Agrakande Estate to set up a Green Tea Factory under product diversification strategy. We have invested Rs. 23.3 million during the year to establish our own nurseries to source the tea plants for our tea planned replanting program. Our ultimate strategic objective is to develop and improve the total asset base of the Company for long term sustainability of the plantations and its dependent community at large.

CORPORATE SOCIAL RESPONSIBILITY

Our company, over the years has built a strong relationship with our stakeholders on our commitment to CSR activities, which has now shifted to the community and preserving the environment. Our stakeholder-oriented framework has assisted us to be conscious of the impact on our businesses which are based not only on the profitability line, but also on our role as an employer, provider, investor, and a neighbour. The company continued with Corporate Social Responsibility programs with our interest on social development of worker, staff and public at large. Training and development also received priority in the human capital agenda as we continued to invest in developing our next level of managers in addition to the estate employees. Our social development program includes improving the living environment, health and nutrition, educational assistance, and empowerment of the estate community.

Our continuous replanting program would enhance sustainable development in the plantation sector. Good agricultural practices with emphasis on environmental management and eco-friendliness are being adopted. Reflecting our long-term perspective in business, the company also continued to invest in best practices for the sustainability of its plantations. Some of these initiatives during the year includes our own nurseries for replanting, the use of bio fertilizer, bio products for pesticides, underutilized land to plant Coffee, Cinnamon, Bamboo, and agriculture timber planting.

We looked at improving our internal controls, risk management and compliance practices in line with our corporate values and good governance, which are extremely essential during this uncertain and rapidly changing operational environment. We have established a Risk Management Committee during the year to provide a more focused view on key risk matters in operation and how to mitigate its negative impacts. The Company has zero tolerance for corruption and is also fully compliant with all relevant laws and regulations.

HEALTH, SAFFTY AND WELFARE ACTIVITIES OF ESTATE COMMUNITIES

We believe that having a contented workforce is the key to our success. The company extends support for welfare activities with dedicated medical and welfare teams providing necessary assistance to the workers, their families, and neighboring communities. We have continuously focused on uplifting the living conditions of Plantation workers.

We continued to extend financial assistance to Plantation workers and their families with the implementation of several welfare measures such as providing dry rations with the assistance of Estate Workers Co-operative Society, relaxing of repayments of loans and extended wage advances to meet their financial requirements during this critical economic and social crisis. Senior Management and I were on regular supervision visits to estates during the period to address essential requirements of workforce and operational issues without any delay and committed to do so in the future.

PROSPECTS AND LOOKING FORWARD

Fiscal and monetary policies adopted by the Government are expected gradually to restore macro-economic stability of Sri Lanka's economy and set the industries and households on the normal road map for short to medium term growth and development. Inflation and interest rates indicate downward trends and improvement in foreign exchange liquidity reflecting positive signs on gradual restoration of macro-economic stability of the country.

Tea production levels are expected to recover in 2023 with availability of fertilizer, agrochemicals, fuel, and electricity. Unaffordable high input and utility costs remain as a critical draw back to the Tea industry in Sri Lanka to be a viable business and competitive among other tea producing countries.

We need to change work models of labour related agricultural and production activities to enhance workers' earnings through productivity improvements and expedite mechanisation of agriculture and production processes as shortage of labour is a critical issue to be addressed sooner than later.

We focus to reinforce quality management practices of agriculture and manufacture to re-gain our market positioning for the finest quality teas for premium prices in order to cushion the rising cost of production and to stabilize spending power for product focus value creation leading to business success. As the rupee is gradually stabilizing against the US dollar, we should not expect remunerative Tea prices of the preceding year due to depreciating rupee.

We are focusing on reducing our dependency on outside bought leaf in medium to long term through the best and timely agriculture practices, soil management, timely inputs to fields to enhance field productivity and our Tea replanting program continuously.

Our Coffee and commercial timber planting programs are in progress under product diversification to minimize our top line revenue risk. Timber nurseries have already been established. We have commenced leafy grade manufacturing at Tangakelle Estate in order to moderate our produce mix of teas and get market advantage of price movements.

APPRECIATIONS

I would like to express my sincere appreciation to our chairman and my fellow Directors for their direction, guidance and support during the year under review. I also acknowledge the hard work and dedication of our executive management team and all employees for their commendable performance in taking the Company forward during this volatile and unpredictable period.

I appreciate and thank our Shareholders, Buyers, Brokers, Suppliers, Banks, Government Authorities, External Auditors and all other service providers for their continued support and confidence placed in us and the support extended to sustain operational growth for all stakeholders. I am hopeful that this support will be extended to navigate in challenging years ahead as well.

Menaka Athukorala
Managing Director/ CEO
22nd August 2023

Governance

BOARD OF DIRECTORS

MR. GARY SEATON
Executive Director

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MR. MENAKA ATHUKORALA
Executive Director

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MR. GOWRI SHANKAR
Non- Executive Director

>> Page 16

MR. HIRO BHOJWANI
Non- Executive Director

>> Page 17

MR. INDRAJITH FERNANDO
Independant-Non-Executive Director

>> Page 17

MR. UDITHA PALIHAKKARA
Independent Non- Executive Director

>> Page 17

MR. DAMASCENE PERERA
Non- Executive Director

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MR. LUCILLE WIJEWARDENA
Non- Executive Director

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BOARD OF DIRECTORS (contd.)

MR. GARY SEATON

Executive Director | 17 Jul 2019

Mr. Gary Seaton was born and educated in Sydney, Australia, completing his formal education at the University of NSW. He embarked upon a career in Agribusiness, joining the Gardner Smith Group as a trainee in 1975. In 1984, Mr. Seaton opened up Gardner Smith's Singapore office as the first stepping stone to Gardner Smith's expansion to become a global player in the world market before rejoining Gardner Smith in 1988 to head up their International Operations. Mr. Gary Seaton was responsible for the company's expansion into global operations with the establishment of offices in India, Pakistan, Sri Lanka, China, Korea, South Africa, United Kingdom, Tanzania and Turkey. He left Gardner Smith in 1998 to form his own group of companies including the Oceanic Group that continued their investments and involvements in Asia. Mr. Seaton currently heads the Oceanic Group which has operations in Singapore, Malaysia, Sri Lanka (tea and rubber plantations), India (investment in manufacturing plants) and Australia predominantly in the Agricultural Sector. Mr. Seaton also holds Directorship in Lotus Hydro Power PLC, Lotus Renewable Energy (Private) Limited, Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Zyrex Power Company Limited, HI - Tech Power System (Private) Limited, Sri Bio Tech Lanka (Pvt) Ltd and G & G Agro Commodities (Private) Limited.

MR. MENAKA ATHUKORALA

Executive Director | 17 Jul 2019

Mr. Menaka Athukorala studied at Nalanda College Colombo, and is a Higher National Diploma holder of Plantation Management and Agriculture. His career path started as a Junior Assistant Superintendent in 1992 and was promoted as Superintendent at Salawa Estate under Pussellawa Plantations Limited in 2002. He was subsequently promoted as Deputy General Manager. He joined Lalan Rubber as the Group General Manager in 2013 and is presently the Chief Operating Officer and Country Manager Director of Lotus Renewable Energy (Pvt) Ltd. He also carries out duties and responsibilities in the capacity of a Chief Executive Officer of Lotus Hydro Power PLC. Mr. Menaka Athukorala also holds Directorship in Origin Tea Exports (Private) Limited, Lotus Hydro Power PLC, Lotus Renewable Energy (Private) Limited, Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Lotus Mooloya Hydro Power (Private) Limited, Zyrex Power Company Limited, HI – Tech Power System (Private) Limited, Sri Bio Tech Lanka (Private) Limited and G & G Agro Commodities (Private) Limited.

MR. GOWRI SHANKAR

Non- Executive Director | 17 Jul 2019

Mr. Gowri Shankar is a passionate and versatile Mechanical Engineer, Management, Clean energy professional, Corporate strategist with over 20 years of experience in developed and developing markets. He is currently the Group Director – G&G Group of Companies, Singapore. He is primarily responsible for the Investments & Collaboration strategy for G&G Group. He has extensively contributed in the renewable energy space (Solar, Hydro Power Plants, Bio-fuel) & Agri-Commodity business and food processing business with hands on experience in structuring finance for Mergers & Acquisitions. Adept at negotiating with Governments, Vendors, Business Collaboration, Development Banks and Private Financing. He is leading an experienced team in South East Asia, apart from successfully managing companies in the diversified business, also provides consultancy to businesses in South East Asia and Australia. He has been involved in community development programmes in Africa, Australia, India and Sri Lanka. Recently he was awarded the "Distinguished Young Alumni of NIT ‚Warangal". He obtained a Bachelor of Technology degree in Machine Designing and Automation Engineering from NIT Jalandhar, India and MBA in Finance & Systems from NIT Warangal, India. Mr. Gowri Shankar also holds Directorship in G&G Group of Companies (Singapore), Lotus Hydro Power PLC, Lotus Renewable Energy (Private) Limited Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Zyrex Power Company Limited and HI – Tech Power System (Private) Limited.

BOARD OF DIRECTORS (contd.)

MR. HIRO BHOJWANI

Non-Executive Director | 23 Jul 2019

Mr. Hiro J Bhojwani was born and educated in Singapore, completing his formal education with a Bachelor of Business Administration from the National University of Singapore in 1982. He joined his family business immediately upon graduation and proceeded to revamp the diversified group's accounting and financial reporting systems. Additional responsibilities were eventually added and he was actively involved in the Group's core business of trading and global distribution of consumer electronics as well as garment manufacturing in Philippines & Thailand and real estate investment and development in Singapore. During that time the group expanded it's business in consumer electronics with JVs in Singapore, Russia & Ukraine and company offices in Nigeria, Latvia and UAE and later in Angola.In 2001 he was appointed Group CEO and the group diversified further. They built a Coffee Decaffeination plant in Vietnam and the first purpose-built co-living facility in London, England. He has served as Director on the Board of the Singapore Indian Chamber of Commerce & Industry from 1998 to 2002 and again from 2012 to 2014.

MR. INDRAJITH FERNANDO

Independant-Non-Executive Director | 17 Jul 2019

Mr. Indrajith Fernando is the Regional Director Asia of Global Best Practice Group (GBPG) an international Development professionals company. He is a member of the Audit Committee of the Central Bank of Sri Lanka. He serves as a Chartered Institute of Securities Investments (CISI) Advisory Committee member in Sri Lanka and as a Non-Executive Director, Chairman of the Audit Committee and the Integrated Risk Management Committee of listed companies. Indrajith serves as a Director on the Board of Hatton Plantations Plc, Lotus Hydro Power Plc, Strategic Insurance Brokers Pvt Limited and Beyond Wealth Pvt Ltd.

Indrajith is a thought leader with over 30 years of experience in business and the accountancy profession. He is a past president of the Institute of Chartered Accountants of Sri Lanka (ICA), Member of International Federation of Accountant (IFAC) Developing Nations Committee, President–South Asian Federation of Accountants, Advisor/Chairman SAFA Committee on improving Transparency, Accountability and Governance (CiTAG). He is a fellow of the ICA-SL, CIMA UK and CMA Sri Lanka and a Senior Member of CPA-Maldives, He holds an MBA from the University of Queensland, Australia.

MR. UDITHA PALIHAKKARA

Independent Non- Executive Director | 30 Jul 2019

Mr. Uditha HarilalPalihakkara, a leading accounting and finance personality holding membership in many recognized professional institutions—accounting, Banking, Corporate secretarial, and economics—has been the President of the three leading accountancy professional bodies in Sri Lanka: The Institute of Chartered Accountants of Sri Lanka (ICASL), CIMA Sri Lanka, and ACCA Sri Lanka. In 2010, he was elected President of the Organization of Professionals Association of Sri Lanka (OPA), a multi-disciplinary professional institution comprising 52 member associations. He has held leadership positions in several Public and Private Sector establishments, including the Ceylon Electricity Board, Development Finance Corporation, People's Merchant Bank, Merchant Bank of Sri Lanka, Acland Insurance Services Ltd., Securities Council of Sri Lanka, National Enterprise Development Authority, Postgraduate Institute of Management, etc., and served as a Financial Management Specialist in the Commonwealth Secretariat (CFTC) UK. After a successful career in investment banking, he expanded his outreach by engaging in many projects and programs of the World Bank, Asian Development Bank, African Development Bank, International Fund for Agricultural Development, European Development Bank, International Labour Organization, etc. In 2015, the President of Sri Lanka, on the recommendation of the Constitutional Council, appointed him as the Chairman of the Finance Commission of Sri Lanka. In appreciation of his dedicated services, he was inducted into the Hall of Fame of ICASL in 2014. In 2016, OPA presented him with the National Apex Award in recognition of his outstanding contribution to the profession and the nation. In

BOARD OF DIRECTORS (contd.)

June 2017, he was conferred the title “People Leader—Finance 2017, by the Institute of Personnel Management (IPM) in recognition of his contribution to promoting sound and vibrant people management practices in the world of work. In September 2017, he was honored with a Recognition Award for his outstanding leadership, contribution, and service to CIMA Sri Lanka. A Director of a few companies, Mr. Palihakkara is a Trustee of the Organization of Professionals Association of Sri Lanka, the President of the Sri Lanka China Business Cooperation Council, and an Independent non-executive director of Lotus Hydro Power PLC.

MR. DAMASCENE PERERA

Non- Executive Director | 15 January 2021

Mr. Damascene Perera counts 45 years in the Tea Trade specializing in Warehousing, Marketing, Trading and Management. He started his career in 1978 at Janatha Estates Development Board (JEDB) and progressed to being an Assistant Manager. After serving JEDB for 13 years he joined its sister organization Sri Lanka State Plantations Corporation for one year as Deputy Director Warehousing. With the privatization of state owned plantations, he joined Hayleys Plantation Services as Marketing Manager and also served Hayleys Produce Marketing Ltd as a Director. In 1997 he formed his own value-added tea exporting company, Regency Teas (Pvt) Ltd, and he currently serves as its Chairman / Managing Director. He is also a Director of Melfort Green Teas (Pvt) Ltd and Yarl Hotels (Pvt) Ltd.

MR. LUCILLE WIJEWARDENA

Non- Executive Director | 15 January 2021

Mr. Lucille Wijewardena is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Master’s Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayawardenapura. In his career spanning 36 years he has held many Senior Management positions in areas of Finance and General Management. He served as the Managing Director of Hayleys Plantations, Talawakelle Plantations Ltd and Pussellawa Plantations Ltd. He also held the post of Chairman of the Sri Lanka Tea Board, Chairman of Mahaweli Marine Cement Company Ltd and Group Chief Accountant of Carson Cumberbatch and Company Ltd. Currently he is the Chairman of Softlogic Stockbrokers (Pvt) Ltd, Director and Chairman of the Audit Committee of Softlogic Capital PLC and Managing Director of Anuga Holdings (Pvt) Ltd. He also serves on the Press Complaint Commission of Sri Lanka as a member of the Dispute Resolution Committee.

CORPORATE MANAGEMENT TEAM

Board of Directors

Mr. Gary Seaton	Chairman
Mr. Menaka Athukorala	Managing Director/ CEO
Mr. Gowri Shankar	Non Executive Director
Mr. Hiro Bhojwani	Non Executive Director
Mr. Indrajith Fernando	Non Executive/ Independent Director
Mr. Uditha Palihakkara	Non Executive/ Independent Director
Mr. Damascene Perera	Non Executive Director
Mr. Lucille Wijewardena	Non Executive Director

Senior Executive Management Team - Head Office

Mrs. Annemarie Outschoorn	Chief Financial Officer
Mr. Waruna Fernando	General Manager Administration & Forestry
Mr. Ajith Kolambathantri	Group Head of Human Resources
Mr. Gayan De Silva	Consultant Marketing
Mr. Saliya Plevian	Finance Manager

Functional Managers - Head Office

Mr. Susantha Karunarathna	Senior Manager Internal Audit
Mr. Bimal Fernando	Manager - Purchasing
Mr. Vijitha Perera	Manager - Information Technology
Mr. Mihira Thenuwara	Manager Admin. - Tea Clubs/ Bungalows
Mr. Dasun Jayakodi	Assistant Manager - IT
Mr. Bernard Jacob	Assistant Manager - Internal Audit
Mrs. Sriyani Kulawansa	Assistant Manager - HR and Administration
Mr. Jayantha Gamage	Forestry Officer

Estate Managers

Mr. Suranga Dela	Deputy General Manager - Hatton and Watawala Region	Abbotsleigh Estate
Mr. Sujiva Godage	Deputy General Manager- Lindula Region	Lindula Region
Mr. Niroshan Fernando	Manager	Dickoya Estate
Mr. Kapila Sumanrathne	Senior Manager	Dickoya Factory
Mr. Rasanjana Perera	Senior Manager	Strathdon Estate
Mr. Gotabaya Virantha	Acting Manager	Carolina Estate
Mr. Kalana Jayasekera	Deputy Manager	Vellaioya Estate
Mr. Vihanga Pathum	Acting Manager	Shannon Estate
Mr. Deshan Thilakarathne	Deputy Manager	Wigton Estate
Mr. Kusal Weerasuriya	Group Manager	Kenilworth Estate
Mr. Thivakaranath Shanmuganathan	Deputy Manager	Tangakelle Estate
Mr. Asela Gunasekera	Deputy Manager	Ouvahkelle Estate
Mr. Lasantha De Silva	Senior Manager	Henfold Estate
Mr. Tharaka Wijerathne	Manager	Ouvahkelle Re-processing Factory
Mr. Renny Ramanathan	Manager	Waltrim Estate
Mr. Jerrard Stephen	Manager	Agrakande Estate

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

The Board is committed to the highest standards of business integrity, ethical values and sound governance, balancing stakeholder interests in an equitable manner. It recognizes Hatton Plantations PLC's responsibility to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability while safeguarding the interests of all its stakeholders. Building on regulatory requirements, we incorporate voluntary codes and sound principles into the framework as set out in the adjacent column.

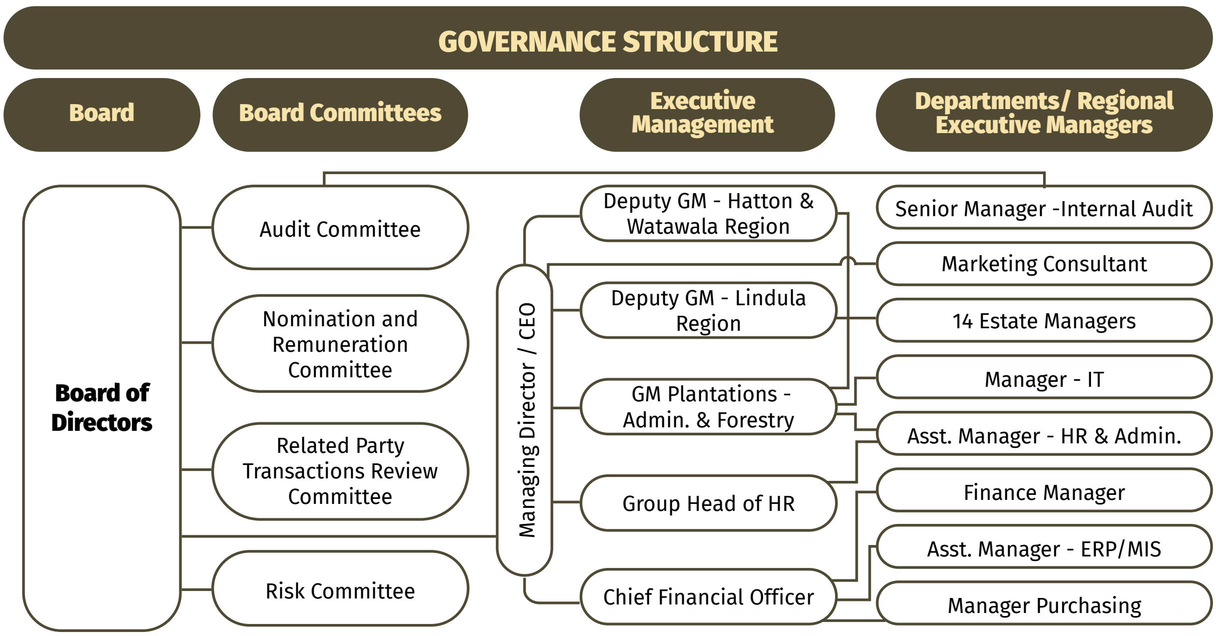
We incorporate voluntary codes and sound principles into the framework as set out in the adjacent column.

As the highest decision-making authority, the Board sets the tone at the top through the Hatton Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. Hatton Plantations PLC's Corporate Governance Framework comprises:

- Governance Structure
- Policy Framework
- Corporate Values
- Board Charter
- Code of Conduct
- Guidelines for Corporate Governance

KEY LEGAL ENACTMENTS, CODES AND AGREEMENTS COMPLIED WITH

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- Employees' Provident Fund Act
- Employees' Trust Fund Act
- Payment of Gratuity Act
- Maternity Benefits Ordinance
- Medical Wants Ordinance
- Shop and Office Act
- Industrial Disputes Act
- Factories Ordinance
- Workmen's Compensation Ordinance
- Collective Agreements entered into between the EFC,the CESU and NESU
- Wage Board directives
- Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka
- Inland Revenue Act No. 10 of 2006, Inland Revenue Act No.24 of 2017 and the Inland Revenue (Amendment) Act No. 45 of 2022.



BOARD COMPOSITION

The Board comprises eight Directors of which six are Non-Executive Directors. Two of the Directors are Non-Executive and Independent Directors.

The Directors are professionals of the highest caliber in diverse fields such as Plantation Management, Export Marketing, Tea Industry, Banking and Finance etc. and their profiles are set out on pages 14 to 18.

COMPOSITION OF THE BOARD AND SUBCOMMITTEES

Member of the Board and Board Committees	Executive Directors	Non-Executive Directors	
		Independent	Non-Independent
Board of Directors	2	2	4
Audit Committee		2	1
Remuneration and Nomination Committee		2	1
Related Party Transactions Committee		2	1
Risk Management Committee		2	2

AREAS OF EXPERTISE OF BOARD MEMBERS

Area of expertise	Number of Board Members with expertise
Business Management	8
Financial and Management Accounting	6
Plantation Management	3
Engineering	1
Science	0
Marketing	1

ANTI-CORRUPTION

The Company's Code of Conduct clearly sets out the standard of conduct expected of all our employees addressing, amongst other things, matters such as conflicts of interest, payments to outside entities and individuals, political contributions, and the maintenance of proper books, records and controls. Employees are provided training at the time of joining and awareness is reinforced through consistent application of the principles. Our consistent commitment to the high standards enumerated in this policy protects both the Company and its employees in their dealings with others.

The principles are articulated and disseminated to all employees in all three languages. The competency framework and performance appraisal criteria also addresses the need to maintain high standards of ethics to ensure that employees are sufficiently knowledgeable about their areas of expertise. Reprimands issued in case of breaches are recorded in personnel files and serve as early warning signs for monitoring by management.

This Report has been organised along the structure of the Code of Best Practice on Corporate Governance as summarised below.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The Company	Shareholders	Sustainability
Directors	Institutional investors	
Directors' remuneration	Other shareholders	
Relations with shareholders		
Accountability and audit		

A – DIRECTORS

PRINCIPLE A 1

AN EFFECTIVE BOARD

The Board of Directors comprises eight Directors of which two are Executives and two are Non-Executive Independent Directors and four Directors are Non-Executive Non-Independent Directors.

A 1.1 FREQUENCY OF BOARD MEETINGS

The Board meets once a quarter to discuss and review the performance of the past quarter and discuss the future performance. Further, additional Board meetings are summoned when the Board feels it is necessary to meet. The Audit Committee which is a subcommittee of the Board also meets quarterly with additional meetings scheduled as deemed necessary.

Estate Management, Regional Executive Committee and the Corporate Management Committee meet monthly to review performance against the strategic plan and budgets and identify matters requiring intervention and escalation to Board.

Name of Director	Board Meeting	Audit Committee	Remuneration and Nomination Committee	Related Party Transactions Committee	Risk Management Committee
Mr. Gary Seaton	03/03	N/A	N/A	N/A	N/A
Mr. Menaka Athukorala	03/03	N/A	N/A	N/A	N/A
Mr. Gowri Shankar	03/03	06/06	01/01	04/04	01/01
Mr. Hiro Bhojwani	00/03	N/A	N/A	N/A	N/A
Mr. Indrajith Fernando	03/03	06/06	01/01	04/04	01/01
Mr. Uditha Palihakkara	03/03	06/06	01/01	04/04	01/01
Mr. Damascene Perera	03/03	N/A	N/A	N/A	N/A
Mr. Lucille Wijewardena	03/03	N/A	N/A	N/A	01/01

BOARD ATTENDANCE

A 1.2 RESPONSIBILITIES OF THE BOARD

The Company's Board of Directors reviews the business strategies especially at times when the commodity prices reach lower levels. The Executive Management Committee chaired by the Managing Director/ CEO reviews performance and discuss new strategies and the methods prior to recommending same to the Board of Directors for discussion. The Estate Managers and Departmental Managers streamline the flow of information to the Executive Management Committee for fast decision- making. The Five-year Strategic Plan, the Annual Budget are discussed in-depth at the Executive Management Committee prior to submitting to the Board for approval, expediting decision-making and focus on key matters.

The Company's Executive Management Committee which assists in the decision-making process comprises the Managing Director/ CEO and Chief Financial Officer, General Manager Administration & Forestry, Group Head of Human Resources, Consultant Marketing and Group Manager. The second level of Executive Committee which is now known as the Estate Managers and Departmental Heads have been established to cascade information to the estates and departments and to provide insights to the Executive Management Committee enhancing its deliberations.

Succession planning was introduced to cover the more important roles in the Company. The relevant training is being provided in accordance with identified needs.

The Board of Directors is committed to comply with all laws, rules and regulations, and ethical standards. The Company has compiled a detailed checklist to ascertain the compliance with laws and regulations of which a summary is appended on pages 30 and 31 of this Report.

The Company's Board of Directors considers stakeholders' requirements as important in taking corporate decisions. The Company has also embarked on several cost reduction methods which are addressed in the

Managing Directors/ CEO Review. CSR which is discussed elsewhere in this Report has received much focus from the Company in the recent years.

A 1.3 ACT IN ACCORDANCE WITH THE RELEVANT LAWS AND SEEK INDEPENDENT PROFESSIONAL ADVICE

Board ensures compliance with the applicable laws wherever required. Page 20 of this Report list down the laws (in the best possible manner) applicable to the organisation and its compliance.

The Board also obtains professional advice from outside parties for Legal, Taxation, Actuarial Services, Valuation of Biological Assets, Product Development, Process Development, Productivity Development wherever necessary. Any Director may obtain independent professional advice that may be required in discharging his responsibilities effectively, at Company's expense.

A 1.4 COMPANY SECRETARY

The Company Secretaries are Corporate Advisory Services (Private) Limited, which acts as secretaries to the Board and make their presence at every Board meeting. The Company Secretaries advise the board on all regulatory matters pertaining to Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka. The Secretaries also record minutes which are tabled for the next meeting for effective follow-up on decisions taken. The Directors have independent access to the Company Secretary. Appointment and removal of the Company Secretary is a matter for the Board as a whole.

A 1.5 INDEPENDENT JUDGEMENT

The Directors use their independent judgements in making decisions. Six of the eight Directors are Non-Executive and two are Independent. As experienced Directors, they are able to exercise their independent judgement without hindrance and every effort is made by the Chairman to ensure that all Directors contribute to the deliberations.

A 1.6 DIRECTOR'S DEDICATION OF TIME AND EFFORT

In addition to the attendance and participation at the Board meetings, Board members make their time available for consultation whenever necessary. All Board papers are sent to the members of the Board well in advance and all queries raised by them are answered before or even after the meetings. The Board has met three times during the period as reported on page 22 and is satisfied that Non-Executive Directors have committed sufficient time during the year under review.

A 1.7 TRAINING FOR DIRECTORS

The decisions on Directors training is at Board level where Directors are sent specially on overseas training and study tours wherever necessary. The Executive Director participated in several study tours of Plantations outside Sri Lanka.

PRINCIPLE A 2

CHAIRMAN AND MANAGING DIRECTOR/ CEO

The Chairman and Managing Director/ CEO are Executive members of the Board and the Company and they maintain clear segregation of roles between them.

PRINCIPLE A 3

CHAIRMAN'S ROLE

The Chairman conducts the Board meetings ensuring the participation of all Board members, maintaining a balance between Executive and Non-Executive, and Independent and Non-Independent Directors.

The Managing Director/CEO presents all detail operating results to the Board along with the Chief Financial Officer. He also ensures that the Board is in complete control of Company's affairs.

PRINCIPLE A 4

FINANCIAL ACUMEN

The Board comprises Chartered Accountants and Chartered Management Accountants as follows,

Mr. Indrajith Fernando
– FCA, FCMA, MBA

Mr. Uditha Palihakkara
– FCA, FCMA, MBA

Mr. Lucille Wijewardena
- FCA, MBA

PRINCIPLE A 5
BOARD BALANCE

The Board comprises six Non-Executive Directors which constitutes 75% of the Board of Directors of which two are Independent.

Following are Non-Executive Directors of the Company.

Mr. Gowri Shankar
Non-Executive Non-Independent Director

Mr. Hiro Bhojwani
Non-Executive Non-Independent Director

Mr. Indrajith Fernando
Non-Executive, Independent Director

Mr. Uditha Palihakkara
Non-Executive, Independent Director

Mr. Damascene Perera
Non-Executive Non-Independent Director

Mr. Lucille Wijewardena
Non-Executive Non-Independent Director

The two Independent Directors mentioned above are totally independent of the Management and free of any business relationship that could interfere in their independent judgement. Declaration of Independence as per the Code of Best Practices in Corporate Governance has been obtained from the Independent Non-Executive Directors. The Board has determined that the following Non-Executive Directors are Independent.

- Mr. Indrajith Fernando
- Mr. Uditha Palihakkara

The full Board of Directors are indicated on pages 14 to 18 .

If there are any concerns of Directors that cannot be unanimously settled such issues are recorded in the minutes by the Secretary and circulated to the Board prior to the next Board meeting where the minutes are adopted. To date such situations have not arisen in the Company.

PRINCIPLE A 6
SUPPLY OF INFORMATION

The Board meets quarterly with additional meetings scheduled, if required, more frequently. The Board is supplied with all information including the following:

- Quarterly financial statements reviewed and recommended by the Audit Committee.
- Minutes of the previous Board meeting and follow-up action.
- Proceedings of the monthly review meetings of the Company.
- Recommendation of capital expenditure and its justifications.
- Details of borrowings and deposits
- Details of produce stocks with stock holding.
- Statement of statutory payments.
- Projected of the next quarter.
- Any other matter of importance.
- Annual Business Plan.
- A full presentation is made to the Board by the Managing Director/ CEO on the performance of the Company during the period under review.

The members of the Board are provided with Board Papers prior to the Board meeting. Further, if required the Board members could request for any additional information. All documents listed under (A 6) are circulated to the entire Board seven days before the Board meeting.

PRINCIPLE A 7
APPOINTMENTS TO THE BOARD

The Board decides on the appointment of new Directors and nominations of professionals to the Board. In finding suitable candidates the Board assesses its composition to ascertain whether the combined knowledge and experience of the Board could meet the strategic demands facing the Company. New appointments are made only after the above assessments are completed. Details of the current Board of Directors are given on pages 14 to 18 of this report.

PRINCIPLE A 8
RE-ELECTION

At the first Annual General Meeting of the Company, all new Directors appointed during the year, with the exception of the Managing Director/ CEO and Directors appointed by shareholders at previous AGM, shall retire from office and every subsequent year, one third of the directors except the Managing Director/ CEO shall retire from office at every annual general meeting as required by the Company's Articles of Association. A retiring Director is eligible for reappointment.

PRINCIPLE A 9

APPRAISAL OF BOARD PERFORMANCE

The Board of Directors evaluate their performance as against the strategies adopted which is generally done at every Board meeting. In the light of this evaluation and considering the future and the challenges that need to be met the Board considers the following areas in evaluating its performance.

- The past performance.
- Reviewing and formulating a sound business strategy.
- Ensuring that the Managing Director / CEO and the Management Team is capable in achieving the said standards.
- Securing effective information and control systems and audit.
- Prevention or minimising risks.
- Ensuring compliance with legal/ ethical standards.

PRINCIPLE A 10

DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

- A detailed profile in respect of the Directors is disclosed in pages 14 to 18 of this Report.
- Related party transactions are disclosed on pages 123 to 125 of this Report.
- The details of Board meetings attended are on page 22.
- Board Committees that the Directors serve on and their attendance is on page 22.

PRINCIPLE A 11

APPRAISAL OF MANAGING DIRECTOR/ CEO

Performance of the Managing Director/ CEO is evaluated by the Board on his meeting the companies short and medium term targets and his capability of meeting the future targets. He submits a detailed performance of the Company to the Chairman for this purpose.

At the commencement of the Financial Year a detailed budget is prepared which is presented to the Board for approval. Once the Budget is approved, the Managing Director/ CEO has indicative targets to work on. Any specific deviations from the approved budget on expenses such as capital expenditure need to have the approval of the Board.

At the end of the year, the Board evaluates the performance of the Managing Director/ CEO on the final performance of the Company.

B – DIRECTORS' REMUNERATION

PRINCIPLE B 1

REMUNERATION COMMITTEE

The Board determines the remuneration of the Managing Director/ CEO. In deciding this remuneration, the Board takes into consideration the levels of remuneration met by similar companies. Executive Directors who draw their remuneration from this Company are also entitled to a performance related incentive. They are given specific targets at the commencement of the year. The Company does not have a Share Option Scheme nor a Pension scheme. The report of the Remuneration Committee is on page 49 of this report.

Remuneration of the management staff is also approved by the Board in total.

The Directors' remuneration is disclosed in Note 8 of the Financial Statement and the Management Staff remuneration is described on page 85 of this report under Reward and Recognition.

PRINCIPLE B 2

LEVEL OF MAKEUP OF REMUNERATION

The Executive Directors who draw salaries from the Company are remunerated in keeping with the market rates and are also entitled to defined incentive schemes.

The annual salary increments are granted after a financial year end appraisal. There is no Executive Share Option Scheme in the Company. There were no instances where compensation was paid on early termination. All Directors draw a fee from the Company.

PRINCIPLE B 3

DISCLOSURE OF REMUNERATION

Remuneration Committee report on page 49 will give the members of the Remuneration Committee and the remuneration policy. The remuneration of the Executive Directors and the key managers are shown on page 85 of this report.

C – RELATIONS WITH SHAREHOLDERS

PRINCIPLE C 1

Constructive Use of the Annual General Meeting (AGM) The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 07 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice.

Active participation of its shareholders is welcome where all relevant questions are answered by the Board of Directors. The Chairman of the Audit Committee, the Chief Financial Officer and other managers of divisions make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 27th September 2023.

Proxy Forms are sent to all shareholders with the Annual Report. On the day of the Annual General Meeting a separate counter is setup to receive and record proxy forms. The Company proposes separate resolutions for substantially separate issues. Adoption of Report and Accounts are taken as separate item in the Agenda. The Chairman of the three subcommittees, the Audit Committee, Risk Committee and the Remunerations Committee makes himself available at the AGM. The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 07 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice. Summary of the voting procedure is stated in the Proxy Form which is circulated to all shareholders along with the Annual Report.

There were no Major Transactions during the year as specified by Section 185 of the Companies Act No. 07 of 2007.

D – ACCOUNTABILITY AND AUDIT

PRINCIPLE D 1

FINANCIAL REPORTING

In the preparation of the annual and quarterly financial statements, the Company complies to the requirements of the

- Companies Act No. 07 of 2007.
- Sri Lanka Financial Reporting Standards.
- Listing Rules of the Colombo Stock Exchange.

The table below depicts the dates the quarterly accounts were published within the prescribed time of the Listing Rules.

First quarter	15 August 2022
Second quarter	28 October 2022
Third quarter	15 February 2023
Fourth quarter	31 May 2023

The Annual Report is prepared at the end of the year covering the whole year. All price sensitive information such as appointment of new Directors retirement of Directors and other price sensitive information was conveyed to the CSE within time.

- Directors Report is presented on pages 43 to 46 of this Report.
- Report on Going Concern is on page 43.
- A comprehensive risk assessment is on pages 32 to 41.
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 6 to 12
- The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on page 52 and pages 54 to 57 respectively.
- Directors Report on page 43 confirm that the business is a Going Concern.

Net assets of the Company have not fallen below 50% of shareholders' funds.

PRINCIPLE D 2

INTERNAL CONTROL

The Board is overall responsible in establishing a good system of internal control in the Company and delegated much of it to the Audit Committee. This Committee in turn reviews all management accounts, directs the Internal Audit Team to carry out checks on areas of concerns other than their normal checks.

The Audit Committee reviews all Internal Audit Reports which are circulated to them quarterly and discusses the salient features at the Audit Committee Meetings with the Internal Auditor, the Managing Director/ CEO and the Chief

Financial Officer. At the end of the year a limited review is carried out by the External Auditors Messrs Pricewaterhouse Coopers and their reports are discussed in length at the Audit Committee meetings. The year-end Management Letter submitted by the External Auditor is also discussed at the final Audit Committee Meeting during the Financial period.

PRINCIPLE D 3

AUDIT COMMITTEE

The Board has delegated their responsibility to the Audit Committee with regard to selecting and application of accounting policies, financial reporting, internal control, risk management and maintaining an appropriate relationship with the Company's Auditors. The Accounting Policies are discussed and agreed with the External Auditors.

The Audit Committee of the Company consists of three Non-Executive Directors:

Mr. Indrajith Fernando
Non-Executive Independent Director and the Chairman of Audit Committee. He was a past President of the Institute of Chartered Accountant of Sri Lanka.

Mr. Uditha Palihakkara
Non-Executive Independent Director. He was a past President of the Institute of Chartered Accountant of Sri Lanka (ICA), the Chartered Institute of Management Accountant of Sri Lanka (CIMA), the Chartered Association of Certified Accountant of Sri Lanka (ACCA).

Mr. Gowri Shankar
Non-Executive Director, professionally a Banker and hold a Bachelor of technology degree in Machine Designing and Automation Engineering from NIT Jalandhar, India and MBA in Finance of Systems from NIT Warangal, India.

The Audit Committee views at different intervals the independence of the External Auditors. The External Auditors on the other hand discusses with the Management before taking up any other assignment in the Company and would take over such assignments if it relates to work involving Audit and Assurance only. The Auditors Messrs. PricewaterhouseCoopers only provides Assurance services.

The Audit Committee functions on clear guidelines given to them by the Board of Directors as set out in the Report of the Audit Committee on pages 47 to 48.

PRINCIPLE D 4

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has a practice where it regularly draws attention of the Executive Directors and Senior Managers to the Company's Policy on Business Ethics by obtaining their signature on a copy of same. This document covers the following main areas:

1. Conflict of Interest with the business of the Company.
2. Relations with Customers, Government and Labour.
3. Confidentiality of documents, books and records.
4. Supplier relations.
5. Conduct.

Wherever there are transactions with connected companies such transactions are disclosed under the related party transactions. The Company is compliant with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

The Company has published the best businesses practices and ethics in the form of an employee handbook and have distributed to all the employees of the organisation. This covers a wide area of activity including policies and business ethics of the Company. These policies are regularly reviewed and updated by the Human Resource Division of the organisation.

PRINCIPLE D 5

CORPORATE GOVERNANCE DISCLOSURES

The Company has complied with the "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Company has been publishing quarterly financial statements with the necessary explanatory notes as required by the Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration, is promptly disclosed to the public.

E AND F – INSTITUTIONAL INVESTORS AND OTHER SHAREHOLDERS

The Company through Company Secretary, Secretarial and Financial Services maintains an active dialog with the shareholders, potential investors, investment banks etc. All Institutional shareholders are encouraged to participate at the Annual General Meeting and exercise their vote. All regulatory notices are sent to them on time.

G – OTHER INVESTORS

The Company at different intervals throughout the year encourages Stockbrokers to publish research reports giving a full analysis of company's affairs. The Annual Report of the Company also gives a full analysis of the affairs of the Company.

Rule No.	Requirement	Compliance	Reference in this Report
7.10.1 (a)	**Non-Executive Directors (NED)** Two or at least one-third of the total number of Directors should be NEDs	✓	Principle A1
7.10.2 (a)	**Independent Directors (ID)** Two or one-third of NEDs, whichever is higher, should be independent	✓	Principle A1
7.10.2 (b)	**Independent Directors (ID)** Each NED should submit a declaration of independence	✓	Available with the Secretaries for review
7.10.3 (a)	**Disclosure relating to Directors** The Board shall annually determine the independence or otherwise of the NEDs Names of IDs should be disclosed in the Annual Report (AR)	✓	Directors' profiles
7.10.3 (b)	**Disclosure relating to Directors** The basis for the Board's determination of ID, if criteria specified for independence is not met	✓	Directors' profiles
7.10.3 (c)	**Disclosure relating to Directors** A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓	Directors' profiles
7.10.3 (d)	**Disclosure relating to Directors** Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the CSE	✓	Directors' profiles
7.10.5	**Remuneration Committee (RC)** The RC of the listed parent company may function as the RC	✓	Remuneration Committee Report
7.10.5 (a)	**Composition of Remuneration Committee** Shall comprise of NEDs, a majority of whom will be independent	✓	

CORPORATE GOVERNANCE REPORT (contd.)

Rule No.	Requirement	Compliance	Reference in this Report
7.10.5 (b)	**Functions of Remuneration Committee** The RC shall recommend the remuneration of the Managing Director's and NEDs	✓	
7.10.5 (c)	**Disclosure in the Annual Report relating to Remuneration Committee** Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to NED/NIDs and NED/IDs	✓	Remuneration Committee Report on page 49
7.10.6	**Audit Committee (AC)** The Company shall have an AC	✓	Principle D3 and Audit Committee Report on pages 47 and 48
7.10.6 (a)	**Composition of Audit Committee** Shall comprise of NEDs a majority of whom will be Independent A NED shall be appointed as the Chairman of the Committee. Managing Director and Chief Financial Officer (CFO) should attend AC meetings The Chairman of the AC or one member should be a member of a professional accounting body	✓	Corporate Governance and the Board Committee Reports
7.10.6 (b)	**Audit Committee Functions** Overseeing of the – Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the external auditors Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor	✓	Corporate Governance and the Board Committee Reports
7.10.6 (c)	**Disclosure in Annual Report relating to Audit Committee** Names of Directors comprising the AC The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	✓	Corporate Governance and the Board Committee Reports

CORPORATE GOVERNANCE REPORT (contd.)

Rule No.	Requirement	Compliance	Reference in this Report
	Related party transactions review committee Names of Directors comprising the Committee will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines	✓	Corporate Governance Report

COMPLIANCE REPORT FOR THE YEAR ENDED 31 MARCH 2023

	Reporting party institute/ personnel	Subject	Responsibility	Deadline	Status of Compliance
Statutory	Inland Revenue	1. Income Tax Payment	CFO/ MD	30th September	Complied
		2. Income Tax Return	CFO/ MD	30th November	Complied
		3. VAT Payment	CFO/ MD	20th of the following month	Complied
		4. VAT Return	CFO/ MD	30th of the following month end of quarter	Complied
		5. APIT Return	CFO/ MD	30th April	Complied
		6. APIT Payment	CFO/ MD	15th of the following quarter	Complied
		7. WHT/AIT Payment	CFO/ MD	15th of the following month	Complied
		8. WHT/AIT Annual Return	CFO/ MD	30th April	
		9. Stamp Duty Return and Payment	CFO/ MD	15th of the month following Quarter	Complied
		10. Assessment/Default notices	CFO/ MD	On given dates	Complied
Regulatory	Department of Labour	11. EPF/CPPS/ Payment	CFO/ MD	30th of the following month	Complied
	ETF Board	12. ETF Payment	CFO/ MD	30th of the following month	Complied
	Department of Labour	13. Gratuity – Provision/Payment	CFO/ MD	Within one month of resignation	Complied
	SLAASMB	14. Publishing of Annual Financial Report	CFO/ MD	By 31st December 2022	Complied
		15. All Financial Reports are prepared in accordance with SLFRS	CFO/ MD	–	Complied
	CSE/SEC	16. Quarterly Financial Report	CFO/ MD	15th of the month after month following the Quarter	Complied
		17. Annual Financial Report	CFO/ MD	30th of September 2022	Complied
Compliance with internal procedure	Finance Department	18. Monthly Financial Statements	CFO/ MD	10th of the following month	Complied
		19. Interim Financial Statements	CFO/ MD	10th of the following month	Complied

CORPORATE GOVERNANCE REPORT (contd.)

	Reporting party institute/ personnel	Subject	Responsibility	Deadline	Status of Compliance
	Chairman and BOD	20. The board approval obtained for any new projects/Investment/ venture the company is planning to embark upon	CFO/ MD	Relevant Papers to be delivered to directors 7 Days before the board meeting	Complied
	Insurance	21. Insure all the business assets to mitigate losses	CFO/ MD	on going	Complied

There are no statutory, regulatory, conventional or compliance that the Company is bound by other than those listed above.

Initialed by all responsible officers as above.

Annemarie Outschoorn
Chief Financial Officer

Menaka Athukorala
Managing Director/CEO

RISK MANAGEMENT

Risk is defined as the combination of a likelihood of an occurrence of an event and the impact that is caused by the event concerned. The occurrence of such events could hinder business objectives or have a positive impact as a result of maximizing opportunities presented. Risk management deals with mitigating negative impacts whilst ensuring opportunities are maximized.

Hatton Plantations PLC has an effective risk management framework to safeguard its capital and operational processes to create value for all its stakeholders in a sustainable manner. We have identified risks in relation to our strategic objectives and assess them in terms of their likelihood of occurrence and severity of impact and thereby determine a response strategy prudently to satisfy all stakeholder objectives and our company vision.

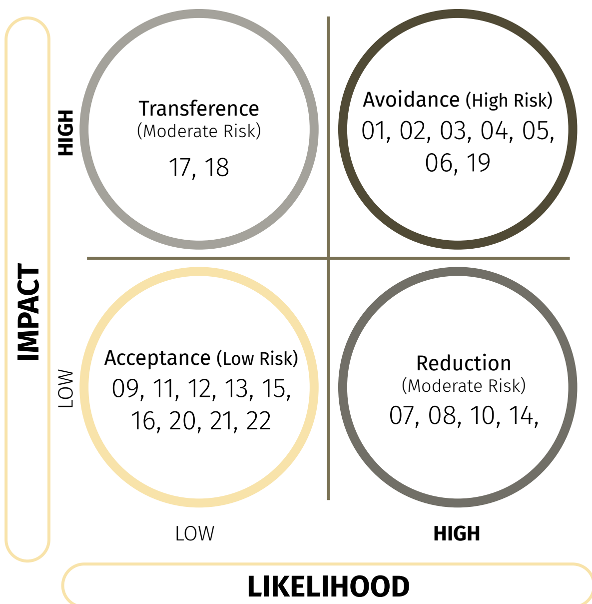
The Board of Directors: The Board is responsible for ensuring effective risk management at corporate level. Our Board comprises of diverse expertise locally and globally in diversified fields which sets out our risk management framework effectively. Major risks are conveyed to the Board by comprehensive daily/ monthly reporting of key economic and performance indicators and quarterly reporting of the Audit Committee. The Board is committed to identify the significance of risks timely, to question and assess the impact on the organization and determine the risk appetite. The Board continues to evaluate and monitors the responses to identify risks in a timely manner within the risk management framework in place.

Corporate Management Team: The Corporate Management team headed by the Managing Director/ CEO, is responsible for risk assessment and mitigation according to the risk appetite level of the Board. The Corporate Management team discusses plans and recommends actions. The estate management which plays a key role in implementation, is invited to present their risk management strategies at performance review meetings every month.

Risk Evaluation and Mapping

The likelihood of an event is assessed based on past occurrence and the preventive measures in place and accordingly each risk is ranked at high, medium, and low. The impact of an event is assessed by determining the loss it would cause and the extent of the impact. By considering these two factors, the impact is then categorized as high, medium, and low. The position of a particular risk indicates the risk appetite level and accordingly, the risk mitigation action plans are formed and reviewed by the management committee.

The matrix below depicts linking control activities to the risk response.



The key risk factors that Hatton Plantations PLC is exposed to, potential impact on the company/ stakeholders and risk mitigating strategies adopted are summarised below.

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
STRATEGIC RISK			
01. Wage Structure			
Wage Structure is not linked to productivity of estates.	• Substantial impact on high cost of production, affecting the country's competitiveness in the international tea market. • Low productivity estates become unviable and uneconomical to be maintained. • Low investment for replanting and capital expansion.	• Encourage unskilled agricultural activities on task-based contracts. • Outsourcing of non-value adding activities. • Mechanisation of some agricultural activities and factory production functions. • Training, monitoring and motivation of workers to increase productivity of workers. • Encourage task and norm-based incentive for workers and staff. • Revenue sharing models for harvesting. • Moving for less labour-intensive crops.	Overall rating: High Probability of occurrence: High Severity of impact: High
02. Business Disruption			
Shortage of essential agriculture and manufacturing inputs and utilities.	• Low crops and, production • Poor quality of product and reputational damage • Revenue loss. • High operational expenditure. • Pressure and adverse impact on working capital management.	• Close supervision of field and factory operations for immediate actions. • Close and timely relationship with government authorities and suppliers. • Keep buffer stocks of input materials for uninterrupted field and production process. • Maintain excess working capital funds and banking facilities.	Overall rating: High Probability of occurrence: High Severity of impact: High
03. High cost of input materials and utilities			
Worst ever economic crisis in 2022 with inflation, lack of foreign currency, shortage of inputs and services.	• Low yields, crops, and quality of product. • Working capital issues. • Estates become unviable and uneconomical to be maintained. • Substantial impact on high cost of production, affecting the country's competitiveness in the international tea market.	• Collective lobbying to the government. • Use of alternative and suitable inputs and utilities with low costs.	Overall rating: High Probability of occurrence: High Severity of impact: High

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
04. Climate Changes			
Extreme weather conditions, unpredictable rainfall patterns and changes in conducive temperature, sunshine, and humidity.	• Crop losses, thereby revenue losses and higher cost of production. • Increase in cash outflows to mitigate low income of workers. • Potential physical damage to workers and property.	• Maximise buffer tea stock during cropping season and encourage outside bought leaf intake to mitigate adverse impact on working capital and revenue losses. • Preserve forests and water sheds and ponds to retain the moisture content. • Encourage and expand rainwater harvesting methos and facilities. • Pre-drought spraying for tea. • Change fertilizing cycles and harvesting pattern accordingly. • Management of shade trees and burial of weed heaps to retain wetness. • Support with water bowsers and tanks during extreme dry conditions. • Alignment of Estate Welfare Society activities to assist natural disaster management.	Overall rating: High Probability of occurrence: High Severity of impact: High
05. Auction Prices			
The tea market in terms of price and quantity of sale remain volatile due to global factors such as geopolitical, world economic depression of key export destinations of Sri Lanka, exchange rate and climatic conditions of tea producing countries.	• Loss of profit and revenue. • Liquidity and working capital deficits. • Lack of funds for capital expansion.	• Maintaining close plucking rounds. • Timely inputs to tea fields. • Regular training for manufacturing staff and executives. • Our marketing team is geared to carry out buyer analysis and discussions to identify the buyers' perception of our product to upgrade the quality level of our product acceptable to the market buyers. • Obtain and maintain international standards and quality accreditations to maintain attractive prices and premiums. • Initiative to manufacture leafy grades (Low Grown type) and Green Tea in our product mix. • Centralising of tea manufacture according to high NSA. • Regular grade analysis to identify high selling NSA of grades of each factory and produce accordingly.	Overall rating: High Probability of occurrence: High Severity of impact: High

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
06. Product Portfolio			
Over 95% of revenue is generated from Tea revenue and operation is highly dependent on Tea.	• Loss of overall profitability due to low crop, drop in market price and cost increase of the single product being Tea. • Underutilized asset base. • Unabsorbed or un-spread overhead cost.	• Diversification into commercial timber planting. • Initiative to Coffee and Cinnamon planting. • Expansion to hydro power, tea center and holiday bungalows.	Overall rating: High Probability of occurrence: High Severity of impact: High
OPERATIONAL RISK			
07. Dependence on Bought Leaf			
Approximately 40% of production is from outside bought leaf which maximises the factory capacity and revenue.	• Drop in product quality due to substandard raw material and hence drop in market price. • Low made tea output and production cost increase. • Increase bargaining power of bought leaf suppliers for additional rates on Tea Board formula resulting in production cost increase. • Loss of focus on productivity of our own crop, lands, workforce, and good agricultural practices. • Loss of profits because of reducing Net Sale Average. • Noncompliance with Tea Board regulations.	• Executive weighing of bought leaf and acceptance of good leaf for manufacture. • Quality checking and weighing of bought leaf by Internal Audit team. • Payment of additional rates for good quality leaf. • Started replanting and infilling activities in our own lands. • Harvesting of crops in our own low yielding lands on revenue sharing basis by estate work force. • Regular monitoring of KPIs relating to sound agriculture and production practices covering crops, lands, workforce, and production process by Senior Management Team. • Senior Management team discussions and evaluations are in place immediately after weekly sales on expected sale average and availability of produce stock to make best action of disposal of tea stock to maximise sale average to reduce loss on bought leaf at reducing market trend. • Purchasing bought leaf from individuals rather than large scale intermediate collectors. • Internal Audit and Estate Managers check and verify compliance to Tea Board regulations.	Overall rating: Moderate Probability of occurrence: High Severity of impact: Low

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
08. Dependance on CTC Production			
Approximately 40% of production is from CTC tea.	• The average price fetched for CTC tea is much below Orthodox and leafy manufacture. • In certain months, CTC prices are far below expectations and the budgeted level. • Revenue/ profitability loss and drop in RPC ranking.	• Diverting leaf to Orthodox, leafy, and green tea manufacture where the prices are high. • Initiative to start leafy and green tea manufacturing facility. • Maintaining low cost of production of CTC manufacture. • Increase in made Tea outturn.	Overall rating: Moderate Probability of occurrence: High Severity of impact: Moderate
09. Credit Risk			
Risk of being defaulted by trading customers and other debtors and timely settlement of suppliers, financial institutions, and government liabilities.	• Working capital and liquidity issues. • Reputational damage. • High cost of credits and unavailability of discounts. • Legal and compliance issues.	• Timely cashflow planning by Finance Team. • Tea sales are made through Colombo Tea Auction and settlements are assured in seven days by Tea Brokers. • Other debtors are invoiced on time and timely collections are followed up by the Finance Team. • Credit periods are closely evaluated, and creditors are settled on time. • Government leases and other finance obligations are monitored monthly and settled on due dates.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low
10. Asset Risk			
Risks due to fire, theft and machinery and equipment breakdown.	• Permanent or temporary manufacturing breakdowns. • Increase in cost of production and capital losses. • Compensation for loss of life and injuries. • Legal and compliance issues.	• Obtaining comprehensive insurance covers for all tangible assets. • Carry out periodic in-house and outsource training programs for employees such as fire prevention, motor accidents, factory safety measures. • Executive supervision, custody and authorization, Internal Audit verifications of assets. • Maintaining machinery logbook and maintenance schedule with executive supervision and timely maintenance and replacements.	Overall rating: Moderate Probability of occurrence: High Severity of impact: Low

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
11. Inventory			
Risk of accumulating Tea stock due to lower demand and low prices in auction and holding of input materials for a longer period than norm.	• Drop in quality and further drop in prices in subsequent cataloging time. • Loss due to theft and shrinkage, obsolescence. • High cost of stock holding.	• Finance is geared to analyse weekly stock levels and forward cataloging for the next three weeks and make disposal decision together with the marketing team to maximise prices and revenue. • Monthly review of input material stock by Finance team and procurement are made accordingly. • Physical verifications by Internal Audit Team to identify obsolete and slow moving items to overcome stock losses.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low
12. Internal Controls			
Risk associated with lack of sound internal control mechanism to safeguard the assets, avoid, and detect frauds and to ensure operational effectiveness and efficiency.	• Operational losses due to fraud and wastage. • Capital losses and issue with going concern of the company. • Noncompliance with regulatory requirements.	• Sound Internal Audit Department is in place to carry out operational, management, financial and investigation audits. • Clear and detailed operational instructions were given in circular form (SOPs) and follow up by finance and internal audit departments. • All financial transactions are checked and verified at the Finance Department prior to disbursement to estates by two dedicated Managers. • All estate should submit monthly operational plan to Head of Plantation for prior approval. • Monthly operational and performance review meeting is conducted by Managing Director and Senior Management Team to evaluate performance against budget and to discuss operational issues and risks.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low
13. Information Systems and Cyber Security -IT Risk			
Risk of system failure and loss of data and ensuring the integrity, confidentiality, and availability of information	• Absence of timely information for management decision making leads to loss of viable decision making to maximise profitability and business opportunities.	• Dedicated IT team to ensure IT security, privacy and confidentiality with adequate systems and controls. • An effective backup procedure has been implemented both at estates and head office as a disaster recovery measure. • Close monitoring of internet and email usage.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
	• Discontinuity of financial reporting system. • Breach of system security. • Financial and non-financial damages.	• Use of licensed software and security systems. • Use of branded hardware. • Immediate IT related support for estates from head office IT team and regional level service providers. • Strengthened internal control systems and procedures to avoid frauds and malpractices. • Assistance of Internal Audit team to assess IT system resilience.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low
14. Human Capital and Labour Risk			
Plantations are more labour intensive. Reduction in resident manpower, unionized working community, low productivity are key risks in operation.	• Unavailability of labour on estates. • Shortage of skilled labour on estates and low productivity. • Difficulty in making viable and economic operational decisions due to power and pressure of labour unions of workers. • Difficulty of retention and development of existing skilled employees. • Immobility of labour within/ between estates	• Maintained sound relationship and facilitate workers welfare and needs through corporative societies and other welfare societies on the estate. • Ensure compliance with all regulatory requirements benefited to estate workers. • Get the maximum benefits from Government and Non-Governmental organization grants and donations for health and wellbeing of our plantation workers. • Maintaining good relationship with trade union leaders through regular dialogues.	Overall rating: Moderate Probability of occurrence: High Severity of impact: Low
15. Procurement Risk			
Availability, quality and timeliness of input material and prices paid.	• Increase in cost of production. • Revenue drops due to poor prices at Tea Auction. • Unavailability of fertilizer and chemicals at correct time of weather condition. • Operational breakdown in factories.	• Sourcing of input materials from industry reputable companies. • Keeping buffer stock of critical consumable and input materials. • Forward purchase agreements with outside bought leaf suppliers. • Keeping relationship with number of suppliers to source bought leaf. • Advances and daily payments to retain suppliers. • Our own transport arrangements extended to suppliers.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
16. Pests and Diseases			
Plantations are vulnerable to be attacked by pests and diseases.	• Revenue Losses • Increase in Cost of Production	• Regular supervision of fields by agriculture consultants. • Adoption of best agriculture practices recommended by TRI.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low
17. Business Disruption due to Pandemics			
Out break of pandemics will cause business and operational discontinuity and disruptions.	• Loss in Revenue and profitability. • High operational expenditure. • Adverse impact of working capital.	• Adoption of stringent measures to keep workers and staff health and immunity levels up. • Field and manufacturing operations are being carried out according to the prescribed health and medical practices announced by government authorities. • Close and timely relationship with government authorities to prevent the spread of diseases. • Free of charge provision of sanitary material and facilities to workers and staff. • Financial assistance to workers. • Awareness program to estate workers and communities. • Online and remote working facilities for staff and executives. • Connection with banks and suppliers through digital media.	Overall rating: Moderate Probability of occurrence: Low Severity of impact: High
FINANCIAL RISK			
18. Investment Risk			
Investments are made without proper feasibility evaluation to achieve expected objectives.	• The expected profitability of the project will not be achieved or project failures. • Deficiencies in long term replanting program.	• Carry out comprehensive feasibility studies with the support of external expertise and finance team. • Discuss and evaluate in Management Committee and Board Meeting prior to undertaking and obtain Board approval. • Close monitoring of the progress periodically to ensure project deliverables are achieved with given budget and timelines. • Extremely essential investments are made in capital assets such as replanting, machinery and plant upgrading to rationalize the production process in major factories.	Overall rating: Moderate Probability of occurrence: Low Severity of impact: High

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
19. Inflation Risk			
Domestic inflation due to currency devaluation, import restriction, shortage of supplies, high taxation, and other policy measures of the Government.	• High cost of production and product become uncompetitive in markets. • Liquidity shortages and working capital issues. • Lack of Capital investment • Loss of real asset value	• Stringent cost Management. • Initiatives for process improvements. • Centralization and consolidation of manufacturing and administrative functions	Overall rating: High Probability of occurrence: High Severity of impact: High
20. Interest Rate Risk			
Volatility in interest rates due to changes in government fiscal and monetary policies.	• Increase in finance costs and reduction in interest income and reduced profitability. • Difficulty of investing in capital developments and growth prospect. • Low return on new investments.	• Focus on Capital investments through internally generated funds. • Get the maximum benefit of concessionary funding of government to Plantation sector. • Short term assets to be financed with short-term borrowings and long-term assets to be financed with long term borrowings. • Monitor debt levels constantly and maintain a balance between debts and equity and long and short terms.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low
21. Liquidity Risk			
Liquidity Risk is inherited with uncontrollable factors such as erratic weather pattern, wage hike, drop in auction average and government decisions on input material prices.	• Increase in borrowing costs and loss of opportunity to raise funds at lowest interest. • Restricted procurements and high cost on credit terms. • Reputational damages due to default and delay.	• Keep buffer cash in short to medium term fixed deposits. • Take the opportunities of concessionary funding facilities available to Plantation companies. • Efficient cashflow planning and controls on weekly and monthly basis by Finance Team. • All estate payments are closely verified by Management executives and outgoing expenditure is prioritized and kept to minimum requirements. • Maintain effective budgetary control system for income and expenses of each estate and expenses are restricted to the crop intake and sale average of the month. • Input materials are held only to the requirement unless there is a special requirement to keep buffer stocks.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low

RISK MANAGEMENT (contd.)

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
COMPLIANCE RISK			
22. Compliance Risk			
Compliance with applicable regulations, legislation, and internal policies.	• Penalties, charges, and legal costs. • Reputational damage. • Threat to continuity of operation and going concern of the company.	• Periodic review and monitoring of Audit Committee. • Review and reporting of Internal Audit Team. • Statutory obligations are reviewed monthly by the Chief Financial Officer and reported to the Board of Directors. • Review and reporting of External Audit annually. • Present compliance report at every board meeting for the discussion of the board members.	Overall rating: Low Probability of occurrence: Low Severity of impact: Low

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per the section D.1.5 of the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies, objectives, and annual budget.
- The Company Internal Audit to review and report on the internal control environment in the Company. Audits are carried out in accordance with the annual audit plan approved by the Audit Committee and specific areas required during the financial year. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by the Internal Audit and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings.
- The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation, and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2021/22 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

CONCLUSION

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirm that the financial reporting system of Hatton Plantations PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act and the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Consolidated Financial Statements for the year ended 31st March 2023 have been audited by Messrs. PricewaterhouseCoopers, Chartered Accountants.

By order of Board,

Gary Seaton
Chairman

Menaka Athukorala
Managing Director/ CEO

Indrajith Fernando
Chairman, Audit Committee

22nd August 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Hatton Plantations PLC (the Company) have pleasure in presenting their report on the affairs of the Company together with the audited Consolidated Financial Statements of the Group for the year ended 31st March 2023. The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 ("the Companies Act"), the Listing Rules of the Colombo Stock Exchange, the Code of best practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and are guided by recommended best accounting practices.

The Annual Report for the period ended 31 March 2023 which covers business strategy, strategic imperatives, share-related information and reviews on risk management, governance and sustainability.

The Financial Statements were reviewed and approved by the Board of Directors on 22nd August 2023.

PRINCIPAL ACTIVITIES

During the year, the principal activities of the Group and the Company were cultivation, manufacturing and sale of Orthodox, CTC and Green Tea.

The subsidiaries of the Company, Mark Marine Services (Private) Limited, a Hydro Power Company is engaged in generating hydro power to national grid.

There was no significant change in the nature of business of the Group and the Company during the period that may has a significant impact on the state of affairs of the Company.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A review of the financial and operational performance and future business developments of the Company's business segments are discussed in the Chairman's report on pages 6 to 9 and Managing Director's review on pages 10 to 12.

These reports together with the Audited Financial Statements (pages 58 to 130) and financial review (pages 132 to 134) provide a comprehensive assessment on the financial performance, financial position and the state of affairs of the Group and the Company.

The Directors, to the best of their knowledge and belief, confirm that the Group and the Company has not engaged in any activities that contravene laws and regulations.

GOVERNANCE STRUCTURE

The Governance Structure is given on page 20.

FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Group and the Company for the period ended 31 March 2023 duly signed by the Chief Financial Officer, two of the Directors of the Company are given on pages 58 to 130 which form an integral part of the Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Group and the Company to represent a true and fair view of its state of affairs.

The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Financial Reporting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 52 and forms an integral part of the Annual Report of the Board of Directors.

AUDITOR'S REPORT

The Company's Auditors, Messrs. PricewaterhouseCoopers, carried out the statutory audit on the Consolidated Financial Statements of the Group and the Company for the period ended 31 March 2023 and the report on those Financial Statements is given on pages 54 to 57 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company in the preparation of Financial Statements and are stated on pages 65 to 81.

GOING CONCERN

The Directors, after making necessary inquiries and reviews, including reviews of the Group's and the Company's budget for the ensuing year, capital expenditure requirements, future prospects and risk, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

GROUP REVENUE

The revenue of the Group during the year was LKR 7,708.0 Mn (2022 LKR 5,392.5 Mn). An analysis of the Group's revenue, profits and asset allocation relating to different segments are given in Note 05 Page 82 to the Financial Statements.

FINANCIAL RESULTS

The Group profit before taxation, amounted to LKR 2,041.3 Mn (2022- LKR 416.5 Mn) during the period under review. After charging LKR 371.7 Mn (2022 – LKR.116.3 Mn - gain) for taxation, the Group Profit after tax for the period was LKR 1669.6 Mn (2022 – LKR 532.8 Mn). The Group profit attributable to equity holders of the parent and non-controlling interest were respectively LKR 1,668.0 Mn and LKR 1.6 Mn (2022 – LKR 532.3 Mn and LKR 0.4 Mn).

STATED CAPITAL AND RESERVES

The stated capital of the Group as at 31 March 2023 was LKR 1,803.4 Mn comprising 236,666,670 ordinary shares and 1 Golden share. There were no changes in the stated capital during the period.

Total Group reserves at 31st March 2023 Amounted to LKR 2,703.6 Mn (2022 – LKR 1,443.8 Mn) comprising retained earnings of LKR 2,695.9 Mn. (2022 – Rs. 1,432.5 Mn). The movement in reserves during the period is shown in the Statement of Changes in Equity in the Financial Statements.

DIVIDEND ON ORDINARY SHARE

During the financial year 2022-23, the following dividends were declared and distributed to the shareholders:

- 1st Interim Dividend of LKR 1/- per share paid on 17th August 2022, amounted to LKR 236.7 Mn (2021-22 – LKR 118.3 Mn)
- 2nd Interim Dividend of LKR 0.5/- per share paid on 16th December 2022, amounted to LKR 118.3 Mn (2021-22 – LKR NIL)

The Directors have confirmed that the Company satisfies the Solvency test requirement under Section 56 of the Companies Act for the interim dividends paid and Solvency Certificates were obtained from the Auditors in respect of the interim dividends paid.

CORPORATE DONATIONS

During the period 2022/23 Company has made donations amounting to LKR 4.1 Mn (2022 – 3.8 Mn).

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. The profit earned up to 30.09.2022 on Agro Farming is exempt, Agro processing and Dividend Income are liable at 14% and Interest Income is liable at 24%. From 01.10.2022, as per the amendment to the Inland Revenue Act no 24 of 2017, the profit earned on Agro farming is exempt, Argo processing is liable at 22.5% and other source of income is liable at 30%.

Tax of the Mark Marine Services (Private) Limited is calculated using tax rate of 14% and profit from other activities are taxed at 24% upto 30.09.2022 and from 01.10.2022, Hydro Power profit and other activities are liable at 30%.

The Group has also provided deferred tax on all known temporary differences under the liability method as permitted by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes". Information on the income tax and deferred tax of the Group and the Company is given in note 10 and 31 to the Financial Statements.

CAPITAL EXPENDITURE

The total capital expenditure on purchase and construction of Property, Plant and Equipment, and expenditure incurred on immature plantations by the Group as at 31 March 2023 amounts to LKR 167.1 Mn (2022 – LKR 165.8 Mn) and LKR 386.7 Mn (2022 – LKR 210.5 Mn) respectively. The movement in Property, Plant and Equipment and Bearer Plants are set out in Note 14, 15 and 16 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Total value of the Property, Plant and Equipment of the Group as at 31 March 2023 amounted to LKR 1,482.7 Mn (2022 – LKR 1,437.0 Mn). The details of Property, Plant and Equipment are given in Note 14 to the Financial Statements.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date. The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 52.

EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date, which would require adjustments in the Financial Statements, except for the disclosure made under Note 40.

DIRECTORS' INTEREST REGISTER

In compliance with the Companies Act No. 07 of 2007, the Company maintained the Interest Registers. Particulars of Entries in the Interest Register are set out in Note 38 to the Financial Statements.

SHAREHOLDING

As at 31 March 2023, there were 16,040 registered shareholders. Information on the distribution of shareholding, categories of shareholders and the percentage holding of Twenty Largest Shareholders is indicated on pages 137 and 138.

GOLDEN SHAREHOLDER

Rights of the Golden Shareholder as given in the Articles of Association of the Company are disclosed in note 25 to the Financial Statements.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all shareholders are treated equitably.

DIRECTORS' INTEREST IN TRANSACTIONS

The Directors of the Company made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Note 38 to the Financial Statements have dealt with related party disclosures and include details of their interests in transactions.
The shareholdings (No. of shares) of Directors are as follows:

AS at 31 March 2023	No of shares
Mr. Gary Seaton	Nil
Mr. Menaka Athukorala	Nil
Mr. Gowri Shankar	Nil
Mr. Hiro Bhojwani	Nil
Mr. Indrajith Fernando	Nil
Mr. Uditha Palihakkara	Nil
Mr. Damascene Perera	200,100
Mr. Lucille Wijewardena	Nil

DIRECTORS' EMOLUMENTS

Directors' emoluments, in respect of the Company for the financial period ended 31 March 2023 are given in Note 8 and 38 to the Financial Statements.

COMPLIANCE WITH RELATED PARTIES

The Board of Directors affirm that the Company has complied with CSE listing Rule No. 9 pertaining to Related Party Transactions.

The details of related party transactions of the Company and the Group are given in Note 38 in the Financial Statements.

THE BOARD OF DIRECTORS

As at 31 March 2023, the Board of Directors of Hatton Plantations PLC consisted of eight members. Names of the Directors and their brief profiles appear on pages 14 to 18 of the Annual Report.

AUDITORS

Messrs. PricewaterhouseCoopers, (PwC) Chartered Accountants are deemed to be appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

The audit fees paid to PwC during the period under review by the Company amounted to LKR 3.4 Mn (2022 – LKR 2.5 Mn).

As far as the Directors are aware, the Auditors do not have any relationship (Other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the Group and the Company.

CORPORATE GOVERNANCE/ INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate culture.

The practices carried out by the Group and the Company are explained in the Corporate Governance reports on pages 20 to 31.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Group and the Company have complied with the relevant environmental laws and regulations. The Group and the Company have not engaged in any activity that is harmful or hazardous to the environment.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal controls. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness of these controls for the period up to the date of signing the Financial Statements.

DIRECTORS' MEETINGS

The details of the Directors' meetings which comprise Board meetings, Audit Committee meetings, Remuneration and Nomination Committee meetings, Related Party Transactions Review Committee and Attendance of Directors at these meetings are given in the Annual Report under Corporate Governance, Audit Committee Report, and Remuneration Committee Report and Related Party Transaction Review Committee.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 27th September 2023 at 10.00 a.m. at Park Premier Banquet Hall, Excel World, no. 338, T B Jayah Mawatha, Colombo 10.

The Notice of the Annual General Meeting appears on page 142.

For and on behalf of the Board,

G D Seaton
Chairman

A U A M Athukorala
Managing Director/ CEO

Corporate Advisory Services (Pvt) Ltd.
Secretaries,
Hatton Plantations PLC

22nd August 2023

REPORT OF THE AUDIT COMMITTEE

ROLE OF THE AUDIT COMMITTEE

The Terms of Reference "Charter" provides a clear understanding of the Audit Committee's role, structure, processes, and membership requirements. This conveys the framework for the Committee's organisation and responsibilities that can be referred to by the Board, committee members, management and External and Internal Auditors. The Audit Committee reviews the charter and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

COMPOSITION OF THE AUDIT COMMITTEE

During the year, the Committee comprised two Independent Non-Executive Directors and one Non-Executive Director. Profiles of the members are given on pages 14 to 18 Corporate Advisory Services (Private) Limited function as the Secretaries to the Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met six (06) times during the year. The attendance of the members at these meetings is as follows:

Name of the Director	Status	Attendance
Mr. Indrajith Fernando	Independent Non-Executive	6 of 6
Mr. Uditha Palihakkara	Independent Non-Executive	6 of 6
Mr. Gowri Shankar	Non-Independent Non-Executive	6 of 6

The Managing Director/ Chief Executive Officer (CEO), Chief Financial (CFO) and Manager-Finance shall normally attend meetings of the Audit Committee. The Head of Internal Audit also attended these meetings by invitation. On the invitation of the Audit Committee, the Engagement Partner of the Company's External Auditors, Messrs PricewaterhouseCoopers attends Audit Committee meetings. The Audit Committee shall report to the Board as appropriate.

THE DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2023.

FINANCIAL REPORTING

Reviewed the quarterly and year-to-date financial results of the Company and the relevant announcements to Colombo Stock Exchange (CSE), focusing particularly on significant changes to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.

The Audit Committee reviewed the Annual Report and the annual audited financial statements of the Company prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the listing requirements of Sri Lanka Financial Reporting Standards provisions of the Companies Act. No. 07 of 2007, CSE and any other relevant legal and regulatory requirements.

In review of the Annual Audited Financial Statements, the Committee discussed with the Managing Director/ CEO, Chief Financial Officer, Manager – Finance and External Auditor the significant accounting policies, estimates and judgements applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the Financial Statements.

INTERNAL CONTROL AND RISK MANAGEMENT AND INTERNAL AUDIT

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 32 to 41.

The Committee has an ongoing

process for reviewing the effectiveness of the system of internal controls and of the internal audit function. During the year, it reviewed and approved the annual internal audit plan prepared taking into consideration the required controls and risks attached to different areas of operation. It also reviewed the reports from the internal audit team summarizing the audit findings and recommendations and describing actions taken by Management to address any shortfalls. It reviewed the level and nature of outstanding audit weaknesses with reference to the risk rating assigned to those issues by the internal auditor and invited Management to the Committee to further understand progress where it felt it was necessary.

It also encourages the Management to establish a suitable whistle-blowing mechanism to facilitate anonymous complaint and feedback.

EXTERNAL AUDIT

Reviewed the scope of the External Auditors, Audit strategy and audit plan for the year and their proposed fees for the statutory audit.

Reviewed the external audit reports and areas of concern highlighted in the Management Letter including Management's responses to the findings of the External Auditors.

The Audit Committee discussed with External Auditors the key audit matters, impact of new or proposed Sri Lanka Accounting Standards and regulatory requirements applicable to the Company.

The Audit Committee assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Company and prior to the appointment of the External Auditors for provision of any non-audit services. The Audit Committee also received report from the external auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with.

Reviewed the performance of the External Auditors, Messrs PricewaterhouseCoopers and recommended their appointment to the Board for the financial year ended 31 March 2023 subject to the approval of the shareholders at the next Annual General Meeting.

REGULATORY COMPLIANCE

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Managing Director/ CEO along with The Chief Financial Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.

AUDIT COMMITTEE EFFECTIVENESS

The Committee prepares and reviews with the Board an annual performance evaluation of the Committee. The findings of the review ensure that the Board is satisfied that the Committee is operating effectively, and meeting all applicable legal and regulatory requirements.

CONCLUSION

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the financial position of the Company is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the financial statement is appropriate. The Audit Committee recommends to the Board of Directors that the Financial Statements as submitted be approved.

On behalf of the Audit Committee;

Indrajith Fernando
Chairman – Audit Committee

22nd August 2023

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

TERMS OF REFERENCE

The Charter determines the terms of reference for the Remuneration Committee. The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the members of the Executive Committee, and setting the broad parameters of remuneration for Senior Executives across the Company.

COMPOSITION

The Committee is made up of three Directors namely –

- **Mr. Indrajith Fernando** – *Chairman (Non-Executive, Independent)*
- **Mr. Uditha Palihakkara** *(Non-Executive, Independent)*
- **Mr. Gowri Shankar** *(Non-Independent Non-Executive)*

The Chairman and Managing Director/ CEO of the Company assist the Remuneration Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

Corporate Advisory Services (Pvt) Limited acts as the Secretaries to the Remuneration Committee. The Minutes of the Remuneration Committee approved by the said Committee is circulated and affirmed by the Board of Directors.

MEETINGS

The Remuneration and Nominations Committee of the Company met one time during the Financial year.

The Remuneration and Nominations Committee of the Company meets at least once a year, and as and when required. The attendance of the meetings is given in table on page 22 of the Annual Report.

REMUNERATION POLICY

The Company's remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Company's objectives and create value for our shareholders.

A significant portion of executives' total potential remuneration is performance related in order to drive the right behavior to optimize Company performance. Stretched targets are set for the plantation managers on a quarterly basis in the context of prevailing market conditions in which it operates. The remuneration packages which are linked to individual performances are aligned with the Company's short-term and long-term strategy.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, business unit and overall performance of the Company and market practices. The Committee continues to provide analysis and advice to ensure Key Management Personnel remuneration is competitive in the market place. The Committee has the authority to seek external independent professional advice on matters within its purview.

DIRECTORS' FEES

The Directors receive fees for services on Board and Board Committees. Directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Directors are recommended by the Remuneration committee to the Board for their approval.

The Directors emoluments are disclosed on Note 8 to the Financial Statements.

REAPPOINTMENT

The Committee has recommended to reappoint Mr. Uditha Palihakkara who is over seventy years of age.

On behalf of the Remuneration Committee,

Indrajith Fernando
Chairman – Remuneration Committee
22nd August 2023

REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

COMPOSITION OF THE COMMITTEE

Related Party Transaction Review Committee was established in accordance with the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange. The Related Party Transaction Review Committee comprised two Independent Non-Executive Directors and one Non-Executive Director.

Policies and Procedures adopted for reviewing the related party transactions:

The Committee reviewed all related party transactions except for the following transactions:

(1) Recurrent, routine transactions which are of trading or revenue nature

(2) Payment of dividend, issue of securities

(3) Grant of options and the issue of securities pursuant to the exercise of options under an employee share option scheme

(4) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the listed entity at the time of the transaction

(5) Directors fees and remuneration and employment remuneration.

The Committee established guidelines for the Senior Management to follow, for recurrent related party transactions, in its ongoing dealings with the related parties. At the year end, the Committee carried out a review and assessed ongoing relationships with the related parties to determine whether they are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.

The Committee also determined whether to obtain the approval of the Board of Directors for a related party transaction considering the factors such as the impact of the proposed transaction on the independence of the Directors and whether related party transaction require immediate market disclosure.

It was also ensured that Committee members did not have any conflict of interest with regard to the proposed related party transactions.

MEETINGS

The Committee met five (4) times during the year. Attendance of the Committee members at each of these meetings is as follows.

Name of the Director	Status	Attendance
Mr. Indrajith Fernando *(Chairman)*	Independent Non-Executive	4 of 4
Mr. Uditha Palihakkara	Independent Non-Executive	4 of 4
Mr. Gowri Shankar	Non-Independent Non-Executive	4 of 4

MEETING AND MINUTES

Corporate Advisory Services (Private) Limited acts as the Secretaries to the Related Party Transaction Review Committee. The Minutes of the Related Party Transaction Committee approved by the said Committee is circulated and affirmed by the Board of Directors.

STATEMENT OF COMPLIANCE

The Committee has reviewed the related party transactions during the financial year and communicated the comments/ observations to the Board of Directors. Information disclosures as required under section 9 of the Listing Rules are presented under Note 38 to the Financial Statements.

On behalf of the Board,

Indrajith Fernando
Chairman - Related Party Transactions Review Committee
22nd August 2023

Financial Reports

FINANCIAL CALENDAR	
First quarter	15th August, 2022
Second quarter	28th October, 2022
Third quarter	15th February, 2023
Fourth quarter	31st May, 2023
Publishing of annual accounts	29th August, 2023
Annual general meeting	27th September, 2023

STATEMENTS OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditor's Statement of their responsibilities set out in Director's report, is made with a view to distinguish the respective responsibilities of the Directors and the Auditors, in- relation to the Financial Statements.

The Directors are required by the companies Act No: 7 of 2007, to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit for the financial year. The Directors are required to prepare these Financial Statements on the going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in the business for the foreseeable future, the Financial Statement continue to be prepared on the said basis.

The Directors consider that in preparing the Financial Statements on pages 58 to 130 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable, have been followed.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy of the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Companies Act No:2007.

The Directors are responsible for taking such steps that are reasonably open to them, to safe guard the assets of the Company and to present and detect fraud and other irregularities.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act for interim dividends paid and the Solvency Certificates have been obtained from the auditors in this respect.

The Directors confirm that the Financial Statements have been presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting standards (LKAS) and provide the External Auditors with every assistance to undertake whatever inspections, they consider to be appropriate for the purpose of enabling them to give their audit report in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The report of the external auditors, show on pages 54 to 57 sets out their responsibility in respect of the Financial Statements.

The Directors are confident that they have discharged their responsibilities as set out in their statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory due and payable by the Company as at the financial position date have been paid, or where relevant, provided for.

By Order of the Board,

Gary Seaton
Chairman

Menaka Athukorala
Managing Director/ CEO

22nd August 2023

MANAGING DIRECTOR/ CEO'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Hatton Plantations PLC and the Consolidated Financial Statements of the Group as at 31 March 2023 are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance-2017 issued jointly by the institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company and the Group. There are no departures from the prescribed Accounting Standards in their adoption.

The significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and Chief Financial officer of the Company and the Group accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements give a true and fair view of the state of affairs, the forms and substance of transactions and that the Company's and the Group's state of affairs is reasonably presented. To ensure this, the Company and the Group has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The Financial Statements of the Company and the Consolidated Financial Statements of the Group were audited by Messrs PricewaterhouseCoopers, Chartered Accountants and their report is given on pages 54 to 57 of the Annual Report.

The Audit Committee of the Company meets periodically with the Internal Audit Team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that the Group and the Company have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Group and the Company.

Menaka Athukorala
Managing Director/ CEO

Annemarie Outschoorn
Chief Financial Officer

22nd August 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hatton Plantations PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Hatton Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary company ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of profit or loss for the year ended 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

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

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The Company:

Key audit matter	How our audit addressed the Key audit matter
Valuation of consumable biological assets – Valuation of Timber Trees	
Refer Accounting Policy Note 3.4.1 and Note 16.1 to the financial statements. The carrying value of consumable biological assets in the statement of financial position at year end was LKR 2,047.6 Mn. The timber trees, on estates managed by the Company, are classified as consumable biological assets and are measured at each reporting date at fair value less cost to sell. The trees less than 5 years are carried at cost less impairment as the fair value cannot be reliably measured. Timber trees include both immature and mature plantations. The market prices for timber trees are impacted by factors such as topographical characteristics of the land, age and condition of timber trees and the economic conditions that drives the supply and demand. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumable biological assets of the Company as at 31 March 2023. We considered the valuation of consumable biological assets as a key audit matter due to the significant judgement and assumptions/estimates involved in the process of valuation. These included the following: • Estimation of height and girth of trees to arrive at the volume of timber • Value of timber per cubic meter • Discount rates	We obtained evidence relating to the external valuer's competence and independence. We also obtained the external valuer's valuation report and performed the following; • Obtained estate wise reports for timber trees that are used by the Company to record and manage timber trees, and the annual census report of timber trees by estate, compared the number of timber trees in the census report with the valuation report to check the completeness and accuracy of the data used for the valuation. We also checked the mathematical accuracy of the consumable biological assets valuation. • Performed a physical observation of a sample of trees during estate visits to assess the girth and height of the respective trees and compared with estate management records. The assumptions used in estimating girth and height to calculate the volume were also compared with the market projections and industry norms that are generally accepted in determining the volume of timber. • Assessed the reasonableness of prices taken for the valuation of mature trees of timber, by comparing the market prices for a cubic meter of Eucalyptus Grandis trees to publicly available information in web sites and the prices of timber trees sold during the year by the Company. • Assessed the appropriateness of the discount rate, by considering the market yields of the Government treasury bonds published by the Central Bank of Sri Lanka (CBSL). Assessed the reasonableness of the industry risk adjustment, by comparing with comparable businesses of similar scale obtained from the Colombo Stock Exchange where information is publicly available and determined the consistency with market information. Based on our work, the judgement and assumptions used by the external valuer in determining the value of consumable biological assets as at 31 March 2023 is reasonable and appropriate.

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Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the consolidated 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we

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conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number - 1581
COLOMBO

22nd August 2023

STATEMENT OF PROFIT OR LOSS

(all amounts in Sri Lankan Rupees thousands)

		Group		Company	
		Year ended 31 March	**Year ended 31 March**	**Year ended 31 March**	**Year ended 31 March**
	Notes	**2023**	**2022**	**2023**	**2022**
Revenue	5	7,708,019	5,392,519	7,619,812	5,353,963
Cost of sales		(5,798,933)	(5,014,862)	(5,754,942)	(4,991,572)
Gross profit		**1,909,086**	**377,657**	**1,864,870**	**362,391**
Other income	6	76,881	109,537	147,607	180,295
Gain on change in fair value of biological assets	7	397,981	147,378	397,981	147,378
Administrative expenses		(294,155)	(179,953)	(283,412)	(174,270)
Operating profit		**2,089,793**	**454,619**	**2,127,046**	**515,794**
Finance income	9	121,600	33,859	119,844	32,616
Finance expenses	9	(112,490)	(44,346)	(112,490)	(44,346)
Interest paid to government and other on lease	9	(57,631)	(53,599)	(57,631)	(53,599)
Net finance costs		(48,521)	(64,086)	(50,277)	(65,329)
Gain on bargain purchase		-	25,979	-	-
Profit before income tax		**2,041,272**	**416,512**	**2,076,769**	**450,465**
Income tax expense	10	(371,719)	116,255	(370,818)	117,604
Profit for the period		**1,669,553**	**532,767**	**1,705,951**	**568,069**
Profit is attributable to:					
Equity holders of the parent		1,667,968	532,319	1,705,951	568,069
Non-controlling interest		1,585	448	-	-
		1,669,553	**532,767**	**1,705,951**	**568,069**
Profit per share for profit attributable to the ordinary equity holders of the Company (expressed in LKR per share)					
-Basic/diluted earning per share	11.1	7.05	2.25	7.21	2.40

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Profit for the period		1,669,553	532,767	1,705,951	568,069
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
- Changes in the fair value of equity investments at fair value through other comprehensive income	17,18	(3,616)	(10,013)	(71,032)	64,872
-Remeasurements of post-employment benefit obligations	29	(70,816)	(19,898)	(72,469)	(20,604)
- Income tax relating to these items	10	21,245	(30,004)	21,741	(29,905)
Total other comprehensive income for the year (net of tax)		**(53,187)**	**(59,915)**	**(121,760)**	**14,363**
Total comprehensive income for the period		**1,616,366**	**472,852**	**1,584,191**	**582,432**
Comprehensive income is attributable to:					
Equity holders of the parent		1,614,728	472,376	1,584,191	582,432
Non-controlling interest		1,638	476	-	-
		1,616,366	**472,852**	**1,584,191**	**582,432**

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
ASSETS					
Non-current assets					
Right-of-use assets	12	**214,669**	208,733	**214,669**	208,733
Immovable estate assets	13	**15,407**	20,517	**15,407**	20,517
Property, plant and equipment other than bearer plants	14	**1,482,686**	1,436,965	**1,108,663**	1,039,150
Bearer plants	15	**1,138,186**	798,506	**1,138,186**	798,506
Biological assets - consumable	16.1	**2,047,687**	1,627,587	**2,047,687**	1,627,587
Investment in subsidiary	17	**-**	-	**466,405**	533,821
Equity investments at fair value through other comprehensive income	18	**18,428**	22,044	**18,428**	22,044
Long term investment	19.1	**-**	261,916	**-**	261,916
Total non-current assets		**4,917,063**	**4,376,268**	**5,009,445**	**4,512,274**
Current assets					
Biological assets-produce crops on bearer plants	16.2	**23,656**	17,382	**23,656**	17,382
Inventories	21	**832,524**	452,925	**831,353**	452,925
Trade and other receivables	22	**369,150**	241,031	**276,125**	139,028
Amounts due from related companies	23	**313,469**	59,331	**317,711**	48,310
Short term investment	19.2	**463,386**	153,911	**463,386**	153,911
Cash and cash equivalents	24	**186,283**	254,488	**184,003**	253,105
Total current assets		**2,188,468**	1,179,068	**2,096,234**	1,064,661
Total assets		**7,105,531**	**5,555,336**	**7,105,679**	**5,576,935**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated Capital	25	**1,803,400**	1,803,400	**1,803,400**	1,803,400
Reserve on equity investments at FVOCI		**7,665**	11,281	**15,134**	86,166
Retained earnings		**2,695,890**	1,432,546	**2,767,941**	1,467,718
Equity attributable to equity holders of the parent		**4,506,955**	3,247,227	**4,586,475**	3,357,284
Non-controlling interests	26	**18,536**	20,298	**-**	-
Total equity		**4,525,491**	**3,267,525**	**4,586,475**	**3,357,284**

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
		Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Non-current liabilities					
Borrowings	27	**175,393**	309,337	**175,393**	309,337
Lease liability	28	**246,734**	232,112	**246,734**	232,112
Retirement benefit obligation	29	**824,909**	768,409	**818,381**	761,472
Deferred capital grants	30	**110,638**	112,878	**110,638**	112,878
Deferred tax liability	31	**350,269**	100,029	**305,751**	45,549
Total non-current liabilities		**1,707,943**	**1,522,765**	**1,656,897**	**1,461,348**
Current liabilities					
Borrowings	27	**238,605**	371,430	**238,605**	371,430
Lease liability	28	**2,817**	2,353	**2,817**	2,353
Trade and other payables	32	**593,177**	376,549	**591,182**	374,786
Current income tax liability	33	**37,498**	14,714	**29,703**	9,734
Total current liabilities		**872,097**	**765,046**	**862,307**	**758,303**
Total liabilities		**2,580,040**	**2,287,811**	**2,519,204**	**2,219,651**
Total equity and liabilities		**7,105,531**	**5,555,336**	**7,105,679**	**5,576,935**
Net assets per share		**19.13**	13.81	**19.38**	14.19

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

Annemarie Outschoorn
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and singed on behalf of the board of Hatton Plantations PLC.

Menaka Athukorala
Managing Director/CEO

Indrajith Fernando
Director

22nd August 2023

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lankan Rupees thousands)

		Attributable to equity holders of the parent					
	Notes	**Stated capital**	**Reserve on equity instruments at FVOCI**	**Accumulated profits/ (losses)**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 April 2021		1,803,400	21,294	1,068,491	2,893,185	-	2,893,185
Profit for the period		-	-	532,319	532,319	448	532,767
Other comprehensive income		-	(10,013)	(49,931)	(59,944)	28	(59,916)
Total comprehensive income for the period		**-**	**(10,013)**	**482,388**	**472,375**	**476**	**472,851**
Transactions with owners in their capacity as owners:							
Recognized the NCI from business acquisition		-	-	-	-	23,222	23,222
Dividend		-	-	(118,333)	(118,333)	(3,400)	(121,733)
Balance as at 31 March 2022		**1,803,400**	**11,281**	**1,432,546**	**3,247,227**	**20,298**	**3,267,525**
Balance at 1 April 2022		1,803,400	11,281	1,432,546	3,247,227	20,298	3,267,525
Profit for the period		-	-	1,667,968	1,667,968	1,585	1,669,553
Other comprehensive income		-	(3,616)	(49,624)	(53,240)	53	(53,187)
Total comprehensive income for the period		**-**	**(3,616)**	**1,618,344**	**1,614,728**	**1,638**	**1,616,366**
Transactions with owners of the company							
Dividend	34	-	-	(355,000)	(355,000)	(3,400)	(358,400)
Balance as at 31 March 2023		**1,803,400**	**7,665**	**2,695,890**	**4,506,955**	**18,536**	**4,525,491**

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lankan Rupees thousands)

	Notes	Stated capital	Reserve on equity instruments at FVOCI	Accumulated profits/ (losses)	Total equity
Balance at 1 April 2021		1,803,400	21,294	1,068,491	2,893,185
Profit for the period		-	-	568,069	568,069
Other comprehensive income		-	64,872	(50,509)	14,363
Total comprehensive income for the period		**-**	**64,872**	**517,560**	**582,432**
Transactions with owners of the company					
Dividend	34	-	-	(118,333)	(118,333)
Balance as at 31 March 2022		**1,803,400**	**86,166**	**1,467,718**	**3,357,284**
Balance at 1 April 2022		1,803,400	86,166	1,467,718	3,357,284
Profit for the period		-	-	1,705,951	1,705,951
Other comprehensive income		-	(71,032)	(50,728)	(121,760)
Total comprehensive income for the period		**-**	**(71,032)**	**1,655,223**	**1,584,191**
Transactions with owners of the company					
Dividend	26,34	-	-	(355,000)	(355,000)
Balance as at 31 March 2023		**1,803,400**	**15,134**	**2,767,941**	**4,586,475**

STATEMENT OF CASH FLOWS

(all amounts in Sri Lankan Rupees thousands)

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Cash flows from operating activities					
Cash generated from operations	37	**1,478,528**	659,181	**1,406,623**	685,014
Interest paid		**(135,134)**	(58,569)	**(135,134)**	(58,569)
Payment of income tax	33	**(77,450)**	(20,646)	**(68,906)**	(17,799)
Retirement benefit obligations paid	29	**(173,497)**	(115,702)	**(173,204)**	(115,702)
Interest received		**74,034**	15,166	**72,285**	13,923
Net cash generated from operating activities		**1,166,481**	**479,430**	**1,101,664**	**506,867**
Cash flows from investing activities					
Additions to bearer plants	15	**(358,268)**	(190,117)	**(358,268)**	(190,117)
Additions and transfer to consumable biological assets	16.1	**(28,393)**	(20,421)	**(28,393)**	(20,421)
Additions to property, plant and equipment	14	**(167,119)**	(165,790)	**(166,669)**	(163,622)
Proceeds from sale of property, plant and equipment		**230**	2,900	**230**	2,900
Proceeds from sale of consumable biological assets		**-**	5,664	**-**	5,664
Proceeds from sale of bearer plant assets		**-**	2,023	**-**	2,023
Acquisition of subsudiary,net of cash acquired	17	**-**	(458,936)	**-**	(458,936)
Dividends received from subsidiary and associate		**-**	6,135	**60,070**	77,205
Additions to the long term investments		**-**	(249,657)	**-**	(249,657)
Proceed from the short term investments		**-**	102,366	**-**	102,366
Net cash used in investing activities		**(553,550)**	**(965,833)**	**(493,030)**	**(892,595)**
Cash flows from financing activities					
Dividend paid	34	**(355,000)**	(118,333)	**(355,000)**	(118,333)
Dividends paid to NCI	26	**(3,400)**	(3,400)	**-**	-
Proceeds from borrowings	27	**62,077**	367,500	**62,077**	367,500
Repayment of borrowings	27	**(208,838)**	(141,257)	**(208,838)**	(141,257)
Repayment of government lease principal	28.1	**(56,762)**	(52,606)	**(56,762)**	(52,606)
Repayment of other lease principal	28.2	**(3,234)**	(2,252)	**(3,234)**	(2,252)
Grant received		**4,029**	4,095	**4,029**	4,095
Net cash (used in)/generated from financing activities		**(561,128)**	**53,747**	**(557,728)**	**57,147**
Increase/(decrease) in cash and cash equivalents		**51,803**	**(432,656)**	**50,906**	**(328,581)**
At the beginning of period		**29,819**	462,475	**28,436**	357,017
Increase/(Decrease) for the period		**51,803**	(432,656)	**50,906**	(328,581)
At end of period	**24**	**81,622**	**29,819**	**79,342**	**28,436**

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Reporting entity

Hatton Plantations PLC ("the Company") is a public limited liability company incorporated on 14th September 2017 and domiciled in Sri Lanka under the Companies Act No 7 of 2007. The registered office of the Company is located at No. 168, 2nd Floor, Negombo Road, Peliyagoda. The Plantations are situated in the planting districts of Watawala, Hatton and Lindula.

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

The Consolidated Financial Statements of Hatton Plantations PLC comprises the Company and its Subsidiary namely Mark Marine Services (Private) Limited (together referred to as the 'Group'). The company in the Group is limited liability company incorporated and domiciled in Sri Lanka.

1.1 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were the Cultivation, Manufacture and Sale of Orthodox and CTC Tea. Principal activity of the subsidiary company is as follows.

Company	Nature of the business	Registered office
Mark Marine Services (Private) Limited	Generating hydropower	168, 2nd Floor, Negombo Road, Peliyagoda.

1.2 Holding Company

The Company is a subsidiary of Lotus Renewable Energy (Private) Limited and its ultimate parent is Lotus Renewables (Singapore) Pte Ltd.

1.3 Date of Authorization for Issue

The Consolidated financial statements consist of Statement of profit or loss, Statement of comprehensive income, the Statement of financial position, Statement of changes in equity, Statement of cash flows, the Notes to the financial statements for the period ended 31st March 2023.

The Group Financial Statements of Hatton Plantations PLC were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 22nd August 2023.

1.4 Responsibility for Consolidated Financial Statements

The responsibility of the Directors in relation to the Group Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

Note 2. Basis of preparation

2.1 Statement of Compliance

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 Flow together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards which comprises Sri Lanka Financial Reporting Standards (SLFRS).
Sri Lanka accounting standards further comprises of statements of Recommended Practices (SORPs), Statements of Alternative Treatments (SOATs) and Financial Reporting guidelines issued 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

The Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items for assets carried at fair value:

- Managed Consumable biological assets are measured at fair value,
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value, and
- Equity investments measured at FVOCI are measured at fair value.

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the succeeding Notes.

The accounting policies have been consistently applied in the consolidated financial statements.

2.3 Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous year in the financial statements in order to enhance the understanding of the current year's consolidated financial statements and to enhance the inter period comparability. The presentation and classification of the consolidated financial statements of the previous year is reclassified, where relevant for better presentation and to be comparable with those of the current year.

2.4 New standards and amendments applicable for the first time for periods commencing 1st January 2022

The Group has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 April 2022:

i. Amendments to LKAS 16 - Property Plant and Equipment

ii. Amendments to SLFRS 3 - Reference to the Conceptual Framework

iii. Amendments to LKAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

iv. Annual Improvements to SLFRS Standards 2018–2020

Amendments listed above did not have a significant impact on the amounts recognized in prior periods and are not expected significantly affect the current or future periods.

(i) Amendment to LKAS 16, Property, Plant and Equipment

Proceeds before intended use –this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(ii) Amendments to SLFRS 3, Reference to the Conceptual Framework

Minor amendments were made to SLFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(iii) Amendments to LKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(iv) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.
- LKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under LKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

2.5 New standards and amendments issued but not effective or early adopted in 2022

The following standards and interpretations had been issued but not mandatory for annual reporting period ended 31 March 2023.

The following amended standards and interpretations are not expected to have a significant impact on the Group's and the Company's financial statements.

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

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(ii) Disclosure Initiative: Accounting Policies - Amendments to LKAS 1

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

(iii) Definition of Accounting Estimates (Amendments to LKAS 8)
The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

(iv) Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2.6 Use of estimates and Judgements

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the report of amounts of revenue and expenses during the reporting period. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are given in Note 4.

2.7 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.

2.8 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.

Note 3. Summary of significant accounting policies

The accounting policies set out below are consistent with those used in the previous year and have been applied consistently in these consolidated financial statements.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that the Group and the Company is a going concern. The Directors have made an assessment of the Group's and the Company's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as going concern and they do not intend either to liquidate or to cease operations of the Group and the Company. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

It is view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern.

3.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (see note 3.2.1).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

(iii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Hatton Plantations PLC.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3.2.1 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.2.2 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.

The activities of the segments are described on Note 5.2 in the Notes to the Financial Statements.

3.3 Property, Plant and Equipment

Property plant and equipment comprise tangible assets and bearer plants.

Recognition and measurement

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the Company and the cost of the asset can be measured reliably. All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost includes expenditure that is directly attributable to the acquisition of assets. The self-constructed assets include the cost of materials, direct labour and any other costs 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.

Subsequent costs

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

The cost of improvements to or on leasehold property, is capitalised, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use. Capital work-in-progress is stated at cost less any accumulated impairment losses.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Bearer plants mainly include mature and immature tea plantations. Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, fertilizing and maintenance. Capitalisation of borrowing costs incurred on loans used to finance the development of immature plantations and an allocation of other indirect costs based on planted hectares. Mature plantations are stated at acquisition cost less accumulated depreciation and impairment losses. Mature plantations are depreciated on a straight line basis over its estimated useful life, upon commencement of commercial production.

General charges such as supervisory, security and office overheads etc. are apportioned between immature plantations and the income statement based on the man-days spent on the respective activities. General charges apportioned to immature plantation based on the man days used on replanting and subsequent upkeep until they become maturity, are capitalised on immature plantations. General charges incurred on the revenue generating activities are charged to the income statement in the year in which they are incurred.

Infilling cost on bearer plants

Where infilling results in an increase in the economic life of a relevant field beyond its previously assessed standard of performance, the cost is capitalised in accordance with Sri Lanka Accounting standard LKAS 16 - Property Plant and Equipment and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling cost that are not capitalised are charged to the income statement in the year in which they are incurred.

Depreciation and amortization

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Assets held under finance lease are amortised over the shorter of the lease term and their useful lives, in equal amounts.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is discontinued.

The economic useful lives of assets are estimated below for depreciation / amortisation purposes.

Group/Company	Years
Right to use of land	27
Improvements to land	27
Vested other assets	30
Buildings	40
Plant and machinery	13
Equipment	8
Computer equipment	4
Computer software	6
Furniture and fittings	10
Motor vehicles	5
Sanitation, water and electricity	20
Roads and bridges	40
Fences and security lights	3
Mini hydro plants	10
Turbine	17
Transformers	17
Penstocks	17
Grid construction	17
Power house	17
Civil construction	17

Bearer plants

- Tea	30
- Caliandra	10
- Cinnamon	20
- Coffee	20

Leasehold assets (remaining useful lifetime)

Improvements to land	6
Vested other assets	6
Roads and bridges	16

Bearer plants

- Tea	10

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

3.4 Biological Assets

Biological assets comprise Timber reserves and growing agricultural produce on bearer plants.

3.4.1 Consumable biological assets

Timber plantation that are managed by the company is classified as consumable biological assets and are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Cost to sell include all costs that would be necessary to sell the assets, including transportation costs if any. The fair value of trees younger than 5 years cannot be reliably estimated and are carried at cost less impairment. The cost includes direct material, direct labour and appropriate proportion of directly attributable overheads.

Gains or losses arising on initial recognition of timber plantation at fair values less costs to sell and from the change in fair values less costs of plantations at each reporting date are included in statement of income for the period in which they arise. All costs incurred in maintaining the assets are included in statement of income for the period in which they arise.

Proceeds from sale of consumable biological assets are credited to the statement of income when the risk and rewards associated with the sale is transferred to the buyer. Standing timber is transferred to inventories at its fair value less cost to sell at the date of harvest.

3.4.2 Produce growing on bearer plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants. Nurseries are measured at cost less accumulated impairment.

Produce that grows on mature plantations are measured at fair value less estimated cost to sell. Cost to sell include all costs that would be necessary to sell the produce.

3.5 Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or group of assets (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.6 Investments and Other Financial Assets

3.6.1 Classification

From 1 April 2018, the Group and the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group and the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group and the Company reclassifies debt investments when and only when its business model for managing those assets changes.

3.6.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all the risks and rewards of ownership.

3.6.3 Measurement

At initial recognition, the Group and the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classifies its debt instruments:

i. Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of statement of income.

ii. FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of statement of income.

iii. FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in statement of income as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3.6.4 Impairment

From 1 April 2018, the Group and the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk."

For trade receivables, the Group and the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 39 (C).

3.7 Offsetting financial instruments

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

3.8 Inventories

(i) Finished goods manufactured from agricultural produce of biological assets

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

(ii) Input material, spares and consumables.

These are valued at actual cost on weighted average basis.

(iii) Agricultural produce harvested from biological assets.

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

3.9 Trade receivables

Trade receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Refer Note 22 and 39.

3.10 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.11 Stated capital

Ordinary shares are classified as stated capital in equity. Dividend distributed to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

3.12 Trade payables

These amounts represent liabilities for goods and services provided to the Group and the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction. Cost of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, is recognised in the statement of income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets including field development activities in immature plantations, which takes a substantial period of time to get ready for its intended use, commercial harvest or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use, commercial harvest or sale.

All other borrowing costs are recognised in the statement of income in the period in which they are incurred.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 – 'Borrowing Costs '.

3.15 Accounting for leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date or rate as at the commencement date,
- amounts expected to be payable by the Group and the Company under residual value guarantees,
- the exercise price of a purchase option if the Group and the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease if the lease term reflects the Group and the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group and the Company;

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was receive.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Hatton Plantations PLC, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group and the Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group and the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group and the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.16 Current income tax

The income tax expense or credit for the period is the tax payable on the current period taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by end of the reporting period in the countries where the Group and the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.17 Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.18 Employee benefits

3.18.1 Defined contribution plans

Defined contribution plan is a postemployment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as and when they are due.

(i) Provident fund contributions

All employees of the Group and the Company are members of the Employees' Provident Fund or the Estate Staff Provident Society or Ceylon Planters' Provident Society to which the Group and the Company contributes 12% of the salary of each employee.

(ii) Trust fund contributions

The Group and the Company contributes 3% of the salary of each employee to the Employee Trust Fund.

3.18.2 Defined benefit plan – Gratuity

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group and the Company has adopted a defined benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date, together with adjustments for unrecognized past service cost. An actuarial valuation for defined benefit obligation is carried out by Mr. M. Poopalanathan, of Messrs. Actuarial and Management Consultants (Private) Limited, using the projected unit credit method prescribed in Sri Lanka Accounting Standard LKAS - 19 on "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of Government bonds 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 pension liability.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in the statement of income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Refer Note 29 for detailed analysis of Actuarial assumptions used.

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.

3.19 Grants

Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to other income on a straight-line basis over the expected lives of the related assets.

Government grants relating to costs are differed and recognised in the statement of income over the period necessary to match them with costs that they intended to compensate.

3.20 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the Directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material. All known liabilities and provisions have been accounted for in preparing the consolidated financial statements.

3.21 Consolidated Statements of Profit or Loss

For the purpose of presentation of consolidated statement of profit or loss, the function of expenses method is adopted, as it represents fairly the elements of the Group and the Company performance.

3.21.1.1 Revenue

Revenue from the sale of goods is recognised when performance obligations are satisfied. 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.

Auction sales

Sale is recognised when control of the tea is transferred by accepting the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at the Colombo Tea Auction at which point control is transferred to the customer. This do not involve complex calculations or significant estimation uncertainties. Hence there is no unfulfilled obligation that could affect customers' acceptance of the teas sold.

The revenue from this sale is recognised based on the price and quantities agreed upon net of brokerage fee.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with the credit term of 7 days, which is consistent with market practice.

In respect of private sales and bulk sales at the point goods are dispatched from the factory revenue is recognized.

A receivable is recognised when the goods are sold at Auction, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Private / local sales

Teas not catalogued at the Auction can be sold as private sales/ local sales. Price is determined based on prevailing market prices and tea board regulations. Sales are recognised when control of the products are transferred when the products are delivered to the customers and there are no unfulfilled obligations that could affect the customers' acceptance of the products.

Revenue is only recognised to the extent that is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made either on cash terms (immediate payment) or with the credit term of 7 days.

Income from generating power

Revenue from energy supplied is recognized, upon delivery of Energy to Ceylon Electricity Board and Delivery of Electrical Energy shall be completed when Electrical Energy meeting the specifications as set out in Power Purchase Agreement is received at the metering point.

3.21.1.2 Other Source of Income

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.

Tea club Income

Tea club income mainly consist sales of foods, beverages and tea powder.

Gains or losses on disposal

Gains and losses from sale of property, plant and equipment are recognised in the period in which the sale occurs and the delivery order is issued.

Interest income

Interest income is recognised using the effective interest method.

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

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

Dividend income

Dividend income is recognised in the income statement on an accrual basis when the Company's right to receive the dividend is established.

3.21.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the period.

3.21.2.1 Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments 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.

3.22 Events after the reporting period

Events after the reporting period are events, favorable and unfavorable, that occur between the end of the reporting period and the date when the consolidated financial statements are authorised for issue as given in Note 40.

3.23 Dividend Payments

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.24 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

3.25 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Note 4. Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the use of accounting estimates which by definition will seldom equal the actual results. Management also needs to exercise judgment in applying the Group and the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity.

The management of the Group and the Company continues to monitor the potential impact to the continuity of the business. Accordingly, macroeconomic variables are evaluated while making assumptions and judgments when preparing financial statements.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group and the Company recognises liabilities for anticipated tax assessment issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No.45 of 2022, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019 and Agro processing is liable at 30%. Accordingly, where applicable, the Group has separated its income and expenses as Agro faming and Agro Processing and applied the respective tax rates.

Pension benefits - Gratuity

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group and the Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and the Company considers the interest rates of government bonds, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions and are disclosed in Note 29.

Estimated useful lives of property, plants and equipment

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

Provisions

The Group and the Company recognises provisions when they have a present legal or constructive obligation arising as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. The recording of provision requires the application of judgment about ultimate resolution of their obligations.

Consumable biological assets

In measuring fair value of timber management estimates and judgement are required. These estimates and judgement relate to the market prices, average volume of trees and quality of trees. Trees grow at different rates and there can be a considerable spread in the quality and volume of trees and that affect the prices achieved.

Bearer plants

The date of transfer from immature to mature plants has a significant impact on the carrying value of the bearer plants and the reported profits of the Company as capitalisation of costs will cease from the point of transfer and the mature plants are depreciated over the estimated useful lives of the plants.

As per the industry practice, at the point of commencement of commercial harvesting the cost of immature plants is transferred to cost of mature plants. The actual duration taken to start commercial harvesting depends on factors such as the soil condition, weather patterns and plant breed.

Equity investments

Equity investment measured at fair value through other comprehensive income includes interest in a Mini Hydro Power Plants. The fair valuation of these investments to be a key audit matter as the valuations involved significant management judgement and estimates including cash flow projection, discount rate and risk premium.

Leases

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group and the Company 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 Group and the Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the group and the company's stand-alone credit rating).

Note 5. Revenue

5.1 Summary

	Group		Company	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
Revenue	**2023**	**2022**	**2023**	**2022**
- Tea	7,619,812	5,353,963	7,619,812	5,353,963
- Hydrow power	88,207	38,556	-	-
	7,708,019	**5,392,519**	**7,619,812**	**5,353,963**

5.2 Segment information

a) Segment revenue

	Group		Company	
	Year ended 31 March		Year ended 31 March	
Tea	**2023**	**2022**	**2023**	**2022**
Revenue	7,619,812	5,353,963	7,619,812	5,353,963
Revenue expenditure	(5,185,362)	(4,693,727)	(5,185,362)	(4,693,727)
Depreciation	(128,433)	(158,653)	(128,433)	(158,653)
Other non cash expenditure	(441,147)	(139,192)	(441,147)	(139,192)
	1,864,870	**362,391**	**1,864,870**	**362,391**
Mini Hydro Power				
Revenue	88,207	38,556	-	-
Revenue expenditure	(19,592)	(20,413)	-	-
Depreciation	(24,242)	(1,253)	-	-
Other non cash expenditure	(157)	(1,624)	-	-
	44,216	**15,266**	-	-
Total				
Revenue	7,708,019	5,392,519	7,619,812	5,353,963
Revenue expenditure	(5,204,954)	(4,714,140)	(5,185,362)	(4,693,727)
Depreciation	(152,675)	(159,906)	(128,433)	(158,653)
Other non cash expenditure	(441,304)	(140,816)	(441,147)	(139,192)
Gross Profit	**1,909,086**	**377,657**	**1,864,870**	**362,391**
Other income	76,881	109,537	147,607	180,295
Gain on change in fair value of biological assets	397,981	147,378	397,981	147,378
Administrative expenses	(294,155)	(179,953)	(283,412)	(174,270)
Finance income	121,600	33,859	119,844	32,616
Finance expenses	(112,490)	(44,346)	(112,490)	(44,346)
Interest paid to government and other on lease	(57,631)	(53,599)	(57,631)	(53,599)
Gain on bargain purchase	-	25,979	-	-
Profit before income tax	**2,041,272**	**416,512**	**2,076,769**	**450,465**

b) Segment assets

	Group Year ended 31 March		Company Year ended 31 March	
	2023	**2022**	**2023**	**2022**
Non current assets				
Tea	2,495,353	2,350,866	2,961,758	2,884,687
Mini Hydro Power	374,023	397,815	-	-
Biological assets	2,047,687	1,627,587	2,047,687	1,627,587
	4,917,063	**4,376,268**	**5,009,445**	**4,512,274**
Current assets				
Tea	2,085,234	1,064,468	2,096,234	1,064,661
Mini Hydro Power	103,234	114,600	-	-
	2,188,468	1,179,068	2,096,234	1,064,661
Total assets	**7,105,531**	**5,555,336**	**7,105,679**	**5,576,935**

c) Segment liabilities

	Group Year ended 31 March		Company Year ended 31 March	
	2023	**2022**	**2023**	**2022**
Non current liabilities and deferred income				
Tea	1,591,626	1,461,105	1,656,897	1,461,348
Mini Hydro Power	116,317	61,660	-	-
	1,707,943	1,522,765	1,656,897	1,461,348
Current Liabilities				
Tea	851,298	758,247	862,307	758,303
Mini Hydro Power	20,799	6,799	-	-
	872,097	765,046	862,307	758,303
Total Liablity	**2,580,040**	**2,287,811**	**2,519,204**	**2,219,651**
d) Segment Capital Expenditure				
Tea	553,330	374,160	553,330	374,160
Mini Hydro Power	449	2,168	-	-
	553,779	**376,328**	**553,330**	**374,160**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Note 6. Other income

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Amortisation of capital grants	30	6,269	6,268	6,269	6,268
Hydro power income		45,205	69,436	45,205	69,451
Dividends		-	6,135	71,070	77,205
Loss from bungalow project		(5,134)	-	(5,478)	-
Sales of trees		21,333	5,664	21,333	5,664
Tower/building rent		11,037	15,624	11,037	15,624
Profit on sale of property, plant and equipment		76	1,900	76	1,900
Sale of scrap items		1,982	-	1,982	-
Tea club net profit		2,944	716	2,944	716
(Loss)/profit sale of cinnomon		(1,066)	-	(1,066)	-
Others		(5,765)	3,794	(5,765)	3,467
		76,881	**109,537**	**147,607**	**180,295**

Note 7. Gain on change in fair value of biological assets

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Gain on fair valuation - consumable biological assets	16.1	391,707	148,916	391,707	148,916
Gain/(loss) on fair valuation - growing crops on bearer plants	16.2	6,274	(1,538)	6,274	(1,538)
		397,981	**147,378**	**397,981**	**147,378**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Note 8. Profit before taxation

Profit before tax is stated after charging all expenses including the following:

	Notes	Group Year ended 31 March 2023	Group Year ended 31 March 2022	Company Year ended 31 March 2023	Company Year ended 31 March 2022
Auditors' remuneration					
- Audit		3,400	2,525	3,400	2,525
- Non audit		-	-	-	-
Depreciation and amortisation					
- Right to use of land	12	11,517	10,516	11,517	10,516
- Immovable leased assets	13	5,110	11,121	5,110	11,121
- Property, plant and equipment	14	121,244	119,764	97,002	107,711
- Biological assets - bearer	15	32,677	40,897	32,677	40,897
Directors' emoluments		14,345	11,800	14,345	11,800
Staff costs					
- Wages and salaries		2,581,820	2,028,902	2,569,820	2,024,608
- Defined contribution plan		233,277	225,682	231,983	224,598
- Defined benefit plan	29	159,181	113,888	157,644	113,139
- Workers' profit share bonus		64,567	15,419	64,567	15,419
Cost of inventories sold		2,658,710	2,534,959	2,658,710	2,534,959
Other expenses		207,240	79,342	191,579	68,549
Total cost of sales and administrative expenses		**6,093,088**	**5,194,815**	**6,038,354**	**5,165,842**

Note 9. Finance income and costs - net

	Group		Company	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Finance income:				
- Interest income on short-term bank deposits	121,600	33,859	119,844	32,616
Finance income	**121,600**	**33,859**	**119,844**	**32,616**
Finance costs:				
Interest expense for borrowings				
- Interest on term loans	(90,004)	(32,775)	(90,004)	(32,775)
- Interest on bank overdrafts	(45,130)	(25,794)	(45,130)	(25,794)
	(135,134)	(58,569)	(135,134)	(58,569)
Less - amount capitalised (a)	22,644	14,223	22,644	14,223
Interest cost for borrowings expensed	(112,490)	(44,346)	(112,490)	(44,346)
Interest and finance charges paid/payable for lease liabilities	(57,631)	(53,599)	(57,631)	(53,599)
Total finance costs	(170,121)	(97,945)	(170,121)	(97,945)
Net finance costs	**(48,521)**	**(64,086)**	**(50,277)**	**(65,329)**

(a) Capitalised borrowing costs

The Company has obtained the specific term loan for the replanting purpose and the capitalization rate used to determine the amount of borrowing costs to be capitalized, is the weighted average interest rate applicable to the entity's specific borrowings during the year, in this case 26.25% (AWPLR+2.25).(2022-9.31% , AWPLR+2.25).

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Note 10. Income tax expense

This note provides an analysis of the Company's income tax expense.

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Current tax					
- Current income tax on profits for the year	33	100,234	28,567	88,875	25,474
- Adjustments for current tax of prior periods	33	-	(42,175)	-	(42,175)
Total current tax expense		100,234	(13,608)	88,875	(16,701)
Deferred income tax					
- (Decrease) / increase in deferred tax liability	31	466,162	(122,207)	475,137	(120,580)
- Increase / (decrease) in deferred tax assets	31	(215,922)	49,564	(214,935)	49,582
Total deferred tax expense		250,240	(72,643)	260,202	(70,998)
		350,474	**(86,251)**	**349,077**	**(87,699)**

Income tax expense is attributable to:

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Income tax expense (released) / charged:					
To profit or loss					
- Deferred tax attributable to profit or loss	31	271,485	(102,647)	281,943	(100,903)
- Current income tax on profits for the year	33	100,234	(13,608)	88,875	(16,701)
		371,719	(116,255)	370,818	(117,604)
To other comprehensive income					
-Deferred tax attributable to other comprehensive income	31	(21,245)	30,004	(21,741)	29,905
Income tax expense		**350,474**	**(86,251)**	**349,077**	**(87,699)**

Effect of changes in tax rate in current year According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019. As per the rebate given by the Inland Revenue Department for tea manufacturing, the company has entitled to a special tax rate for agro processing by granting tax rebate of 25% on applicable tax rate (i.e. 30%). The Inland Revenue (Amedment) Act no 45 of 2022 was certified by the speaker on 19th December 2022.The Standard rate of Income tax has been increased 30% from 24% w.e.f 1st October 2022.The increase in income tax rate to 30% in mid year has resulted in two tax rate being applicable for the year of assessment 22/23.

Tax of the Mark Marine Services (Private) Limited is calculated using tax rate 14% and the profit from other activities are taxed at 24% from 01st April to 30th September 2022. And next half of year using tax rate 30% and the profit from other activities are taxed 30%.

10 Income tax expense (contd)

Reconciliation between current tax expenses and the accounting profit:

	Group		Company	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Accounting profit / (loss) before tax	2,041,272	416,512	2,076,769	450,465
Aggregate expenses not deductible for tax purposes	505,543	405,034	479,663	398,498
Aggregate expenses deductible for tax purposes	(679,028)	(357,823)	(678,198)	(361,340)
Aggregate disallowable income	(389,730)	(175,210)	(387,615)	(143,111)
Aggregate taxable income	2,944	4,510	2,944	4,510
Total statutory income	**1,481,001**	**293,023**	**1,493,563**	**349,022**
Tax exempt income from Agro Farming	944,700	226,293	944,700	226,293
Taxable profit/(loss) from Agro Processing	423,461	(37,392)	423,461	(37,392)
Taxable income from subsidiaries	58,506	19,964	-	-
Dividend Income	-	-	71,070	77,205
Other sources of Income	54,334	84,158	54,332	82,916
Total statutory income	**1,481,001**	**293,023**	**1,493,563**	**349,022**
Taxable income from subsidiaries	58,506	19,964	-	-
Dividend Income	71,070	77,205	71,070	77,205
Tax profit/losses Claimed during the year	423,461	(37,392)	423,461	(37,392)
Other sources of Income	54,334	84,158	54,332	82,916
Total Taxable Income	**607,371**	**143,935**	**548,863**	**122,729**
Income Tax @ 14%	43,176	2,795	37,280	-
Income Tax @ 24%	6,758	20,198	6,431	19,900
Income Tax @ 30%	40,350	-	35,214	-
Dividend Tax @ 14%	9,950	5,574	9,950	5,574
Adjustment for prior year over provisions	-	(42,175)	-	(42,175)
Income tax expense	**100,234**	**(13,608)**	**88,875**	**(16,701)**

Note 11. Earnings per share

11.1 Basic earnings per share

Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Group and Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year, as per the requirements of the Sri Lanka Accounting Standard - LKAS 33 on 'Earning per Share'.

Calculation of basic earnings per share;

	Group		Company	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Net profit attributable to shareholders	1,667,968	532,319	1,705,951	568,069
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667	236,667	236,667
Basic earnings per share (LKR)	**7.05**	**2.25**	**7.21**	**2.40**

11.2 Diluted earnings per share

The calculation of diluted earning per share is based on profit attributable to ordinary shareholders of the Group and Company and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the financial year.

Note 12. Right-of-use assets

		Group		Company	
	Notes	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Right-of-use asset-land	12.1	204,464	196,305	204,464	196,305
Right-of-use asset-building	12.2	10,205	12,428	10,205	12,428
Closing Balance		**214,669**	**208,733**	**214,669**	**208,733**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

12.1 Right-of-use asset-land

	Group		Company	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Cost				
As at 1 April	221,463	214,191	221,463	214,191
Remeasurement of lease liabilities	17,453	7,272	17,453	7,272
Closing balance	**238,916**	**221,463**	**238,916**	**221,463**
Accumulated amortisation				
As at 1 April	25,158	16,623	25,158	16,623
Amortisation for the year	9,294	8,535	9,294	8,535
Closing balance	**34,452**	**25,158**	**34,452**	**25,158**
Carrying value as at 31 March	**204,464**	**196,305**	**204,464**	**196,305**

12.2 Right-of-use asset-Building

(a) Hatton Plantations PLC (Head Office) as a tenant, is occupying a building which belongs to Perpetual Realty (Private) Limited, The Company adopted SLFRS 16 using the modified retrospective method of adoption to above lease arrangement.

(b) Hatton Plantations PLC (Tea Club) as a tenant, is occupying a building which belongs to Watawala Plantations PLC since 1st July 2021.

Corresponding lease liability is given in the note 28 to the Financial Statements.

These Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The effect to the Statement of Financial Position and depreciation of building to 31st March 2023 are as follows:

	Group		Company	
	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2023	Year ended 31 March 2022
Cost				
As at 1 April	15,974	6,261	15,974	6,261
Additions	-	9,713	-	9,713
Closing balance	**15,974**	**15,974**	**15,974**	**15,974**
Accumulated depreciation				
As at 1 April	3,546	1,565	3,546	1,565
Charge for the year	2,223	1,981	2,223	1,981
Closing balance	**5,769**	**3,546**	**5,769**	**3,546**
Carrying value as at 31 March	**10,205**	**12,428**	**10,205**	**12,428**

Note 13. Immovable estate assets

Group	Improvements to lands	Other vested assets	Bearer plants	Roads and bridges	Total
Cost					
As at 1 April 2022	354	1,319	64,755	187	66,615
As at 31 March 2023	**354**	**1,319**	**64,755**	**187**	**66,615**
Accumulated amortisation					
As at 1 April 2021	271	896	33,766	44	34,977
Amortisation for the year	83	423	10,602	13	11,121
As at 31 March 2022	**354**	**1,319**	**44,368**	**57**	**46,098**
As at 1 April 2022	354	1,319	44,368	57	46,098
Amortisation for the period	-	-	5,097	13	5,110
As at 31 March 2023	**354**	**1,319**	**49,465**	**70**	**51,208**
Carrying value					
As at 31 March 2022	-	-	20,387	130	20,517
As at 31 March 2023	**-**	**-**	**15,290**	**117**	**15,407**

Company	Improvements to lands	Other vested assets	Bearer plants	Roads and bridges	Total
Cost					
As at 1 April 2022	354	1,319	64,755	187	66,615
As at 31 March 2023	**354**	**1,319**	**64,755**	**187**	**66,615**
Accumulated amortisation					
As at 1 April 2021	271	896	33,766	44	34,977
Amortisation for the year	83	423	10,602	13	11,121
As at 31 March 2022	**354**	**1,319**	**44,368**	**57**	**46,098**
As at 1 April 2022	354	1,319	44,368	57	46,098
Amortisation for the year	-	-	5,097	13	5,110
As at 31 March 2023	**354**	**1,319**	**49,465**	**70**	**51,208**
Carrying value					
As at 31 March 2022	-	-	20,387	130	20,517
As at 31 March 2023	**-**	**-**	**15,290**	**117**	**15,407**

The leases of JEDB / SLSPC estates were assigned to the Company for a period of 27 years as per the arrangement sanctioned by the High Court of the Western Province on 20 July 2017 in case No HC (Civil) 28/2017/CO. Immovable estate assets on all the estates have been taken into the books of the Company as at 30 September 2017 after the arrangement was approved by the courts on 26 September 2017.

Note 14. Property, plant and equipment

Group

In LKR. '000s	Buildings	Capital work in progress	Civil Works & Construction	Electricial Equipment & Power Plant	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Road and bridges	Sanitation, Water and Electricity	Mini hydro Plants	Others	Total
Cost														
As at 1 April 2021	602,354	31,625	-	-	97,941	509,891	27,416	6,475	12,060	51,839	8,296	37,104	-	1,385,001
Acquisition of subsidiary	-	-	63,790	343,910	-	-	-	-	-	-	-	-	-	407,700
Additions	6,031	88,240	-	1,250	3,361	51,061	10,420	3,023	1,307	-	-	-	1,097	165,790
Disposals	-	-	-	-	-	(1,000)	-	-	-	-	-	-	-	(1,000)
As at 31 March 2022	**608,385**	**119,865**	**63,790**	**345,160**	**101,302**	**559,952**	**37,836**	**9,498**	**13,367**	**51,839**	**8,296**	**37,104**	**1,097**	**1,957,491**
Cost														
As at 1 April 2022	608,385	119,865	63,790	345,160	101,302	559,952	37,836	9,498	13,367	51,839	8,296	37,104	1,097	1,957,491
Additions	93,922	52,446	287	-	10,443	112,909	12,183	10,684	1,659	-	-	-	-	294,533
Capitalized during the year	-	(127,414)	-	-	-	-	-	-	-	-	-	-	-	(127,414)
Disposals	-	-	-	-	-	-	-	(220)	-	-	-	-	-	(220)
As at 31 March 2023	**702,307**	**44,897**	**64,077**	**345,160**	**111,745**	**672,861**	**50,019**	**19,962**	**15,026**	**51,839**	**8,296**	**37,104**	**1,097**	**2,124,390**
Accumulated depreciation														
As at 1 April 2021	63,569	-	-	-	51,838	228,236	15,146	3,471	4,635	5,269	3,184	25,414	-	400,762
Charge for the year	19,484	-	1,845	10,134	15,105	61,058	4,777	1,621	1,469	1,657	876	1,670	68	119,764
As at 31 March 2022	**83,053**	**-**	**1,845**	**10,134**	**66,943**	**289,294**	**19,923**	**5,092**	**6,104**	**6,926**	**4,060**	**27,084**	**68**	**520,526**
Accumulated depreciation														
As at 1 April 2022	83,053	-	1,845	10,134	66,943	289,294	19,923	5,092	6,104	6,926	4,060	27,084	68	520,526
Charge for the year	18,225	-	3,704	20,305	14,140	53,837	4,332	1,260	1,497	2,079	333	1,488	44	121,244
Disposals	-	-	-	-	-	-	-	(66)	-	-	-	-	-	(66)
As at 31 March 2023	**101,278**	**-**	**5,549**	**30,439**	**81,083**	**343,131**	**24,255**	**6,287**	**7,601**	**9,005**	**4,393**	**28,572**	**112**	**641,704**
Carrying value														
As at 31 March 2022	**525,332**	**119,865**	**61,945**	**335,026**	**34,359**	**270,658**	**17,913**	**4,406**	**7,263**	**44,913**	**4,236**	**10,020**	**1,029**	**1,436,965**
As at 31 March 2023	**601,029**	**44,897**	**58,527**	**314,721**	**30,662**	**329,730**	**25,764**	**13,676**	**7,425**	**42,834**	**3,903**	**8,532**	**985**	**1,482,686**

(a) Cost of fully depreciated assets still in use as at 31 March 2023 amounts to LKR 715,268.353 (2022 - LKR 632,518,192).

(b) Depreciation expense of LKR 112,541,805 (2022 - LKR. 109,940,114) has been charged in cost of goods sold and LKR 8,702,195 (2022 - LKR. 9,824,873) in administrative expenses.

Company

In LKR. '000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Road and bridges	Sanitation, Water and Electricity	Mini hydro Plants	Others	Total
Cost												
As at 1 April 2021	602,354	31,625	97,941	509,891	27,416	6,475	12,060	51,839	8,296	37,104	-	1,385,001
Additions	6,031	88,240	3,361	51,061	10,173	3,023	636	-	-	-	1,097	163,622
Disposals	-	-	-	(1,000)	-	-	-	-	-	-	-	(1,000)
As at 31 March 2022	**608,385**	**119,865**	**101,302**	**559,952**	**37,589**	**9,498**	**12,696**	**51,839**	**8,296**	**37,104**	**1,097**	**1,547,623**
Cost												
As at 1 April 2022	608,385	119,865	101,302	559,952	37,589	9,498	12,696	51,839	8,296	37,104	1,097	1,547,623
Additions	93,922	52,446	10,443	112,909	12,183	10,684	1,496	-	-	-	-	294,083
Capitalized during the year	-	(127,414)	-	-	-	-	-	-	-	-	-	(127,414)
Disposals	-	-	-	-	-	(220)	-	-	-	-	-	(220)
As at 31 March 2023	**702,307**	**44,897**	**111,745**	**672,861**	**49,772**	**19,962**	**14,192**	**51,839**	**8,296**	**37,104**	**1,097**	**1,714,072**
Accumulated depreciation												
As at 1 April 2021	63,569	-	51,838	228,236	15,146	3,471	4,635	5,269	3,184	25,414	-	400,762
Charge for the year	19,484	-	15,105	61,058	4,743	1,621	1,429	1,657	876	1,670	68	107,711
As at 31 March 2022	**83,053**	**-**	**66,943**	**289,294**	**19,889**	**5,092**	**6,064**	**6,926**	**4,060**	**27,084**	**68**	**508,473**
Accumulated depreciation												
As at 1 April 2022	83,053	-	66,943	289,294	19,889	5,092	6,064	6,926	4,060	27,084	68	508,473
Charge for the year	18,225	-	14,140	53,837	4,250	1,260	1,346	2,079	333	1,488	44	97,002
Disposals	-	-	-	-	-	(66)	-	-	-	-	-	(66)
As at 31 March 2023	**101,278**	**-**	**81,083**	**343,131**	**24,139**	**6,287**	**7,410**	**9,005**	**4,393**	**28,572**	**112**	**605,410**
Carrying value												
As at 31 March 2022	**525,332**	**119,865**	**34,359**	**270,658**	**17,700**	**4,406**	**6,632**	**44,913**	**4,236**	**10,020**	**1,029**	**1,039,150**
As at 31 March 2023	**601,029**	**44,897**	**30,662**	**329,730**	**25,633**	**13,676**	**6,782**	**42,834**	**3,903**	**8,532**	**985**	**1,108,663**

(a) Cost of fully depreciated assets still in use as at 31 March 2023 amounts to LKR 494,252,263 (2022 - LKR 411,502,102).

(b) Depreciation expense of LKR 88,299,805 (2022 - LKR. 97,886,827) has been charged in cost of goods sold and LKR 8,702,195 (2022 - LKR. 9,824,873) in administrative expenses.

Note 15. Bearer plants

Group/Company	Nurseries		Immature plants		Mature plants		Total
	Tea	Other	Tea	Other	Tea	Other	
Cost							
As at 1 April 2021	9,807	-	88,527	14,917	581,580	101,793	**796,624**
Additions	22,270	117	138,808	28,922	-	-	**190,117**
Borrowing costs capitalisation	-	-	14,223	-	-	-	**14,223**
Transfers from nursery to immature plants	(17,702)	-	17,702	-	-	-	-
Transfers from immature plants to mature plants	-	-	(16,918)	-	16,918	-	-
Fuelwood nersery transfers	-	5,643	-	-	-	-	**5,643**
Disposal	(1,180)	-	-	-	(32)	-	**(1,212)**
As at 31 March 2022	**13,195**	**5,760**	**242,342**	**43,839**	**598,466**	**101,793**	**1,005,395**
As at 1 April 2022	13,195	5,760	242,342	43,839	598,466	101,793	**1,005,395**
Additions	21,493	1,773	273,120	61,882	-	-	**358,268**
Borrowing costs capitalisation	-	-	22,645	-	-	-	**22,645**
Transfers from nursery to immature plants	(16,737)	-	16,737	-	-	-	-
Transfers from immature plants to mature plants	-	-	(78,441)	-	78,441	-	-
Disposal	-	-	-	(8,556)	-	-	**(8,556)**
As at 31 March 2023	**17,951**	**7,533**	**476,403**	**97,165**	**676,907**	**101,793**	**1,377,752**
Accumulated depreciation							
As at 1 April 2021	-	-	-	-	92,023	73,975	**165,998**
Charge for the year	-	-	-	-	28,931	11,966	**40,897**
Disposal	-	-	-	-	(6)	-	**(6)**
As at 31 March 2022	-	-	-	-	**120,948**	**85,941**	**206,889**
As at 1 April 2022	-	-	-	-	120,948	85,941	**206,889**
Charge for the year	-	-	-	-	29,488	3,189	**32,677**
As at 31 March 2023	-	-	-	-	150,436	89,130	**239,566**
Carrying value							
As at 31 March 2022	**13,195**	**5,760**	**242,342**	**43,839**	**477,518**	**15,852**	**798,506**
As at 31 March 2023	**17,951**	**7,533**	**476,403**	**97,165**	**526,471**	**12,663**	**1,138,186**

(a) Bearer plants mainly consists of tea bushes. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with Sri Lanka Accounting Standard - LKAS 16 - "Property, Plants and Equipment".

(b) The transfer of immature plantations to mature plantations is made when the plantation is ready for commercial harvesting.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(c) Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs of LKR 22,645,240, were capitalized during the period under Immature Plantations (2021/22 - 14,222,832).

(d) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's specific borrowings during the year, in this case 26.25% (2021/22 – 9.31%).

Note 16. Biological Assets

16.1 Consumable biological assets

Group/Company	Nurseries	Immature plantations	Mature plantations	Total
At fair value				
As at 1 April 2021	7,986	107,304	1,348,603	1,463,893
Additions	817	19,604	-	20,421
Transfers from nursery to immature plants	(1,768)	1,768	-	-
Transfers from immature plants to mature plants	-	(38,032)	38,032	-
Transfers To Tea nurseries	(5,643)	-	-	(5,643)
Gain arising from changes in fair value less cost to sell	-	-	148,916	148,916
As at 31 March 2022	**1,392**	**90,644**	**1,535,551**	**1,627,587**
As at 1 April 2022	1,392	90,644	1,535,551	1,627,587
Additions	1,914	26,479	-	28,393
Transfers from nursery to immature plants	(1,607)	1,607	-	-
Transfers from immature plants to mature plants	-	(46,058)	46,058	-
Gain arising from changes in fair value less cost to sell	-	-	391,707	391,707
As at 31 March 2023	**1,699**	**72,672**	**1,973,316**	**2,047,687**

(a) The mature consumable biological assets are stated at fair value determined based on an independent valuation of timber / trees performed by Messrs S Sivakantha (BSc Estate Management and Valuation).

Since more accurate information is available as a result of 100% verification performed during the year, timber valuation has been performed tree-by-tree basis.

	As at 31 March 2023	As at 31 March 2022
- Expected rate of return	20.5% p.a	14.5% p.a
- Maturity for harvesting	25 years	25 years
- Number of trees valued	166,796	166,442

(b) Immature consumable biological assets comprising trees under five years old are carried at cost less accumulated impairment losses.

Sensitivity analysis

The financial impact on the value appearing in the statement of financial position due to change of selling price and variation of discount rate is given below.

(a) Sensitivity variation sales price (using 5% estimated variation)

	As at 31 March 2023	As at 31 March 2022
Sale price - increase by 5%	2,071,982	1,608,060
Sale price - value as stands	1,973,316	1,535,551
Sale price - decrease by 5%	1,874,650	1,454,912

(b) Sensitivity variation discount rate (using 1.0% variation)

Simulations made for the timber trees show that a increase or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

	As at 31 March 2023	As at 31 March 2022
Discount rate - increase by 1%	1,969,111	1,528,511
Discount rate - value as stands	1,973,316	1,535,551
Discount rate - decrease by 1%	1,977,774	1,534,302

These rate differences are only affecting to the 30% of the trees due to the 70% of the trees are more than 25 years old.

16.2 Produce crops on bearer plants

	As at 31 March 2023	As at 31 March 2022
As at 1 April	17,382	18,920
Movement of fair value	6,274	(1,538)
Closing balance	**23,656**	**17,382**

The volume of produce crops growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year for tea taking three days crop (50% of 6 days cycle).

Produce crops that grows on mature bearer plants are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(a) Recognition and measurement

Measuring biological assets at fair value

Consumable biological assets are measured at fair value less cost to sell, based on market prices at present market and timber auction, with adjustments, where necessary, to reflect the differences. Market prices are obtained from the local market, which is considered the principal market for the purpose of the valuation.

Growing crops on bearer plants are measured at fair value less cost to sell, based on market prices of bought leaf with adjustments, where necessary, to reflect the differences. Market prices are obtained from the monthly auctions at the local market, which is considered the principal market for the purpose of the valuation.

Amounts recognised profit or loss

During the year, the following gains / (losses) arisen form fair value changers were recognized in profit or loss:

	As at 31 March 2023	As at 31 March 2022
Total gain / (loss) for the period recognised in profit or loss		
Biological assets – consumable	391,707	148,916
Biological assets – produce crops on bearer plants	6,274	(1,538)
	397,981	**147,378**

Fair value hierarchy

The fair value measurement of consumable biological assets and produce on bearer plants have been categorised as level 3 fair value based on the inputs to the valuation technique used.

This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its non-financial and assets and liabilities into the three levels prescribed under the accounting standards.

	Notes	Level 1	Level 2	Level 3	Total
31 March 2022					
Biological assets – consumable	16.1	-	-	1,535,551	1,535,551
Biological assets – produce crops on bearer plants	16.2	-	-	17,382	17,382
		-	-	**1,552,933**	**1,552,933**
31 March 2023					
Biological assets – consumable	16.1	-	-	1,973,316	1,973,316
Biological assets – produce crops on bearer plants	16.2	-	-	23,656	23,656
		-	**-**	**1,996,972**	**1,996,972**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see above.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

b. Valuation techniques

(i) Discounted cash flow method

To value the mature plants discounted cash flow method is used. The discounting rate should be market derived adjusted to recognize the risk factors affecting the maintenance of stock due to vagaries, weather, disease, historical yield, age of the plantation, genetic factors of stock, etc.

(ii) Replacement cost basis

To value the young pre-merchantable plantations Replacement Cost Basis is adopted. The rationale being that there is no market determined prices or values and specially little biological transformation has taken place since the initial cost of planting or the impact of the biotical transformation on the price especially initial growth in 25 - 30 years of production cycle.

(iii) Estimated cost

The volume of produce growing on bearer plants (tea) is measured using the estimated crop of the last harvesting round of the year by three days crop (50% of 6 days round).

Description	Fair value of mature plants / growing crop as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2023	2022		2023	2022	
Biological assets - Consumable	**1,973,316**	1,535,551	Discount rate	**20% - 21% (20.5%)**	13.5% - 15.5% (14.5%)	The higher the discount rate, the lower the fair value. The trees are above 25 years not discounted due to reaching harvesting age.
			Maturity for harvesting	**25 years**	25 years	The higher maturity for harvesting, the lower the fair value. The trees are above 25 years not discounted due to reaching harvesting age.
			Sales price	**5% estimated variance in selling price**	5% estimated variance in selling price	The higher the selling price, the higher the fair value.
Biological assets - produce crops on bearer plants	**23,656**	17,382	Harvesting cycle of crop	**3 days crop (50% of 6 days round)**	3 days crop (50% of 6 days round)	Higher the crop in the harvesting cycle, higher the fair value.

Note 17. Investment in subsidiary

Hatton Plantations PLC holds 4,180,406 (95.43%) ordinary shares of Mark Marine Services (Private) Limited.

	Company	
	As at 31 March 2023	As at 31 March 2022
Mark Marine Services (Private) Limited	466,405	533,821
Closing balance	**466,405**	**533,821**

	Company	
	As at 31 March 2023	As at 31 March 2022
Balance as at 1 April 2022	533,821	-
acquisition of Mark Marine Services (Private) Limited	-	458,936
Change in fair value of the investments	(67,416)	74,885
Closing balance as at 31 March 2023	**466,405**	**533,821**

Amounts recognised other comprehensive income

During the year, the following gains were recognised in other comprehensive income:

	Company	
	As at 31 March 2023	As at 31 March 2022
Gain/Loss recognised in other comprehensive income		
- Related to equity investments in Mark Marine Services (Private) Limited	(67,416)	74,885
	(67,416)	**74,885**

Hatton Plantations PLC acquired 95.43% of the issued share capital of Mark Marine Services (Private) Limited, on 30th September 2021 and details of the purchase consideration, the net assets acquired and goodwill are as follows:

a. Summary of acquisition

	As at 31 March	
	2023	2022
Purchase consideration		
Cash paid	-	458,936
Net identifiable assets acquired	-	508,137
Less: non-controlling interests	-	(23,222)
Less : Gain on bargain purchase	-	(25,979)
Net assets acquired	**-**	**458,936**

b. Purchase consideration – cash outflow

	Company As at 31 March	
	2023	2022
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	458,936
Less: Balances acquired		
Cash	-	105,458
Net outflow of cash – investing activities	**-**	**353,478**

Acquisition-related costs

Acquisition-related costs of LKR 255,000 that were not directly attributable to purchase consideration are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

a. Recognised fair value measurements

Fair value hierarchy

The fair value measurement of equity investments have been categorised as level 3 fair value based on the inputs to the valuation technique used.

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group and the Company have classified its financial instruments into the three levels prescribed under the accounting standards.

	Level 1	Level 2	Level 3	Total
31 March 2022				
Investment in subsidiary at FVOCI	-	-	533,821	533,821
	-	-	533,821	533,821
31 March 2023				
Investment in subsidiary at FVOCI	-	-	466,405	466,405
	-	**-**	**466,405**	**466,405**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see above.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

b. Valuation techniques used to determine fair values

(i) Price to book value multiple basis of valuation

This valuation methods is used to compare the company's net assets available to common shareholders relative to the sale price of stock. The stock price per share can be found as the amount listed as such through the secondary market.

c. Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of Investment in subsidiary at FVOCI.

Description	Fair value of equity investments as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2023	2022		2023	2022	
Investment in subsidiary at FVOCI	466,405	533,821	Average price to book value ratio	1.43	1.26	The higher the price to book value ratio, the higher the fair value. (applied hair cut)

(a) Sensitivity variation unobservable input (using 1% estimated variation)

	Group As at 31 March		Company As at 31 March	
	2023	2022	2023	2022
unobservable input - increase by 1%	471,069	539,159	471,069	539,159
unobservable input - value as stands	466,405	533,821	466,405	533,821
unobservable input - decrease by 1%	461,741	528,483	461,741	528,483

Note 18. Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following unlisted individual investments:

	Company As at 31 March	
	2023	2022
Unit Energy Lanka (Private) Limited	18,428	22,044
Closing balance	**18,428**	**22,044**

Hatton Plantations PLC holds 1,076,300 (5%) ordinary shares of Unit Energy Lanka (Private) Limited.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

	Unit Energy Lanka (Private) Limited	Total
As at 1 April 2021	32,057	32,057
Change in fair value of equity investments	(10,013)	(10,013)
As at 31 March 2022	**22,044**	**22,044**
As at 1 April 2022	22,044	22,044
Change in fair value of equity investments	(3,616)	(3,616)
As at 31 March 2023	**18,428**	**18,428**

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Company considers this classification to be more relevant.

Amounts recognised other comprehensive income

During the year, the following gains were recognised in other comprehensive income:

	Group As at 31 March		Company As at 31 March	
	2023	2022	2023	2022
Gains recognised in other comprehensive income				
- Related to equity investments in Unit Energy Lanka (Private) Limited	(3,616)	(10,013)	(3,616)	(10,013)
	(3,616)	**(10,013)**	**(3,616)**	**(10,013)**

a. Recognised fair value measurements

Fair value hierarchy

The fair value measurement of equity investments have been categorised as level 3 fair value based on the inputs to the valuation technique used.

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

	Level 1	Level 2	Level 3	Total
31 March 2022				
Equity investment at FVOCI	-	-	22,044	22,044
	-	-	**22,044**	**22,044**
31 March 2023				
Equity investment at FVOCI	-	-	18,428	18,428
	-	-	**18,428**	**18,428**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see above.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

b. Valuation techniques used to determine fair values

(i) Price to book value multiple basis of valuation

This valuation methods is used to compare the company's net assets available to common shareholders relative to the sale price of stock. The stock price per share can be found as the amount listed as such through the secondary market.

c. Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of equity investments at FVOCI.

Description	Fair value of equity investments as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2023	2022		2023	2022	
Equity investment at FVOCI	18,428	22,044	Average price to book value ratio	1.43	1.26	The higher the price to book value ratio, the higher the fair value.(applied hair cut)

(a) Sensitivity variation unobervable input (using 1% estimated variation)

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
unobervable input - increase by 1%	18,244	22,264	18,244	22,264
unobervable input - value as stands	18,428	22,044	18,428	22,044
unobervable input - decrease by 1%	18,612	21,823	18,612	21,823

Note 19. Invest in fixed deposits

19.1 Long term fixed deposits

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Fixed deposits	-	261,916	-	261,916
	-	**261,916**	**-**	**261,916**

19.2 Short term fixed deposits

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Fixed deposits	463,386	153,911	463,386	153,911
	463,386	**153,911**	**463,386**	**153,911**

Note 20. Financial assets and financial liabilities

The Company holds the following financial instruments:

Financial assets

		Group		Company	
		As at 31 March		As at 31 March	
	Notes	2023	2022	2023	2022
Financial assets at amortised cost					
- Long term investments in financial assets	19	-	261,916	-	261,916
- Trade and other receivable excluding pre-payments	22	311,615	176,801	218,590	76,067
- Amount due from related party	23	313,469	59,331	317,711	48,310
- Short term investment in financial assets	19	463,386	153,911	463,386	153,911
- Cash and cash equivalents	24	186,283	254,488	184,003	253,105
- Financial assets at fair value through other comprehensive income (FVOCI)	17	-	-	466,405	533,821
- Equity investments at fair value through other comprehensive income	18	18,428	22,044	18,428	22,044
		1,293,181	**928,491**	**1,668,523**	**1,349,174**

The Company's exposure to various risks associated with the financial instruments is discussed in note 39. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial liabilities

		Group		Company	
		As at 31 March		As at 31 March	
	Notes	2023	2022	2023	2022
Liabilities at amortised cost					
- Borrowings (excluding finance lease liability)	27	413,998	680,767	413,998	680,767
- Finance lease liabilities	28	249,551	234,465	249,551	234,465
- Trade and other payables excluding non-financial liabilities	32	237,264	139,441	236,734	139,230
		900,813	**1,054,673**	**900,283**	**1,054,462**

The company's exposure to various risks associated with the financial instruments is discussed in Note 39. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Note 21. Inventories

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Produce stock	588,032	336,775	588,032	336,775
Input materials, spares and consumables	244,492	116,150	243,321	116,150
Closing balance	**832,524**	**452,925**	**831,353**	**452,925**

Note 22. Trade and other receivables

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Trade receivables (a)	256,120	120,954	163,095	20,220
Other receivables (b)	55,495	55,847	55,495	55,847
Financial assets at amortised cost	**311,615**	**176,801**	**218,590**	**76,067**
Tax receivables	9,221	9,221	9,221	9,221
Employee advances	50,991	40,134	50,991	39,913
Prepayments	2,332	3,763	2,332	3,476
Advance paid to creditors	(5,009)	11,112	(5,009)	10,351
Closing balance	**369,150**	**241,031**	**276,125**	**139,028**

(a) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Company.

(c) Impairment and risk exposure

Information about the impairment of trade receivables and the Company's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 39 (c).

Note 23. Amounts due from related companies

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Lotus Renewable Energy (Private) Limited	312,720	58,499	305,962	47,285
Lotus Hydropower PLC	148	97	148	97
Origin Tea Exports (Private) Limited	520	225	520	225
G&G Agro Commodities (Private) Limited	-	246	-	246
Mark Marine Services (Private) Limited	-	-	11,000	193
Sri Bio Tech Lanka (Private) Limited	81	264	81	264
Closing balance	**313,469**	**59,331**	**317,711**	**48,310**

Note 24. Cash and cash equivalents

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Cash at bank	43,642	36,538	41,363	35,175
Cash in hand	1,378	2,286	1,377	2,266
Short term bank deposit	141,263	215,664	141,263	215,664
Closing balance	**186,283**	**254,488**	**184,003**	**253,105**

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Group		Company	
	As at 31 March		As at 31 March	
	2023	2022	2023	2022
Balances as above	186,283	254,488	184,003	253,105
Bank over draft	(104,661)	(224,669)	(104,661)	(224,669)
Balance as per cash flow statement	**81,622**	**29,819**	**79,342**	**28,436**

Note 25. Stated capital

	Number of shares	Value (LKR)
As at 31 March 2022	236,666,671	1,803,400
As at 31 March 2023	**236,666,671**	**1,803,400**

The Company has issued and fully paid 236,666,670 ordinary shares and 1 golden share.

The Golden Shareholder

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the State of Sri Lanka or by a 100% State owned public company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights:

(a) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased / to be leased.

(b) The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.

(c) The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks written notice.

(d) The Company will be required to submit a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each fiscal year.

(e) The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Note 26. Non-controlling interests (NCI)

Set out below is summarised financial information for the subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	**Mark Marine Services (Private) Limited**	
	As at 31 March 2023	**As at 31 March 2022**
Current assets	103,234	114,600
Current liabilities	20,799	6,944
Current net assets	**82,435**	**107,656**
Non-current assets	374,067	397,869
Non-current liabilities	116,317	61,465
Non-current net assets	**257,750**	**336,404**
Net assets	**340,185**	**444,060**
Accumulated NCI	18,536	20,298

Summarised statement of comprehensive income	**As at 31 March 2023**	**As at 31 March 2022**
Revenue	88,207	38,556
Profit for the period	34,671	9,784
Other comprehensive income	1,157	607
Total comprehensive income	**35,828**	**10,391**
Profit allocated to NCI	1,638	476
Dividends paid to NCI	3,400	3,400
Summarised cash flows		
Cash flows from operating activities	63,075	74,404
Cash flows from investing activities	(62,164)	(73,909)
Cash flows from financing activities	(15)	(15)
Net increase/(decrease) in cash and cash equivalents	**896**	**481**

Note 27. Borrowings

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Repayable after one year				
Term loan	175,393	309,337	175,393	309,337
	175,393	309,337	175,393	309,337
Repayable within one year				
Term loan	133,944	146,761	133,944	146,761
Bank overdrafts	104,661	224,669	104,661	224,669
	238,605	371,430	238,605	371,430
Closing balance	**413,998**	**680,767**	**413,998**	**680,767**

Movements in term loan during the period are set out below:

	Term loan	Total
Group		
As at 01 April 2021	229,855	229,855
Addition during the period	367,500	367,500
Repaid during the period	(141,257)	(141,257)
As at 31 March 2022	**456,098**	**456,098**
As at 01 April 2022	456,098	456,098
Addition during the period	62,077	62,077
Repaid during the period	(208,838)	(208,838)
As at 31 March 2023	**309,337**	**309,337**
Company		
As at 01 April 2021	229,855	229,855
Addition during the period	367,500	367,500
Repaid during the period	(141,257)	(141,257)
As at 31 March 2022	**456,098**	**456,098**
As at 01 April 2022	456,098	456,098
Addition during the period	62,077	62,077
Repaid during the period	(208,838)	(208,838)
As at 31 March 2023	**309,337**	**309,337**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

	Analysis of borrowings based on the repayment schedule				
	Within one years	2-3 years	4-5 years	More than 5 years	Total
Group / Company					
Term loan	146,761	193,576	102,899	12,862	456,098
Bank overdrafts	224,669	-	-	-	224,669
As at 31 March 2022	**371,430**	**193,576**	**102,899**	**12,862**	**680,767**
Term loan	133,944	111,079	64,313	-	309,337
Bank overdrafts	104,661	-	-	-	104,661
As at 31 March 2023	**238,605**	**111,079**	**64,313**	**-**	**413,998**

Fair value

All borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Particulars about loan facilities

Group / Company

(I) Nations Trust Bank

Purpose : For working capital financing

Year	Original amount	Interest rate % p.a.	Outstanding liability 2022 / 2023			
			Repayable within one year	Repayable after one year	Balance as st 31 March 2023	Repayment term
2021/22	67,500	AWPLR + 0.25%	24,545	8,182	32,727	33 equal monthly instalments commencing from November 2021
As at 31 March 2023			**24,545**	**8,182**	**32,727**	

Security - Machinary has been pledged as security for loan amounting to LKR 67.5 Mn.

(II) State Bank of India

Purpose : For the replanting activities

Year	Original amount	Interest rate % p.a.	Outstanding liability 2022 / 2023			
			Repayable within one year	Repayable after one year	Balance as st 31 March 2023	Repayment term
2019/20	230,000	AWPLR - 2.25%	57,950	-	57,950	48 equal monthly instalments commencing from March 2020
As at 31 March 2023			**57,950**	**-**	**57,950**	

Security - Tea stocks and receivable have been pledged as security.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(III) DFCC BANK

Purpose : Acquisition of Mark Marine (Private) Limited

Year	Original amount	Interest rate % p.a.	Outstanding liability 2022 / 2023			
			Repayable within one year	Repayable after one year	-	Repayment term
2021/22	387,000	AWPLR+0.75%	51,449	167,211	**218,660**	72 equal monthly instalments commencing from July 2021
As at 31 March 2023			**51,449**	**167,211**	**218,660**	

Security - 4,180,599 shares of Mark Marine (Private) Limited have been pledged as security.

Note 28. Lease liability

		Group		Company	
		As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Lease liability on Right-of-Use asset- Land	28.1	238,062	220,921	238,062	220,921
Lease liability on Right-of-Use asset- Building	28.2	11,489	13,544	11,489	13,544
Closing balance		**249,551**	**234,465**	**249,551**	**234,465**

28.1 Lease liability on Right-of-Use asset- Land

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
As at 1 April	220,921	213,878	220,921	213,878
Remeasurement of lease liabilities	17,453	7,271	17,453	7,271
Interest charges for the year	56,450	52,378	56,450	52,378
Settlement of liability	(56,762)	(52,606)	(56,762)	(52,606)
Closing balance	**238,062**	**220,921**	**238,062**	**220,921**

28.2 Lease liability on Right-of-Use asset- Building

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
As at 1 April	13,544	4,862	13,544	4,862
Additions	-	9,713	-	9,713
Interest charges for the year	1,179	1,221	1,179	1,221
Settlement of liability	(3,234)	(2,252)	(3,234)	(2,252)
Closing balance	**11,489**	**13,544**	**11,489**	**13,544**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

28.3 Detailed analysis of lease liability

Group / Company	Balance as at 31 March 2023			Balance as at 31 March 2022		
	Non-current	Current	Total	Non-current	Current	Total
Lease liability on Right-of-Use asset- Land	237,670	392	238,062	220,632	289	220,921
Lease liability on Right-of-Use asset- Building	9,064	2,425	11,489	11,480	2,064	13,544
Net liability to lessor	**246,734**	**2,817**	**249,551**	**232,112**	**2,353**	**234,465**

28.4 Lease liability can be analysed as follows (maturity period):

Group / Company	0-1 years	2-3 years	3-5 years	More than 5 years	Total
As at 31 March 2022					
a) Lease liability on Right-of-Use asset- Land					
Interest on lease liability	(52,318)	(52,244)	(156,063)	(728,413)	(989,038)
Settlement of liability	52,607	52,607	157,821	946,924	1,209,959
Net liability	**289**	**363**	**1,758**	**218,511**	**220,921**
b) Lease liability on Right-of-Use asset- Building					
Interest on lease liability	(1,170)	(909)	(1,502)	(861)	(4,442)
Settlement of liability	3,234	3,325	5,307	6,120	17,986
Net liability	**2,064**	**2,416**	**3,805**	**5,259**	**13,544**
As at 31 March 2023					
a) Lease liability on Right-of-Use asset- Land					
Interest on lease liability	(56,370)	(56,270)	(223,425)	(674,654)	(1,010,719)
Settlement of liability	56,762	56,763	227,051	908,205	1,248,781
Net liability	**392**	**493**	**3,626**	**233,551**	**238,062**
b) Lease liability on Right-of-Use asset- Building					
Interest on lease liability	(900)	(593)	(1,251)	(518)	(3,262)
Settlement of liability	3,325	2,426	4,320	4,680	14,751
Net liability	**2,425**	**1,833**	**3,069**	**4,162**	**11,489**

Note 29. Retirement benefit obligation

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Post-employment benefits (gratuity)	824,909	768,409	818,381	761,472
	824,909	**768,409**	**818,381**	**761,472**

The amounts recognised in the Statement of financial position and the movements in the net defined benefit obligation over the year are as follows;

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Opening balance as at 1 April	768,409	744,725	761,472	744,725
Acquisition of subsidiary	-	6,894	-	-
Current service cost	43,771	46,863	43,424	46,114
Past Service Cost	-	(1,294)	-	(1,294)
Interest cost	115,410	67,025	114,220	67,025
Total amount recognised in profit or loss	**159,181**	**112,594**	**157,644**	**111,845**
Remeasurements				
- Gain from change in actuarial assumptions	70,816	19,898	72,469	20,604
Total amount recognised in other comprehensive income	**70,816**	**19,898**	**72,469**	**20,604**
Benefits paid	(173,497)	(115,702)	(173,204)	(115,702)
Closing balance	**824,909**	**768,409**	**818,381**	**761,472**

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2023 by Mr.M.Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the 'Projected Unit Credit Method', a method recommended by the Sri Lanka Accounting Standard LKAS - 19 on "Employee Benefits".

According to the actuarial valuation report issued by the Actuarial and Management Consultants (Private) Limited as at 31 March 2023, the actuarial present value of promised retirement benefits amounted to LKR. 818,381,446/-. 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 LKR. 1,194,761,227/-.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

	2023	2022
(i) Rate of interest	16.5%p.a.	15 % p.a.
(ii) Rate of salary increase		
- tea estate workers	13% every year	8% every year
- estate staff	25% every three years and 5% per annum	25% every three years and 2.5% per annum
- estate management and head office staff	10% every year	10% every year
(iii) Retirement age	60 years	60 years
(iv) No of staff	409	424
No of workers	4989	5453

The weighted average durations of the defined benefit obligation at end of the reporting period are 7.20 years and 8.7 years for staff and workers respectively. (2022 – 8.20 years and 7.34 years for staff and workers).

The expected maturity analysis of retirement benefit obligation is as follows:

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
- Staff				
Within the next 12 months	4,975	7,505	4,899	7,432
Between 2 and 5 years	20,342	20,320	15,196	14,762
Beyond 5 years	26,807	37,171	25,501	35,865
	52,124	**64,996**	**45,596**	**58,059**
- Workers				
Within the next 12 months	84,296	96,083	84,296	96,083
Between 2 and 5 years	208,975	223,078	208,975	223,078
Beyond 5 years	479,514	384,252	479,514	384,252
	772,785	**703,413**	**772,785**	**703,413**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Sensitivity analysis

In order to illustrate the significance of the salary / wage escalation rate and the discount rate assumed in this valuation as at 31 March 2023, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

		Present value of defined benefit obligation					
		Group			Company		
Discount rate	**Salary / wage escalation rate**	**Staff-LKR**	**Workers-LKR**	**Total**	**Staff-LKR**	**Workers-LKR**	**Total**
As at 31 March 2022							
Increase by 1%	As given above	54,172	660,726	714,898	54,137	660,726	714,863
Decrease by 1%	As given above	62,467	751,500	813,967	62,502	751,500	814,002
As given above	Increase by 1%	62,652	757,127	819,779	62,686	757,127	819,813
As given above	Decrease by 1%	53,959	655,264	709,223	53,925	655,264	709,189
As at 31 March 2023							
Increase by 1%	As given above	42,932	718,239	761,171	42,897	718,239	761,136
Decrease by 1%	As given above	48,583	834,863	883,446	48,618	834,863	883,481
As given above	Increase by 1%	47,256	832,480	879,736	47,221	832,480	879,701
As given above	Decrease by 1%	44,036	719,518	763,554	44,071	719,518	763,589
Staff turnover rate							
As at 31 March 2022							
Increase by 1%		59,441	729,873	789,314	59,441	729,873	789,314
Staff turnover rate - value as stands		64,996	703,413	768,409	58,059	703,413	761,472
Decrease by 1%		56,532	674,429	730,961	56,532	674,429	730,961
As at 31 March 2023							
Increase by 1%		47,410	788,038	835,448	47,410	788,038	835,448
Staff turnover rate - value as stands		52,125	772,784	824,909	45,597	772,784	818,381
Decrease by 1%		43,614	755,945	799,559	43,614	755,945	799,559

Note 30. Deferred capital grants

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Capital grants				
As at 1 April	112,878	115,051	112,878	115,051
Additions	4,029	4,095	4,029	4,095
Amortisation	(6,269)	(6,268)	(6,269)	(6,268)
Closing balance	**110,638**	**112,878**	**110,638**	**112,878**

Funds have been received from the Plantation Human Development Trust (PHDT) , Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation etc. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centers are also included above. The amounts spent have been capitalised under the relevant property, plant and equipment category and also grants received from Sri Lanka Tea Board for tea immauture fields. The capital grants are amortised on a straight-line basis over the useful life of the respective asset.

Note 31. Deferred income tax liability

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Deferred tax assets (i)	(318,303)	(102,381)	(316,345)	(101,410)
Deferred tax liabilities (ii)	668,572	202,410	622,096	146,959
Net deferred Income Tax Liability *	**350,269**	**100,029**	**305,751**	**45,549**

* Offsetting deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Opening balance at 1 April	100,029	116,547	45,549	116,547
Acquisition of subsidiary	-	56,125	-	-
Income statement (released) / charged				
- to profit or loss	271,485	(102,647)	281,943	(100,903)
- to other comprehensive income	(21,245)	30,004	(21,741)	29,905
Closing balance	**350,269**	**100,029**	**305,751**	**45,549**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(i) Deferred tax assets

The analysis of each type of deductible temporary differences as at 31 March 2023 and 31 March 2022 are as follows:

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
The balance comprises temporary differences attributable to:				
Lease liabilities	(74,251)	(24,252)	(74,251)	(24,252)
Retirement benefit obligation	(212,139)	(67,172)	(210,181)	(66,201)
Capital grants	(31,913)	(10,957)	(31,913)	(10,957)
	(318,303)	**(102,381)**	**(316,345)**	**(101,410)**

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances, is as follows:

Group	Lease liabilities	Capital grants	Retirement benefit obligations	Total
At 1 April 2021	(30,623)	(16,107)	(104,262)	(150,992)
Acquisition of subsidiary	-	-	(953)	(953)
Income statement (charge) / release				
- to profit or loss	6,371	5,150	8,039	19,560
- to other comprehensive income	-	-	30,004	30,004
Closing balance at 31 March 2022	**(24,252)**	**(10,957)**	**(67,172)**	**(102,381)**
At 1 April 2022	(24,252)	(10,957)	(67,172)	(102,381)
Income statement (charge) / release				
- to profit or loss	(49,999)	(20,956)	(123,722)	(194,677)
- to other comprehensive income	-	-	(21,245)	(21,245)
Closing balance at 31 March 2023	**(74,251)**	**(31,913)**	**(212,139)**	**(318,303)**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Company	Lease liabilities	Capital grants	Retirement benefit obligations	Total
At 1 April 2021	(30,623)	(16,107)	(104,262)	(150,992)
Income statement (charge) / release				
- to profit or loss	6,371	5,150	8,156	19,677
- to other comprehensive income	-	-	29,905	29,905
Closing balance at 31 March 2022	**(24,252)**	**(10,957)**	**(66,201)**	**(101,410)**
At 1 April 2022	(24,252)	(10,957)	(66,201)	(101,410)
Income statement (charge) / release				
- to profit or loss	(49,999)	(20,956)	(122,239)	(193,194)
- to other comprehensive income	-	-	(21,741)	(21,741)
Closing balance at 31 March 2023	**(74,251)**	**(31,913)**	**(210,181)**	**(316,345)**

(ii) Deferred tax liabilities

The analysis of each type of taxable temporary differences as at 31 March 2023 and 31 March 2022 are as follows:

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
The balance comprises temporary differences attributable to:				
Right-of-use assets	60,974	20,381	60,974	20,381
Property plant and equipment	164,662	97,788	118,186	42,337
Bearers plants	331,649	75,399	331,649	75,399
Consumable biological assets	111,287	8,842	111,287	8,842
	668,572	**202,410**	**622,096**	**146,959**

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

Group	Right-of-use assets	Property plant and equipment	Bearers biological assets	Consumable biological assets	Total
At 1 April 2021	28,317	95,764	88,328	55,130	267,539
Acquisition of subsidiary	-	57,078	-	-	57,078
Income statement (release) / charge					
- to profit or loss	(7,936)	(55,054)	(12,929)	(46,288)	(122,207)
Closing balance at 31 March 2022	**20,381**	**97,788**	**75,399**	**8,842**	**202,410**
At 1 April 2022	20,381	97,788	75,399	8,842	202,410
Income statement (charge) / release					
- to profit or loss	40,593	66,874	256,250	102,445	466,162
Closing balance at 31 March 2023	**60,974**	**164,662**	**331,649**	**111,287**	**668,572**

Company	Right-of-use assets	Property plant and equipment	Bearers biological assets	Consumable biological assets	Total
At 1 April 2021	28,317	95,764	88,328	55,130	267,539
Income statement (release) / charge					
- to profit or loss	(7,936)	(53,427)	(12,929)	(46,288)	(120,580)
Closing balance at 31 March 2022	**20,381**	**42,337**	**75,399**	**8,842**	**146,959**
At 1 April 2022	20,381	42,337	75,399	8,842	146,959
Income statement (charge)/ release					
- to profit or loss	40,593	75,849	256,250	102,445	475,137
Closing balance at 31 March 2023	**60,974**	**118,186**	**331,649**	**111,287**	**622,096**

The Inland Revenue (Amedment) Act no 45 of 2022 was certified by the speaker on 19th December 2022.The Standard rate of Income tax has been increased 30% from 24% w.e.f 1st October 2022. Accordingly, deffered tax asset & liability have been computed at 30%. Amount of deferred tax expense (income) relating to changes in tax rates-Rs. 199 Mn.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Note 32. Trade and other payables

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Trade payables	212,350	109,612	212,350	109,528
Taxes	577	154	577	-
Employee related dues	174,231	156,984	174,231	156,984
Provisions and accruals	181,105	79,970	179,640	78,572
Other payables	24,914	29,829	24,384	29,702
	593,177	**376,549**	**591,182**	**374,786**

Trade payables are unsecured and are usually paid within 30 days of recognision the carrying amounts of trade payable are considered to be the same as their fair values due to their short term nature.

Note 33. Current income tax liability

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
As at 1 April	14,714	44,234	9,734	44,234
Acquisition of subsidiary	-	4,734	-	-
Charged for the period	100,234	28,567	88,875	25,474
Adjustment for over provisions previous year	-	(42,175)	-	(42,175)
Payment of income tax	(77,450)	(20,646)	(68,906)	(17,799)
	37,498	**14,714**	**29,703**	**9,734**

Note 34. Dividend per share

	Group		Company	
Calculation of dividend per share;	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Interim Dividend for 2022/2023	355,000	118,333	355,000	118,333
	355,000	**118,333**	**355,000**	**118,333**
Number of ordinary shares	236,667	236,667	236,667	236,667
Dividend paid per share	**1.50**	**0.50**	**1.50**	**0.50**

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Note 35. Assets pledge as collaterals

The following assets of the company have been pledged as collaterals for overdraft facility and loan obtained by the Company to respective financial institution concerned.

Name of the financial institution	Nature of the facility	Facility granted	Balance as at 31 March 2023	Securities pledge	Carrying value of the pledged Securities
Nations Trust Bank PLC	Overdraft	250,000	-	Mortgage over fixed deposit	fixed deposits - 256,086 stocks - 295,000
Nations Trust Bank PLC	Term loam	67,500	32,729	Mortgage over machinery	Machinery - 75,000
DFCC Bank PLC	Term loam	387,000	218,660	Mortgage 4,180,599 shares of Mark Marine Services Pvt Ltd	Investment value - 466,405

(a) Financial commitments

Bank guarantees	2023	2022
Elkaduwa Plantations LTD	5,000	-
Janatha Estate Development Board	29,940	19,033
Sri Lanka Estate Plantation Corporation	8,000	13,000
	42,940	**32,033**

(b) Capital commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the accounts is detailed below:

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
Approved and not contracted for	544,234	586,498	544,234	586,498
	544,234	**586,498**	**544,234**	**586,498**

Note 36. Contingent liability

There are no known contingent liabilities exist as at the statement of financial position date, to be disclosed or adjusted in the financial statements.

Note 37. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations.

		Group		Company	
	Notes	Year ended 31 March 2023	Year Ended 31st March 2022	Year ended 31 March 2023	Year Ended 31st March 2022
Net profit / (loss) before taxation		2,041,272	416,512	2,076,769	450,465
Adjustments for:					
- Depreciation charge	13,14 & 15	159,031	171,782	134,789	159,729
- Profit on sale of property, plant and equipment	6	(76)	(1,900)	(76)	(1,900)
- Profit on sale of trees	6	-	(5,664)	-	(5,664)
- Assets write-off - Rubber Immature plants		8,556	-	8,556	-
- Disposal of bearer plants - mature plants		-	(817)	-	(817)
- Disposal of consumable biological assets - nurseries		-	-	-	-
- Timber fair valuation gain	7	(391,707)	(148,916)	(391,707)	(148,916)
- Biological assets-produce crop valuation loss	7	(6,274)	1,538	(6,274)	1,538
- Provision for retirement benefit obligations	29	159,181	112,594	157,644	111,845
- Amortisation of leasehold right to assets	12	11,517	10,516	11,517	10,516
- Amortisation of capital grants	30	(6,269)	(6,268)	(6,269)	(6,268)
- Gain on disposal of equity investments	17	-	(25,979)	-	-
- Dividend income	6	-	(6,135)	(71,070)	(77,205)
- Fair value adjustment of concessionary loan		-	-	-	-
- Finance income	9	(121,600)	(33,859)	(119,844)	(32,616)
- Finance expenses	9	112,490	44,346	112,490	44,346
- Interest paid to government and other on lease	9	57,631	53,599	57,631	53,599
Changes in working capital					
- Inventories		(379,599)	137,625	(378,428)	137,625
- Trade and other receivables		(382,257)	70,190	(395,498)	119,963
- Trade and other payables		216,632	(129,983)	216,393	(131,226)
Cash generated from operations		**1,478,528**	**659,181**	**1,406,623**	**685,014**

Note 38. Related party transactions

(a) Parent entities

The Company is a subsidiary of Lotus Renewable Energy (Private) Limited which owns 75.65% (2020/2021-75.65%) of ordinary shares of the Company's shares. The remaining ordinary shares are widely held. The ultimate Parent Company of the Company is Lotus Renewables (Singapore) Pte Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 17.

(c) Directors' Interest in Contracts

(i) Messrs. G.D. Seaton, A.U.A.M. Athukorala, G.S. Krishnamoorthy, W.M.A. Indrajith Fernando, Hiro Bhojwani and U. H. Palihakkara who are Directors of the Company are also Directors of Lotus Hydropower PLC.

(ii) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of Lotus Renewable Energy (Private) Limited.

(iii) Mr. A.U.A.M. Athukorala who is a Director of the Company is also a Director of Origin Tea Exports (Private) Limited.

(iv) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of Zyrex Power Company Limited.

(v) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of G & G Agro Commodities (Private) Limited.

(d) Recurrent transactions with other related companies

The following transactions occurred with related parties;

(i) Included in the revenue and other sources of income

			As at 31 March		
			2023		2022
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Parent	Interest income	35,508	0.47%	1,164
		Sales	-	-	-
Mark Marine Services (Private) Limited	Subsidiary	Ordinary shares dividends	71,070	0.93%	71,070
Lotus Hydropower PLC	Affiliate	Sales	591	0.01%	245
		Reimbursement of expenses	1,816	0.02%	672
Origin Tea Exports Pvt Ltd	Affiliate	Sales	249	0.00%	694
G&G Agro Commodities (Private) Limited	Affiliate	Sales	246	0.00%	246

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(ii) Included in the cost of sales and other expenses

			As at 31 March		
			2023		2022
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Parent	Fuel expenses	72	0.00%	-
Lotus Hydropower PLC	Affiliate	Service Cost	838	0.01%	644
		Utility bill expenses	-	0.00%	626
Zyrex Power Company Limited	Affiliate	Reimbursement of expenses	297	0.00%	-
Sri Bio Tech Lanka (Private) Limited	Affiliate	Purchase of goods	57,698	0.76%	30,395
		Reimbursement of expenses	2,334	0.03%	-

(iii) Non-recurrent Transactions with the parent and ultimate parent company

			As at 31 March		
			2023		2022
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Parent	Short term lending	368,000	4.83%	67,250
		Short term loan recovery	175,250	2.30%	50,000
		Recovery of loan interest	13,210	0.17%	1,148
Sri Bio Tech Lanka (Private) Limited	Affiliate	Sales of Generator	-	0.00%	2,944

(e) i. Amounts due from related companies

Amounts due from related companies are set out in note 23.

ii. Amounts due to related companies

There are no amounts due to related companies as at the statement of financial position date.

All transactions with related parties have been carried out on an arms length basis.

The Directors have disclosed the nature of their interests in contracts and proposed contracts with the Group and the Company at meetings of the Directors.

(f) Key management compensation

Key management includes the executive committee of the Company. The compensation paid or payable to key management for employee services is shown below:

	As at 31 March	
	2023	2022
Salaries and other short term employee benefits	14,345	11,800
	14,345	**11,800**

(g) Terms and conditions

The loans to parent company is generally for periods of 6 months, repayable in monthly instalments at interest rates of 27% (2022 - 9%) per annum.

Goods were sold to other related parties during the year based on the auction price and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

Note 39. Financial risk management objectives and policies

(a) Financial risk factors

The Company is exposed to a variety of financial risks. These include market risks, credit risks, and liquidity risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance. Based on our economic outlook and the Company's exposure to these risks, the Board of Directors approves various risk management strategies from time to time.

(b) Market risks

(i) Foreign exchange risk

The Company is not exposed to foreign exchange risk due to the non availability of transaction in foreign currencies.

(ii) Interest rate risk

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

Exposure

The exposure of the Group's and the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

	2023	% of total loans	2022	% of total loans
Group				
Variable rate borrowings	309,337	100.00%	451,931	99.09%
Other borrowings	-	0.00%	4,167	0.91%
	309,337	**100.00%**	**456,098**	**100.00%**
Company				
Variable rate borrowings	309,337	100.00%	451,931	99.09%
Other borrowings	-	0.00%	4,167	0.91%
	309,337	**100.00%**	**456,098**	**100.00%**

Sensitivity

Profit or loss is sensitive to interest rates on its floating rate financial instruments, being the currencies in which the Group and the Company has historically obtained debt.

	Group		Company	
	Increase / (decrease) on post tax profit			
	2023	2022	2023	2022
Interest rate - increase by 5%	26,805	5,544	26,805	5,544
Interest rate - decrease by 5%	(26,805)	(5,544)	(26,805)	(5,544)

(iii) Price risks

Exposure

The Group and the Company is not exposure to equity securities price risk arises from investments held by the Group and the Company due to the Group's and the Company's equity investments are not publicly traded and classified in the balance sheet either as at fair value through other comprehensive income (FVOCI)

The Company is exposed to the commodity price risk from tea auction prices. The Company monitors commodity price on a systematic basis and manages inventory levels to minimise the impact.

Sensitivity

The table below summarises the impact of increases/decreases of tea auction price on the company's post-tax profit for the period. The analysis is based on the assumption that the price had increased by 1% or decreased by 1%, with all other variables held constant.

	Increase / (decrease) on post tax profit	
	2023	2022
Auction price - increase by 1%	76,198	53,540
Auction price - decrease by 1%	(76,198)	(53,540)

(c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers.

(i) Impairment of financial assets

The Group and the Company have three types of financial assets that are subject to the expected credit loss model:

- Trade and other receivable excluding pre-payments
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of SLFRS 9, the identified impairment loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

The Group and the Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Credit risk of trade receivable of the company is minimum due to the auction sales system where prompt is received within 7 days with a zero default rate. The credit quality of financial assets are disclosed in note (ii) below.

Only customer of Mark Marine Services (Private) Limited (subsidiary of the Company) is Ceylon Electricity Board (CEB) which is a Government Owned Entity. As of the year end the outstanding balance from CEB is LKR 91,841,050/- (2022 - LKR 100,734,180/-)

The Company has identified and factored the GDP of the country and other relevant factors accordingly to the model to reflect forward looking information affecting the ability to settle receivables.

(ii) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

			Group		Company	
			As at 31 March		As at 31 March	
	Rating		2023	2022	2023	2022
Long-term bank deposits						
NDB Bank PLC	A-	(lka)	-	261,916	-	261,916
			-	261,916	-	261,916
Cash at bank and short-term bank deposits						
Cash at bank						
Hatton National Bank PLC	A	(lka)	17,027	10,652	16,977	10,597
Commercial Bank of Ceylon PLC	A	(lka)	8,047	490	8,047	490
Nations Trust Bank PLC	A-	(lka)	325,629	377,407	325,629	377,407
Seylan Bank PLC	A-	(lka)	48	650	48	650
State Bank of India	BBB-	(lka)	12,953	9,637	12,953	9,637
Peoples Bank PLC	A	(lka)	151	1,595	151	1,595
DFCC Bank PLC	A-	(lka)	2,605	1,839	377	531
National Development Bank PLC	A-	(lka)	281,830	3,843	281,829	3,843
			648,291	406,113	646,012	404,750
Unrated						
Cash in hand			1,378	2,286	1,377	2,266
Cash and cash equivalents			649,669	408,399	647,389	407,016

Trade and other receivables

The Group and the Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivable.

To measure the expected credit losses, trade receivables and other receivable have been grouped based on shared credit risk characteristics and the days past due. Credit risk of trade receivable of the Company is minimum due to the auction sales system where prompt is received within 7 days with a zero default rate.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

Only customer of Mark Marine Services (Private) Limited (subsidiary of the Company) is Ceylon Electricity Board (CEB) which is a Government Owned Entity. As of the year end the outstanding balance from CEB is Rs. 91,841,050/- (2022 - Rs 100,734,180/-)

The aging analysis of trade receivable as follows.

	Total LKR.	0-60 days LKR.	61-120 days LKR.	121-180 days LKR.	181-365 days LKR.	>365 days LKR.
Ceylon Electricity Board	91,841	3,689	15,993	21,342	49,030	1,787

The Group and the Company has identified and factored the GDP of the country and other relevant factors accordingly to the model to reflect forward looking information affecting the ability to settle receivables.

		Group		Company	
	Notes	2023	2022	2023	2022
Existing customers with no default history	22	**256,120**	120,954	**163,095**	20,220
Related parties	23	**313,469**	59,331	**317,711**	48,310
Other third parties	22	**55,495**	55,847	**55,495**	55,847
		625,084	**236,132**	**536,301**	**124,377**

None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically.

Above related to a number of independent customers / tea brokers for whom there is no recent history of credit default and the total trade receivables were fully performing.

On that basis, the loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows for both trade receivables:

	Group			Company		
	Current	More than 30 days past due	Total	Current	More than 30 days past due	Total
31 March 2022						
Expected loss rate	Nil	Nil		Nil	Nil	
Gross carrying amount – trade receivables	21,819	99,135	**120,954**	20,220	-	20,220
Related parties	48,310	-	**48,310**	48,310	-	48,310
Other third parties	55,847	-	**55,847**	55,847	-	55,847
Loss allowance	-	-	-	-	-	-
31 March 2023						
Expected loss rate	Nil	Nil		Nil	Nil	
Gross carrying amount – trade receivables	163,279	91,841	**255,120**	163,095	-	163,095
Related parties	314,388	-	**314,388**	317,711	-	317,711
Other third parties	55,495	-	**55,495**	55,495	-	55,495
Loss allowance	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (contd.)

(d) Liquidity risk

Cash flow forecasting is performed in the Group and the Company which monitors rolling forecasts of the Group's and the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration, the Group's and the Company's debt financing plans.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.:

Contractual maturities of financial liabilities.

Group	With in one year	2-3 years	4-5 years	More than 5 years	Total contractual cash flows	Carrying amount liabilities
31 March 2022						
Lease Liability	55,842	110,965	**108,094**	953,044	1,227,945	234,465
Borrowings	371,430	193,576	**102,899**	12,862	680,767	680,767
Trade and other payables (excluding statutory liabilities)	139,441	-	-	-	139,441	139,441
	566,713	**304,541**	**210,993**	**965,906**	**2,048,153**	**1,054,673**
31 March 2023						
Lease Liability	57,270	113,494	**112,521**	730,697	1,013,982	249,551
Borrowings	238,605	111,079	**64,313**	-	413,998	413,998
Trade and other payables (excluding statutory liabilities)	237,264	-	-	-	237,264	237,264
	533,139	**224,573**	**176,834**	**730,697**	**1,665,244**	**900,813**

Company	With in one year	2-3 years	4-5 years	More than 5 years	Total contractual cash flows	Carrying amount liabilities
31 March 2022						
Lease Liability	55,842	110,965	**108,094**	953,044	1,227,945	234,465
Borrowings	371,430	193,576	**102,899**	12,862	680,767	680,767
Trade and other payables (excluding statutory liabilities)	139,230	-	-	-	139,230	139,230
	566,502	**304,541**	**210,993**	**965,906**	**2,047,942**	**1,054,462**
31 March 2023						
Lease Liability	57,270	113,494	**112,521**	730,697	1,013,982	249,551
Borrowings	238,605	111,079	**64,313**	-	413,998	413,998
Trade and other payables (excluding statutory liabilities)	236,734	-	-	-	-	236,734
	532,609	**224,573**	**176,834**	**730,697**	**1,427,980**	**900,283**

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Further the Group has complied with all covenants on all borrowings throughout the reporting period.

In consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt.

The gearing ratio of the Group and the Company as at the date of the financial position is given below:

		Group		Company	
		As at 31 March		As at 31 March	
	Notes	2023	2022	2023	2022
Total borrowings	27	413,998	680,767	413,998	680,767
Less:					
Cash and cash equivalents	24	186,283	254,488	184,003	253,105
Net debt		**227,715**	**426,279**	**229,995**	**427,662**
Total equity		4,525,491	3,267,525	4,586,475	3,357,284
Total capital		**4,525,491**	**3,267,525**	**4,586,475**	**3,357,284**
Net debt to equity ratio		5.03%	13.05%	5.01%	12.74%

Note 40. Events after the reporting date

The interim dividend of Rs. 1.00 per share for the year 2023/24 totaling Rs. 236,666,671 which was declared on 02nd August 2023, to be paid on 01st September 2023. In accordance with Sri Lanka Accounting Standard No. 10 on " Events after reporting period", the interim dividend has not been recognized as a liability as at the Reporting date.

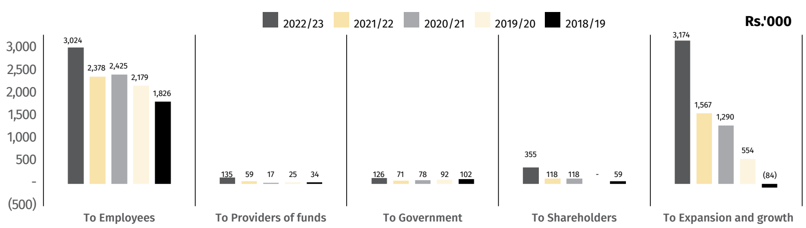
The company has taken into consideration the existing and anticipated macroeconomic conditions. The reduction in tea prices traded in auctions, decrease in prices of fuel, chemicals, packaging materials, and fertilizer, government decisions on import restrictions and movement in the interest rates are significant challenges in the business operations. The management is not aware of any material uncertainties that may cast significant doubts on the Company's ability to continue as a going concern.

Supplementary Information

VALUE ADDED STATEMENT

	Company									
	2022/23	**%**	**2021/22**	**%**	**2020/21 ****	**%**	**2019/20 ****	**%**	**2018/19**	**%**
Revenue	7,619,812		5,353,963		5,635,888		4,184,464		4,039,996	
Other income	147,607		180,295		94,134		133,426		105,372	
Gain on change in fair value of biological assets	397,981		147,378		126,625		612,578		3,803	
	8,165,400		**5,681,636**		**5,856,647**		**4,930,468**		**4,149,171**	
Cost of materials and services obtained	(1,351,176)		(1,488,843)		(1,927,671)		(2,079,333)		(2,211,764)	
Value Addition	6,814,224		4,192,793		3,928,976		2,851,135		1,937,407	
Value allocated to:										
To Employees										
Salaries,wages and other benefits	3,024,014	72%	2,377,764	57%	2,425,468	62%	2,179,218	76%	1,825,699	94%
To Providers of funds										
Interest to money lenders	135,134	3%	58,569	1%	16,715	0%	25,347	1%	34,266	2%
To Government										
JEDB/SLSPC Lease rental	56,450		52,378		50,701		49,789		48,934	
Value Added Tax	-		-		-		8,080		-	
Nation Bulding Tax	-		-		-		4,145		369	
Economics Service Charges	-		-		-		21,244		26,809	
Stamp Duty	271		985		157		145		159	
Income Tax	68,906		17,799		27,131		8,938		25,810	
	125,627	**3%**	**71,162**	**2%**	**77,989**	**2%**	**92,341**	**3%**	**102,081**	**5%**
To providers of capital										
Dividend paid to shareholders	355,000	8%	118,333	3%	118,333	3%	-	0%	59,167	3%
To Expansion and growth										
Profit retained	2,767,941		1,467,718		1,068,491		352,608		(242,754)	
Depreciation & ammotization	146,306		170,245		180,478		175,182		205,988	
Deferred Taxation	260,202		(70,998)		41,502		26,439		(47,040)	
	3,174,449	76%	1,566,965	37%	1,290,471	33%	554,229	19%	(83,806)	-4%
	6,814,224		**4,192,793**		**3,928,976**		**2,851,135**		**1,937,407**	

	Company									
	2022/23	**%**	**2021/22**	**%**	**2020/21**	**%**	**2019/20**	**%**	**2018/19**	**%**
To Employees	3,024,014	44%	2,377,764	57%	2,425,468	62%	2,179,218	76%	1,825,699	94%
To Providers of funds	135,134	2%	58,569	1%	16,715	0%	25,347	1%	34,266	2%
To Government	125,627	2%	71,162	2%	77,989	2%	92,341	3%	102,081	5%
To Shareholders	355,000	5%	118,333	3%	118,333	3%	-	0%	59,167	3%
To Expansion and growth	3,174,449	47%	1,566,965	37%	1,290,471	33%	554,229	19%	(83,806)	-4%
	6,814,224		**4,192,793**		**3,928,976**		**2,851,135**		**1,937,407**	



HISTORICAL FINANCIAL INFORMATION

Statement of financial position

As at 31st March	2023 Group	2023 Company	2022 Group	2022 Company	2021 ** Company	2020 ** Company	2019 Company
ASSETS							
Non-current assets							
Right-of-use assets	214,669	214,669	208,733	208,733	202,264	207,471	106,843
Immovable estate assets	15,407	15,407	20,517	20,517	31,638	42,758	53,878
Property, plant and equipment other than bearer plants	1,482,686	1,108,663	1,436,965	1,039,150	984,239	995,555	1,042,488
Bearer plants	1,138,186	1,138,186	798,506	798,506	630,626	592,692	619,528
Biological assets - consumable	2,047,687	2,047,687	1,627,587	1,627,587	1,463,893	1,325,651	700,140
Investment in subsidiary at fair value through other comprehensive income	-	466,405	-	533,821	-	-	-
Equity investments at fair value through other comprehensive income	18,428	18,428	22,044	22,044	32,057	17,587	24,686
Long term investment	-	-	261,916	261,916	-	-	-
Total non-current assets	**4,917,063**	**5,009,445**	**4,376,268**	**4,512,274**	**3,344,717**	**3,181,714**	**2,547,563**
Current assets							
Inventories	832,524	831,353	452,925	452,925	590,550	356,016	440,351
Biological assets-produce crops on bearer plants	23,656	23,656	17,382	17,382	18,920	9,254	14,612
Trade and other receivables	369,150	276,125	241,031	139,028	277,870	150,311	233,666
Amounts due from related companies	313,469	317,711	59,331	48,310	30,039	20,986	
Short term investment in financial assets	463,386	463,386	153,911	153,911	249,843	135,000	-
Cash and cash equivalents	186,283	184,003	254,488	253,105	357,017	327,072	185,224
Total current assets	2,188,468	2,096,234	1,179,068	1,064,661	1,524,239	998,639	873,853
Total assets	**7,105,531**	**7,105,679**	**5,555,336**	**5,576,935**	**4,868,956**	**4,180,353**	**3,421,416**
EQUITY AND LIABILITIES							
Capital and reserves							
Stated Capital	1,803,400	1,803,400	1,803,400	1,803,400	1,803,400	1,803,400	1,803,400
Reserve on rearrangement							-
Reserve on equity investments at FVOCI	7,665	15,134	11,281	86,166	21,294	6,824	3,041
Retained earnings	2,695,890	2,767,941	1,432,546	1,467,718	1,068,491	352,608	(242,754)
Equity attributable to equity holders of the parent	4,506,955	4,586,475	3,247,227	3,357,284	2,893,185	2,162,832	1,563,687
Non-controlling interests	18,536	-	20,298		-	-	-
Total equity	**4,525,491**	**4,586,475**	**3,267,525**	**3,357,284**	**2,893,185**	**2,162,832**	**1,563,687**
Non-current liabilities							
Borrowings	175,393	175,393	309,337	309,337	128,717	196,700	50,541
Lease liability	246,734	246,734	232,112	232,112	217,495	214,137	188,664
Retirement benefit obligation	824,909	818,381	768,409	761,472	744,725	1,017,309	1,011,911
Deferred capital grants	110,638	110,638	112,878	112,878	115,051	121,320	127,588
Deferred tax liability	350,269	305,751	100,029	45,549	116,547	75,045	48,606
Total non-current liabilities	**1,707,943**	**1,656,897**	**1,522,765**	**1,461,348**	**1,322,535**	**1,624,511**	**1,427,310**
Current liabilities							
Borrowings	238,605	238,605	371,430	371,430	101,138	141,658	96,277
Lease liability	2,817	2,817	2,353	2,353	1,245	973	4,359
Trade and other payables	593,177	591,182	376,465	374,786	506,619	250,379	322,348
Retention on project		-	84	-	-	-	-
Current income tax liability	37,498	29,703	14,714	9,734	44,234	-	7,435
Total current liabilities	**872,097**	**862,307**	**765,046**	**758,303**	**653,236**	**393,010**	**430,419**
Total liabilities	**2,580,040**	**2,519,204**	**2,287,811**	**2,219,651**	**1,975,771**	**2,017,521**	**1,857,729**
Total equity and liabilities	**7,105,531**	**7,105,679**	**5,555,336**	**5,576,935**	**4,868,956**	**4,180,353**	**3,421,416**

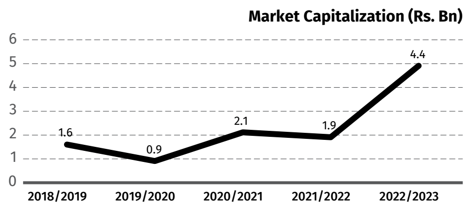
*** Restated - Statement of Financial Position*

CASH FLOW

Year ended	2022/2023 Group	2022/2023 Company	2021/2022 Group	2021/2022 Company	2020/2021 Company	2019/2020 Company	2018/2019 Company
Net cash generated from operating activities	1,166,481	1,101,664	479,430	506,867	603,329	113,730	152,939
Net cash used in investing activities	(553,550)	(493,030)	(965,833)	(892,595)	(293,253)	(173,565)	(52,965)
Net cash generated from / (used in) financing activities	(561,128)	(557,728)	53,747	57,147	(245,085)	166,637	(170,243)
(Decrease) / increase in cash and cash equivalents	51,803	50,906	(432,656)	(328,581)	64,991	106,802	(70,269)

FINANCIAL RATIOS

	2022/2023 Group	2022/2023 Company	2021/2022 Group	2021/2022 Company	2020/2021 Company	2019/2020 Company	2018/2019 Company
OPERATING RATIOS							
Annual turnover growth %	1.2%	41.3%	0.7%	-5.0%	34.7%	3.6%	-13%
Profit Growth %	213.4%	200.3%	-0.8%	5.8%	19.5%	499.2%	-123%
Turnover per employee (Rs.'000)	1,424	1,412	915	911	911	635	571
PROFITABILITY RATIOS							
Return on equity %	37.0%	37.2%	16.4%	16.9%	18.6%	20.8%	-7.2%
Gross Profit Margin %	24.8%	24.5%	7.0%	6.8%	10.7%	-2.2%	2.3%
Net Profit Margin %	21.7%	22.4%	9.9%	10.6%	9.5%	10.7%	-2.8%
LIQUIDITY RATIOS							
Current ratio (Times)	2.51	2.43	1.54	1.40	2.33	2.54	2.03
Quick Ratio (Times)	1.55	1.47	0.95	0.81	1.43	1.64	1.01
SOLVENCY RATIOS							
Debt equity ratio (Times)	0.09	0.09	0.21	0.20	0.08	0.16	0.09
Debt Ratio (Times)	0.36	0.35	0.41	0.40	0.41	0.48	0.54
Interest cover (Times)	13.00	13.21	5.26	5.60	10.19	7.22	(0.51)
Total assets to current liabilities %	12%	12%	14%	14%	13%	9%	13%
INVESTOR RATIOS							
Annualised earning per share (Rs.)	7.05	7.21	2.25	2.40	2.27	1.90	(0.48)
Price earning share (Times)	2.65	2.59	3.73	3.50	3.83	2.21	(13.96)
Dividend per share (Rs.)	1.50	1.50	0.50	0.50	0.50	0.00	0.25
Dividend payout ratio	21%	21%	22%	21%	22%	0%	-53%
Dividend cover (Times)	4.77	4.87	4.50	4.80	4.54	0.00	(1.90)
Market Capitalization (Rs.'000)	4,425,667	4,425,667	1,988,000	1,988,000	2,059,000	994,000	1,585,667
Net assets value per share (Rs.)	19.13	19.38	13.81	14.19	12.22	9.14	6.61



ESTATE HECTARAGE STATEMENT

Area (Ha)	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Tea Mature	3,384.94	3,879.06	4,027.14	4,078.80	4,057.90	4,117.00	4,098.00	4,238.48	4,230.83	4,232.49
Tea Immature	88.42	98.26	29.95	34.29	51.29	64.74	45.29	82.69	82.65	60.05
Tea	**3,473.36**	**3,977.32**	**4,057.09**	**4,113.09**	**4,109.19**	**4,181.74**	**4,143.29**	**4,321.17**	**4,313.48**	**4,292.54**
Fuelwood	728.03	1,067.81	991.47	1,068.29	1,079.29	1,027.29	1,058.14	1,065.14	1,388.41	1,495.31
Nursery	12.08	10.67	12.08	13.08	12.08	12.08	12.08	12.08	14.58	14.58
Other Cultivated Area	176.65	111.74	123.69	56.69	61.19	45.74	45.74	62.66	59.66	59.66
Other Area	2,816.26	2,038.84	2,022.05	1,955.23	1,944.63	1,939.53	2,369.09	2,166.04	1,852.21	1,767.50
Lonach - Dairy			-	-	-	-	(419.98)	-	-	-
KNL & STR development			-	-	-	-	(1.98)	-	(1.25)	-
Other	**3,733.02**	**3,229.06**	**3,149.29**	**3,093.29**	**3,097.19**	**3,024.64**	**3,063.09**	**3,305.92**	**3,313.61**	**3,337.05**
Company	**7,206.38**	**7,206.38**	**7,206.38**	**7,206.38**	**7,206.38**	**7,206.38**	**7,206.38**	**7,627.09**	**7,627.09**	**7,629.59**

CROPS AND YIELDS

Production (Kg'000)

Region	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea										
Watawala	1,354	2,102	2,900	2,122	1,797	2,073	1,893	2,489	2,754	2,563
Hatton	3,153	4,501	4,910	4,011	3,335	3,749	3,459	4,297	4,402	4,388
Lindula	1,599	2,103	2,151	1,996	1,925	2,088	1,835	2,323	2,881	2,682
Tea	**6,106**	**8,706**	**9,960**	**8,128**	**7,057**	**7,909**	**7,187**	**9,110**	**10,036**	**9,632**

Yield per hectarage (kg)

Region	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea										
Watawala	956	1,292	1,448	1,220	1,221	1,329	1,269	1,373	1,533	1,420
Hatton	1,477	1,693	1,514	1,414	1,469	1,480	1,224	1,441	1,624	1,570
Lindula	1,065	1,290	1,207	1,229	1,217	1,305	1,152	1,444	1,523	1,415
Tea	**1,174**	**1,425**	**1,371**	**1,294**	**1,309**	**1,374**	**1,213**	**1,439**	**1,568**	**1,480**

PERMANENT BUILDINGS ON ESTATES

BUILDINGS	KNL	CAR	WIG	SHN	ABB	DCK	VEL	STD	AGR	HEN	LIP/OUV	TNG	WAL	Total
Factories	1	1	–	1	1	2	1	1	1	1	2	1	1	14
Bungalows	5	3	2	1	4	5	6	3	2	4	3	2	5	45
Senior Staff Bungalows	8	11	2	8	7	11	10	10	4	9	10	9	9	108
Junior Staff Bungalows	14	17	15	19	25	46	26	24	13	34	25	21	30	309
JEDB Quarters	–	–	18	–	–	23	–	–	–	–	–	–	–	41
Double Barrack lines	22	8	16	6	10	50	9	17	12	23	17	10	10	210
Single Barrack lines	15	34	24	11	25	50	78	48	11	25	23	41	52	437
Twin Cottages	48	67	–	69	21	104	69	54	36	46	45	74	17	650
Single Cottages	–	–	–	20	2	137	3	125	–	–	–	–	–	287
Upstairs Houses	–	39	–	–	–	–	–	–	–	19	–	–	–	58
Single Houses	123	75	5	99	67	178	60	183	77	199	119	75	211	1,471
Crèches	6	5	1	3	4	6	7	7	2	5	6	5	7	64
Dispensary	2	1	1	1	1	2	1	1	1	1	2	1	2	17
Maternity Ward	–	1	7	–	1	–	1	1	–	1	1	–	1	14
Minor Buildings	11	11	1	11	18	25	9	–	5	1	13	10	1	116
Training Centres	1	–	1	1	–	1	1	1	–	–	–	1	1	8
Estate Workers Housing														
Cooperating Society (EWHCS)	–	1	7	1	1	1	1	1	1	–	1	1	1	17
Any Other Buildings	–	–	17	1	–	–	14	1	1	2	–	5	7	48
Temples	8	11	4	3	7	10	2	7	4	6	7	3	8	80
Church	2	2	2	2	1	2	5	2	1	1	2	4	2	28
Muster sheds	5	5	–	3	4	5	1	5	2	5	6	–	7	48
Field Rest Rooms	3	5	–	3	1	5	1	2	–	5	1	1	7	34
GS Office Room	–	–	–	1	1	1	–	1	–	1	–	–	1	6
Elders Club	1	–	–	1	–	1	1	–	–	1	–	–	7	12
Vocational Training Centre	1	–	–	–	–	–	1	–	–	–	–	–	1	3
Dormitory	1	–	–	–	–	–	2	–	–	–	–	1	–	4
Library	1	–	–	1	–	–	1	1	–	1	–	2	1	8
Dairy Farm	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Pre School	–	–	–	–	–	–	–	6	2	5	2	2	6	23
Water Bottling Factory/ Bulk Tea														
Sales Centre	–	–	–	–	–	–	1	1	–	–	–	1	–	3
Vehicle Garage	–	3	–	1	–	–	–	1	–	1	1	–	1	8
Bulk Tea Sales Centre (Containers)	-	–	–	–	–	–	–	1	–	1	–	–	–	2
Mandira Bungalows	–	–	–	–	–	2	–	1	–	–	–	–	–	3
Mandira Bungalow Servant's House	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Tea Cup Manager's Bungalow	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Shannon Asst. Manager's Bungalow	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Manure Store	–	2	1	–	1	1	–	3	1	1	–	–	1	11
Staff Club	–	1	–	–	–	–	–	–	–	–	–	–	–	1
Total	**278**	**303**	**124**	**267**	**202**	**668**	**311**	**511**	**176**	**398**	**286**	**270**	**397**	**4,191**

SHAREHOLDERS' AND INVESTORS' INFORMATION

Share Trading Information from 1 April to 31 March

	2023	2022
Highest during the period	26.20	15.00
Lowest during the period	18.50	8.00
Closing price	18.70	8.40
No. of transactions	1,060	1,145
No. of Shares traded	683,863	912,568
Value of Shares traded (LKR)	15,508,595	10,433,278

Twenty (20) largest shareholders

		31st March 2023		31st March 2022	
		No of Shares held	% of the holding	No of Shares held	% of the holding
01	National Development Bank Plc/Lotus Renewable Energy (Private) Limited	179,034,370	75.65	179,034,370	75.65
02	Regency Teas (Pvt) Ltd	29,065,923	12.28	29,065,923	12.28
03	Mr. K.C. Vignarajah	2,020,769	0.85	2,234,491	0.94
04	Deutsche Bank Ag Singapore A/C 2	1,318,551	0.56	1,638,551	0.69
05	Mrs. N. Muljie	552,900	0.23	552,900	0.23
06	Mr. M.I. Abdul Hameed	350,000	0.15	350,000	0.15
07	Union Investments Private Ltd	262,000	0.11	262,000	0.11
08	Miss. B.E.D. Liyanage	204,800	0.09	-	-
09	Mr. H.D.A.D. Perera	200,100	0.09	200,100	0.08
10	MR. B.L.S. Peiris	200,000	0.09	150,000	0.06
11	Mrs. S. Vignarajah	198,935	0.08	200,285	0.08
12	Hatton National Bank Plc-Arpico ataraxia eguity in	194,471	0.08	-	-
13	C M Holdings Plc	170,000	0.07	170,000	0.07
14	Best Real Invest Co Services (Private) Limited	155,757	0.07	155,757	0.07
15	Mr. M.M. Hashim	151,900	0.06	151,900	0.06
16	Mr. D.W.G. Ponweera	128,700	0.05	130,000	0.05
17	Mrs. K.G.M. Pieris	125,900	0.05	125,900	0.05
18	Citizens Development Business Finance Plc/Rathnaya	125,820	0.05	-	-
19	Mr. D.C.D.L.S.D. Perera	115,000	0.05	115,000	0.05
20	MR. M.R. Laffir	110,000	0.05	-	-
	Sub total	**214,685,896**	**90.71**	**214,537,177**	**90.62**
	Others	21,980,775	9.29	22,129,494	9.38
	Grand total	**236,666,671**	**100.00**	**236,666,671**	**100.00**

Share trading information-last four years

	2023	2022	2021	2020
Highest during the year	26.20	15.00	12.30	8.30
Lowest during the year	18.50	8.00	3.50	3.80
As at 31 March	18.70	8.40	8.70	4.20
No. of shares	236,666,671	236,666,671	236,666,671	236,666,671

Stock exchange listing

The issued shares of Hatton Plantations PLC are listed with the Colombo Stock Exchange (CSE) in Sri Lanka. The Audited Statement of Income for the period ended 31 March 2023 and the Audited Statement of financial position at that date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

Shareholders information

Total no of Shareholders as at 31 March 2023 – 16,040 (as at 31 March 2022 – 15,929)

Public Share Holding

The Percentage of shares held by the public: 11.99% (2021/2022 – 11.99%) held by 16,037 ordinary shareholders (2021/2022-15,926).

	Option	Float adjusted market capitalization	Public holdling Percentage	No of public shareholders
Listing rule 7.14.1 (i) b	2	Less than LKR 2.5 Bn	10.00%	200
Compliance by HPL		LKR 0.530 Bn	11.99%	16,037

A). Resident/Non Resident Holders - (Manual) & (CDS)

	Residents				Non Residents				Total			
Shareholdings	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)
1 to 1,000	8,578	53.48	3,819,852	1.61	11	0.07	5,014	0.00	8,589	53.55	3,824,866	1.62
1,001 to 5,000	7,112	44.34	13,256,392	5.60	8	0.05	20,300	0.01	7,120	44.39	13,276,692	5.61
5,001 to 10,000	191	1.19	1,446,064	0.61	3	0.02	17,600	0.01	194	1.21	1,463,664	0.62
10,001 to 50,000	94	0.59	1,964,010	0.83	5	0.03	195,477	0.08	99	0.62	2,159,487	0.91
50,001 to 1,000,000	31	0.19	4,365,349	1.84	2	0.01	137,000	0.06	33	0.21	4,502,349	1.90
Over 1,000,000	4	0.02	210,121,062	88.79	1	0.01	1,318,551	0.56	5	0.02	211,439,613	89.34
Total	**16,010**	**99.81**	**234,972,729**	**99.28**	**30**	**0.19**	**1,693,942**	**0.72**	**16,040**	**100.00**	**236,666,671**	**100**

B). Institutional/Non Institutional Holders - (Manual) & (CDS)

	Institutional				Non Institutional				Total			
Shareholdings	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)	No of Shareholders	(%)	No of Shares	(%)
1 to 1,000	35	0.22	11,988	0.01	8,554	53.32	3,812,878	1.61	8,589	53.54	3,824,866	1.62
1,001 to 5,000	42	0.26	141,290	0.06	7,078	44.13	13,135,402	5.56	7,120	44.39	13,276,692	5.61
5,001 to 10,000	17	0.11	133,500	0.06	177	1.10	1,330,164	0.56	194	1.21	1,463,664	0.62
10,001 to 50,000	16	0.10	355,985	0.15	83	0.52	1,803,502	0.76	99	0.62	2,159,487	0.91
50,001 to 1,000,000	8	0.05	1,109,928	0.47	25	0.16	3,392,421	1.43	33	0.21	4,502,349	1.90
Over 1,000,000	4	0.02	209,418,844	88.48	1	0.01	2,020,769	0.85	5	0.03	211,439,613	89.34
Total	**122**	**0.76**	**211,171,535**	**89.23**	**15,918**	**99.24**	**25,495,136**	**10.77**	**16,040**	**100.00**	**236,666,671**	**100.00**

GLOSSARY

FINANCIAL TERMS

ACCOUNTING POLICIES
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

AGRICULTURAL ACTIVITY
Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

AGRICULTURAL PRODUCE
The harvested product of the entity's biological assets.

AMORTISATION
The systematic allocation of depreciable amount of an intangible asset over its useful life.

BEARER BIOLOGICAL ASSETS
Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

BORROWINGS/DEBT
Bank loans, overdrafts, long term loans, debentures, finance lease obligations and interest bearing liabilities.

CAPEX
Capital Expenditure

CAPITAL EMPLOYED
Shareholder's funds plus non controlling interests and debts.

CASH EQUIVALENTS
High liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of change in value.

CONSUMABLE BIOLOGICAL ASSETS
Includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

CONTINGENT LIABILITY
A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. a probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient Reliability

COP
Cost of Production. This generally refers to the cost of producing a kilo of produce (Tea).

COS
Cost of Sale. The cost incurred on preparation to salable condition of the goods sold.

CROP
The total produce harvested over a given period of time. (Usually during a financial year).

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/ EQUITY RATIO
Debt as a percentage of shareholders funds and non controlling interests.

DEFERRED TAXATION
The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDENDS
Distribution of profits to holders of equityinvestments.

DIVIDEND PAY OUT
Dividend per share divided by Earnings per share.

EARNINGS PER SHARE - EPS
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period

EBIT
Abbreviation for Earnings Before Interest and Tax.

EBITDA
Abbreviation for Earnings Before Interest Tax Depreciation & Amortisation.

EBITDA MARGIN
EBITDA divided by Revenue.

ENTERPRISE VALUE – EV
Market Capitalisation plus Debt, Minority Interest & Preferred shares minus total Cash and Cash equivalents.

ENTERPRISE MULTIPLE – EM
Enterprise Value (EV) divided by Earnings before Interest Tax Depreciation and Amortisation (EBITDA)

MARKET VALUE ADDED – MVA
Shareholder funds divided by the market value of shares

EPF
Employee Provident Fund

ETF
Employee Trust Fund

HARVEST
Detachment of produce from a Biological Asset or the cessation of Biological Assets life processes.

IFRS
International Financial Reporting Standards.

INTEREST COVER
Consolidated profit before interest and tax over finance expenses.

LKAS
Sri Lanka Accounting Standards.

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of period.

NET ASSETS
Total assets less current liabilities less long term liabilities less non - controlling interests.

GLOSSARY (contd.)

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NON CONTROLLING INTEREST
Part of the net results of operations and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent Company.

PRICE EARNINGS RATIO
Market price of a share divided by earnings per share.

PBT
Profit before tax

RELATED PARTIES
Parties who could control or significantly influence the financial and operating policies of the business.

RETURN ON EQUITY (ROE)
Profits attributable to shareholders as a percentage of average shareholders' funds.

RETURN ON CAPITAL EMPLOYED
Profit before tax and net finance cost divided by capital employed.

SHAREHOLDERS' FUNDS
Total of stated capital, capital reserves and revenue reserves.

SLFRS
Sri Lanka Financial Reporting Standards.

SORP
Statement of Recommended Practices.

RETIREMENT BENEFIT OBLIGATION
Present Value of a Retirement Benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

ACTUARIAL GAINS AND LOSSES
Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

CURRENT SERVICE COST
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

INTEREST COST
Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

PRESENT VALUE OF A RETIREMENT BENEFIT OBLIGATION
Present value of a retirement benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

REVENUE RESERVES
Reserves considered as being available for distributions and investments.

SEGMENT
Constituent business units grouped in terms of nature and similarity of operations.

VALUE ADDITIONS
The quantum of wealth generated by the activities of the company and its application.

WORKING CAPITAL
Capital required financing day-to-day operations (Current Assets less Current Liabilities).

UITF
Urgent Issue Tasks Force of The nstitute of Chartered Accountants of Sri Lanka.

NON FINANCIAL TERMS

BIOMASS
Bioenergy, are fuels that is developed from organic materials

BRIQUETTES
Compressed Block of coal dust or other combustible Biomass material (Eg: Charcoal, Sawdust, Wood chip, peat, or paper) used for fuel and kindling to start a fire.

CBA
Colombo Brokers Association

CIPM
Charted Institute of Personnel Management

CPFP
Child Protection Focal Points

CTTA
Colombo Tea Traders Association

CTA
Colombo Tea Auctions

ECOSYSTEM
Geographic area where plants, animals and other organisms as well as weather and landscape,work together to form a bubble of life

EMS
Environment Management System

ENMS
Energy Management System

ENERGY INTENSITY
The amount of energy used to produce a given level of output or activity

EROM
Enterprises Risk & Opportunity Management

ETHICAL TEA PARTNERSHIP (ETP)
ETP is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just end enviornmentally sustainable.

EWHCS
Estate Worker Housing Cooperative Societies.

EXTENT IN BEARING
The extent of land from which crop is being harvested. Also see "Mature Plantation".

GLOSSARY (contd.)

FIELD
A unit extent of land. Estates are divided into fields in order to facilitate management.

GDP
Global Domestic Production

GSA
The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage etc.

GT
Green Tea

HACCP
Hazard Analysis Critical Control Point System. A Scientific system which identifies, evaluates and control hazards which are significant for food safety.

HPL
CSE identification code for the Company.

HRD
Human Resource Development

HRMS
Human Resource Management System

ILO
International Labor Organization

IMMATURE PLANTATION
The extent of plantation that is under development and is not being harvested.

INFILLING
A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

ISO
International Organisation for Standardisation. A worldwide federation of national standard bodies.

KILOGRAM
The kilogram, symbol kg, is the SI unit of measure.

KPI
Key Performance Indicators

MATURE PLANTATION
The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

METRIC TON
The metric ton is a unit of measure, and it is defined as 1,000 kilograms.

MOH
Ministry of Health

MOU
Memorandum of Understanding

MSME
Micro, Small and Medium Enterprises

NAITA
National Apprentice & Industrial Training Authority

NILS
National Institution of Labor Studies

NIPM
National Institute of Plantation Management

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees. etc (Also see GSA).

OHS
Occupational Health & Safety

PHDT
Plantation Human Development Trust

PPE
Personal Protective Equipment

QMS
Quality Management System

RAINFOREST ALLIANCE (RA)
The Rainforest Alliance functions as the Secretariat of the SAN and administrates its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.

REGENERATIVE BUSINESS
A Regenerative business seeks to restore and replenish ecosystems, fostering positive social and enviornmental impacts while ensuring long-term sustainability

REPLANTING
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing tree/bushes and replanting with new trees/bushes.

RSM
Revenue Sharing Model

SEEDLING TEA
Tea grown from a seed. (Also see VP Tea).

SLTB
Sri Lanka Tea Board

SOIL ASSESMENTS
Tests of soil physical, chemical and biological parameters.

TRI
Tea Research Institution.

VP TEA
Vegetatively Propagated tea. i.e. Tea grown from a cutting of a branch of tea plant. (Also see "Seedling").

YIELD
The average crop per unit extent of land over a given period of time. (Usually kgs per hectare per year).

NOTICE OF THE ANNUAL GENERAL MEETING

HATTON PLANTATIONS PLC | REGISTRATION NO. PB 5414PQ

NOTICE IS HEREBY GIVEN THAT THE SIXTH (6TH) ANNUAL GENERAL MEETING OF HATTON PLANTATIONS PLC WILL BE HELD ON WEDNESDAY, 27TH SEPTEMBER 2023 AT 10.00 A.M. AT PARK PREMIER BANQUET HALL, EXCEL WORLD, NO. 338, T B JAYAH MAWATHA, COLOMBO 10.

The business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2023 with the report of the Auditors thereon.
2. To propose the following resolution as an ordinary resolution for the appointment of Mr. U H Palihakkara who has reached the age of 80 years.

Ordinary Resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No 7 of 2007 shall not apply to Mr. U H Palihakkara who has reached the age of 80 years prior to this Annual General Meeting and that he be re-appointed"

3. To re-elect Mr. Hiro J Bhojwani as per Article 30(1) of the Articles of Association.
4. To re-elect Mr. W L P Wijewardena as per Article 30(1) of the Articles of Association.
5. To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as the Auditors of the Company for the year 2023/24 and authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine contributions to Charities for the financial year 2023/24.

By order of the Board

Corporate Advisory Services (Pvt) Ltd
Secretaries, Hatton Plantations PLC
Colombo
29th August 2023

Notes:

1. The Annual Report of the Company for 2022/23 is available on the Corporate Website - https://hattonplantations.lk/financial-data/AnnualReports/Annual-Report-2022-2023.pdf and the on the Colombo Stock Exchange (CSE) website visit https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=HPL.N0000
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company.
3. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at registered office No. 168, 2nd Floor, Negombo Road, Peliyagoda or must be e-mailed to info@hattonplantations.lk not less than forty eight (48) hours before the time fixed for the Meeting.
4. We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

FORM OF PROXY

HATTON PLANTATIONS PLC | REGISTRATION NO. PB 5414PQ

I/We...of..
being a member / members of Hatton Plantations PLC, hereby appoint:

....of..
...................or failing him, Mr. G D Seaton (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the Sixth (06th) Annual General Meeting of the Company, to be held on 27th September 2023 at 10.00 a.m. and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2023 with the report of the Auditors thereon.	○	○
2. To pass an ordinary resolution to re-appoint Mr. U H Palihakkara who has reached the age of 80 years, as a Director.	○	○
3. To re-elect Mr. Hiro J Bhojwani as per Article 30(1) of the Articles of Association.	○	○
4. To re-elect Mr. W L P Wijewardena as per Article 30(1) of the Articles of Association.	○	○
5. To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the Company for the year 2023/24 and authorize the Directors to determine their remuneration.	○	○
6. To authorize the Directors to determine contributions to Charities for the financial year 2023/24.	○	○

Dated this ....day of 2023

....
Signature of Shareholder

(a) A proxy need not be a member of the Company

Shareholders NIC ....

(b) Instructions regarding completion appear overleaf.

Proxy holders NIC ....

INSTRUCTION AS TO COMPLETION OF THE FORM OF PROXY

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors of the Company) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.

3. The completed form of Proxy should be deposited at registered office No. 168, 2nd Floor, Negombo Road, Peliyagoda or must be emailed to info@hattonplantations.lk not less than forty eight (48) hours before the time fixed for the Meeting. i.e. before 25th September, 2023.

4. The Proxy shall – (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an Attorney, a notary Public certified copy of the Power of Attorney should be attached to the completed form of Proxy if it has not already been registered with the Company. (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer/s on behalf of the Company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

5. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

CORPORATE INFORMATION

COMPANY
Hatton Plantations PLC

LEGAL FORM
Companies Act No. 07 of 2007 and listed on the Colombo Stock Exchange

DATE OF INCORPORATION
14th September 2017

COMPANY REGISTRATION NO.
PB 5414PQ

FINANCIAL PERIOD
31st March

PRINCIPAL LINE OF BUSINESS
Cultivation and Manufacture of Black Tea

STOCK CODE
HPL.N0000

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

DIRECTORS
Mr. Gary Seaton - *Chairman*
(Appointed as a Director on 17th July 2019 and as the Chairman on 23rd July 2019)

Mr. Menaka Athukorala -
Managing Director/ CEO
(Appointed as a Director on 17th July 2019, as the Managing Director on 23rd Jul 2019 and Chief Executive Officer on 31st March 2022)

Mr. Gowri Shankar -
Non Executive Director
(Appointed on 17th July 2019)

Mr. Hiro Bhojwani -
Non Executive Director
(Appointed on 23rd July 2019)

Mr. Indrajith Fernando -
Non Executive/ Independent Director
(Appointed on 17th July 2019)

Mr. Uditha Palihakkara -
Non-Executive/ Independent Director
(Appointed on 30th July 2019)

Mr. Damascene Perera -
Non-Executive Director
(Appointed on 15th January 2021)

Mr. Lucille Wijewardena -
Non-Executive Director
(Appointed on 15th January 2021)

AUDIT COMMITTEE
Mr. Indrajith Fernando - Chairman
Mr. Uditha Palihakkara
Mr. Gowri Shankar

REGISTERED OFFICE
No. 168, 2nd Floor, Negombo Road, Peliyagoda.
Tel. Nos. +94 11 4537700
Fax No. +94 11 4537701
Email : info@hattonplantations.lk
Web : www.hattonplantations.lk

BUSINESS OFFICE
No. 168, 2nd Floor, Negombo Road, Peliyagoda.

SECRETARIES
Corporate Advisory Services (Pvt) Ltd.
No. 47, Alexandra Place, Colombo 07.
Tel; +94 11 2695782,
Fax : +94 11 2695410

REGISTRARS
Secretaries & Financial Services (Pvt) Ltd
267/1/5, Highlevel Road, Kottawa, Pannipitiya
Tel : +94 11 2178820,
Email : infosfslanka@gmail.com

AUDITORS
PricewaterhouseCoopers (Chartered Accountants)
No. 100, Braybrooke Place, Colombo 02.
Tel : +94 11 7719700,
Fax : +94 11 2303197

TAX CONSULTANTS
KPMG, Chartered Accountants.
No.32A,, Sir Mohamed Macan Markar Mw, Colombo 03.
Tel : +94 11 5426426, Fax : +94 11 2445872

SUBSIDIARIE
Mark Marine Services (Private) Limited

SUBSIDIARIE - REGISTERED OFFICE
No. 168, 2nd Floor, Negombo Road, Peliyagoda.

SUBSIDIARIE - HEAD OFFICE
No. 168, 2nd Floor, Negombo Road, Peliyagoda.

BANKERS
Nations Trust Bank PLC
Hatton National Bank PLC
National Development Bank PLC
State Bank of India
Commercial Bank PLC Seylan Bank PLC
People’s Bank PLC
DFCC Bank PLC

Hatton Plantations PLC

No. 168, 2nd Floor,
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