

HATTON PLANTATIONS PLC

BEYOND THE LEAF

UNVEILING SUSTAINABLE SOLUTIONS



ANNUAL REPORT

23/24



Waltrim Estate

Exquisite taste that made this tea famous, is epitomised in the intensely flavourful tea from the world famous Waltrim tea garden. A little light in cup colour with a sweet aftertaste surrounded by the characteristic fragrance of Dimbula tea, this is a great afternoon tea.



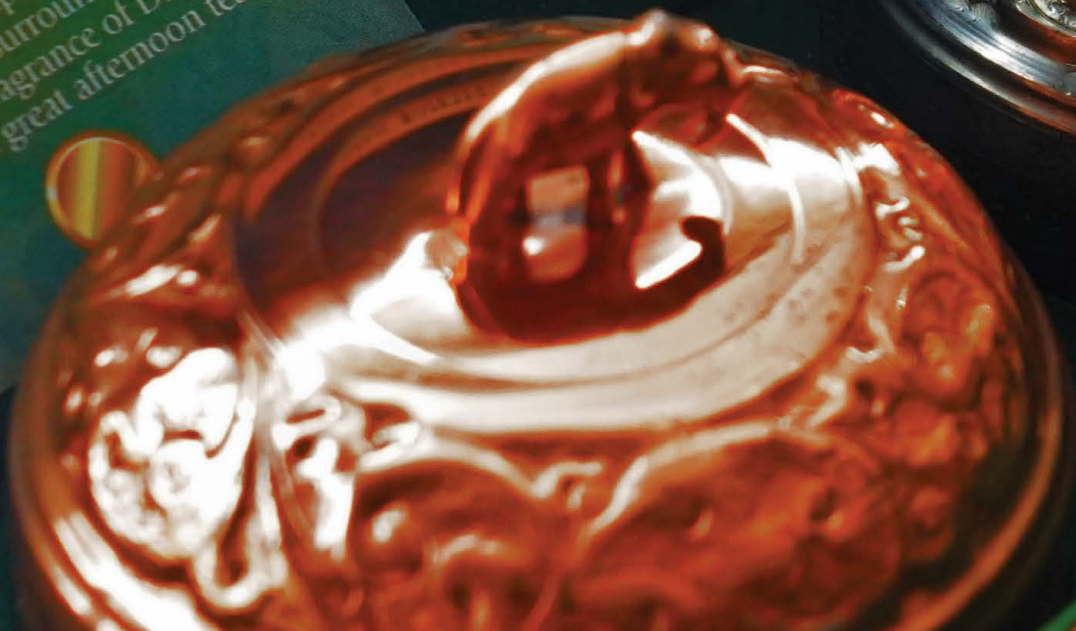
Kenilworth Estate

A light cup with a 'caramel' aftertaste produced by the world famous Kenilworth tea garden. This flagship estate of medium grown Ceylon tea gained fame due to its ability to titillate the taste buds of tea connoisseurs across the world.



Shannon Estate

A light cup with a 'caramel' aftertaste produced by the world famous Shannon tea garden. This flagship estate of medium grown Ceylon tea gained fame due to its ability to titillate the taste buds of tea connoisseurs across the world.





With digital transformation of our field operations, and a complete ERP solution, we step forward, empowered in **unveiling sustainable solutions beyond the leaf**, that result in enhanced productivity and competitiveness.



OUR PURPOSE

"Growing Hatton Plantations to be the Industry Leader"



OUR FUTURE

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



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 OUR REPORT



The 7th Annual Report of Hatton Plantations PLC provides a comprehensive overview of the Group and the Company's performance and value creation for the financial year ended 31st March 2024. We are pleased to share that amidst many challenges for the agriculture sector, in particular the tea industry during the 12 months under review, Hatton Plantations has successfully overcome these challenges, reporting yet another profitable year for the Group and the company.

This report provides a comprehensive account of Hatton Plantations PLC Group and the Company's financial performance, strategic initiatives, and multiple stakeholder engagements that have led to the company's success. In our continuous efforts to provide the best quality products and in meeting the volumes in demand, the company has consistently invested in best practices, technology integration, and continuous monitoring and improvements.

Reporting Scope and Boundary

The financial and non-financial information of this report encloses the operations of Hatton Plantations PLC (HPL) and its 13 estates and 01 tea processing factory.

Reporting Cycle: Annual

Reporting period: 1 April 2023 to 31 March 2024

The most recent report was issued on: 1 April 2022 to 31 March 2023

The information related to the previous period has not been reinstated during this period, unless otherwise stated. There were no significant changes in the organization type, structure or ownership during the reporting period.

Reporting Frameworks

The below-mentioned regulatory and voluntary frameworks were adopted in preparing this report.

Regulatory

- Companies Act No.7 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- Sri Lanka Financial Reporting Standards

Strategic focus and future orientation

The report shares strategies and their impact on value creation on capitals. The capitals identified in this report are:

- ▣ Financial capital
- ▣ Manufactures capital
- ▣ Human capital
- ▣ Intellectual capital
- ▣ Natural Capital
- ▣ Social and relationship capital

Stakeholder relationships

The report shares the relationships maintained with its multiple stakeholders and the value creation for each stakeholder category.

Conciseness

All the necessary and vital information is delivered concisely.

Reliability and completeness

An assurance on the financial and non-financial information has been provided by the external auditors, Deloitte Partners.

Consistency and comparability

The financial and non-financial information for the year under review and the comparable periods have been provided in the report.

Board Acknowledgement

The Annual report of Hatton Plantations PLC for the year ended 31st March 2024 has been prepared and reviewed by the Management of the Company who have recommended the same to the Group's Audit Committee and Board for their approval.

The Board acknowledges its responsibility to ensure the integrity of the Annual report which provides a balanced view of the performance of the Group and the Company, addressing all material issues that may have an impact on the Group's and the Company's capacity to create value over the short term. The Board is of the opinion that the Annual Report of Hatton Plantations PLC for the financial year ending 31st March 2024 is presented in accordance with best practices in reporting. The report was unanimously approved by the Board on 23rd August 2024 and is signed on behalf by:

For any inquiries, please contact,
Mrs. Annemarie Outschoorn
Chief Financial Officer
Email:anne@hattonplantations.lk
Telephone: +94 11 4537703/ +94 76 0260589



Chairman



Audit Committee Chairman

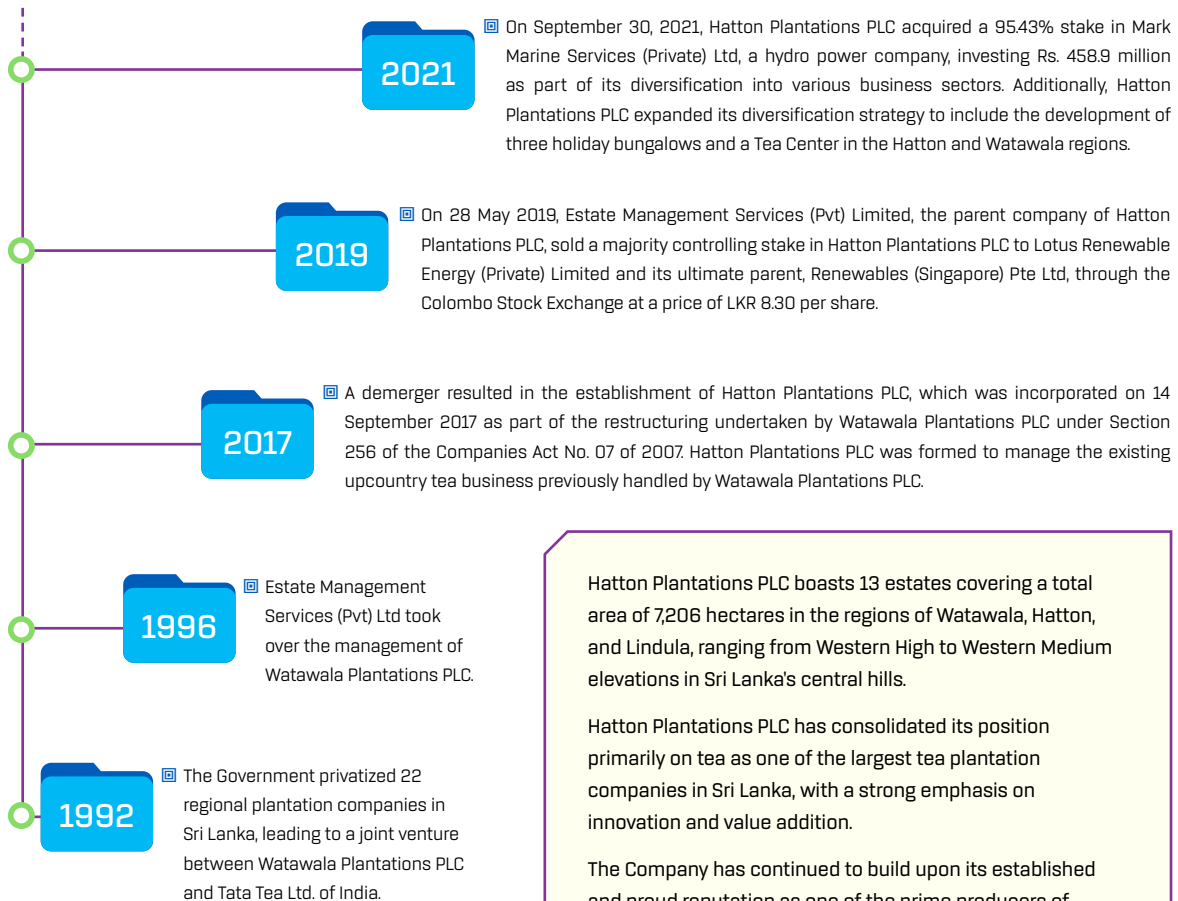


Managing Director/CEO

ABOUT HATTON PLANTATIONS

The distinguished history of Hatton Plantations PLC is built on significant milestones that have been instrumental in shaping its evolution into one of Sri Lanka's premier tea plantation companies. From the initial privatization of regional plantation companies in 1992 to strategic joint ventures and pivotal management transitions, each development has played a crucial role in the Company's growth and diversification.

Key milestones in our history include:



Hatton Plantations PLC boasts 13 estates covering a total area of 7,206 hectares in the regions of Watawala, Hatton, and Lindula, ranging from Western High to Western Medium elevations in Sri Lanka's central hills.

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 its established and proud reputation as one of the prime producers of pure Ceylon tea and continues to set new standards in the industry.

Our Assets:

- ▣ 12 tea processing factories with a combined green leaf capacity of 155,500 kg per day.
- ▣ Use of Orthodox, CTC, Leafy, and Green Tea manufacturing methods supported by versatile production facilities.
- ▣ Production of high and medium-grown teas in the key regions of Watawala, Hatton, and Lindula.

Hatton Plantations PLC offers an extensive product range that includes over 35 grades of tea. Our commitment to sustainable agricultural practices and balanced nutrient intake ensures that our teas meet the highest quality standards. Our modern and well-equipped factories are designed to maximize liquoring characteristics while retaining the flavor and quality of the tea.

Moreover, approximately 95% of our tea is auctioned at the Colombo Tea Auction, while the remaining tea is sold directly to buyers. This strategy allows us to maintain a strong presence in both domestic and international markets, ensuring our high-quality teas reach a wide audience.

We are dedicated to advancing our enduring tradition of excellence and aim to be recognized as the foremost tea producer in Sri Lanka. Our commitment to innovation, ethical business practices, and sustainable development drives us to increase crops, yields and volumes, delivering top-quality tea for both local and global markets.

Our responsibility and pride lay in caring for an estate population of 43,746 individuals, including employees, their families, and estate communities, while ensuring sustainable contributions to the national economy.



13 estates over
7,206 hectares in
Watawala, Hatton, &
Lindula



12
tea processing
factories



35
grades of tea



95%
auctioned at the
Colombo Tea Auction

OUR ESTATES AND FACTORIES

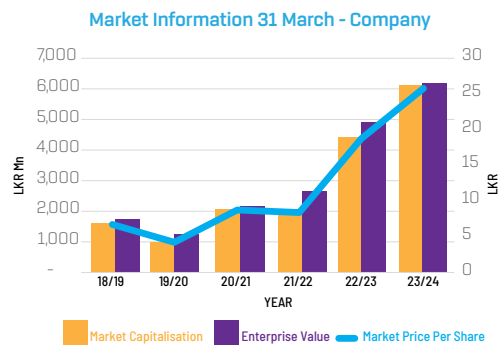
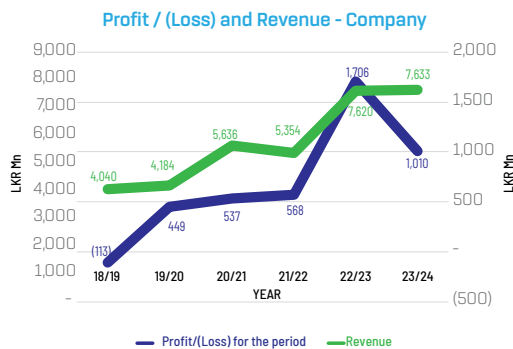
Name of Estate	LAND EXTENT				PRODUCTION						EMPLOYEES		
	Total Extent		Revenue Extent		Total Cultivated Extent		Elevation Category	Main Crop	Type of Factory	Factory Elevation Meters	Crop Bought Kgs	Staff (Nos)	Workers (Nos)
	Ha	Ha	Tea	Ha	Other	Ha							
Watawala Region													
Kenilworth	600.86	246.86	190.50	437.36	Western Medium Grown	Tea	Ortho/RV	616	513,547	29	221		
Carolina	892.42	220.25	206.07	426.32	Western Medium Grown	Tea	CTC	960	441,647	21	177		
Wigton	667.58	111.85	122.15	234.00	Western Medium Grown	Tea	-		166,107	10	158		
Shannon	262.04	171.34	30.83	202.17	Western High Grown	Tea	Ortho/RV	1372	540,998	30	161		
Sub Total	2,422.90	750.30	549.55	1,299.85					1,662,299	90	717		
Hatton Region													
Abbotsleigh	427.46	245.66	116.59	362.25	Western High Grown	Tea	CTC	1330	1,590,291	31	345		
Dickoya	629.59	271.72	235.76	507.48	Western High Grown	Tea	Ortho/RV	1292	846,303	23	331		
Vellaioya	840.00	325.50	245.18	570.68	Western Medium Grown	Tea	Ortho/RV	1331	492,166	22	454		
Strathdon	644.39	258.13	249.24	507.37	Western Medium Grown	Tea	CTC	1112	575,040	25	357		
Sub Total	2,541.44	1,101.01	846.77	1,947.78					3,503,800	101	1,487		
Lindula Region													
Waltrim	578.25	398.71	99.58	498.29	Western High Grown	Tea	Ortho/RV	1400	683,798	39	516		
Henfold	540.00	407.90	45.45	453.35	Western High Grown	Tea	Ortho/RV	1381	513,835	32	441		
Tangakelle	367.79	287.30	41.27	328.57	Western High Grown	Tea	Ortho/RV	1472	330,922	21	270		
Agrakande	228.75	145.00	60.00	205.00	Western High Grown	Tea	Green Tea	1369	223,730	15	241		
Ouvahkelle	527.25	255.84	160.20	416.04	Western High Grown	Tea	Re-processing	1573	270,683	26	319		
Sub Total	2,242.04	1,494.75	406.50	1,901.25					2,022,968	133	1,787		
Grand Total	7,206.38	3,346.06	1,802.82	5,148.88					7,189,067	324	3,991		



Performance Highlights

FINANCIAL HIGHLIGHTS

		Group			Company		
		Year ended	Year ended	Variance	Year ended	Year ended	Variance
		2023/2024	2022/2023	%	2023/2024	2022/2023	%
EARNINGS HIGHLIGHTS AND RATIOS							
Revenue	LKR Mn	7,724.9	7,708.0	0.2%	7,633.2	7,619.8	0.2%
Results from operating activities	LKR Mn	1,168.4	2,089.8	-44.1%	1,198.8	2,127.0	-43.6%
Profit before tax	LKR Mn	1,130.8	2,041.3	-44.6%	1,159.1	2,076.8	-44.2%
Profit after tax	LKR Mn	894.6	1,669.6	-46.4%	1,010.2	1,706.0	-40.8%
Dividends	LKR Mn	710.0	355.0	100.0%	710.0	355.0	100.0%
Basic earning per share	LKR	3.78	7.05	-46.4%	4.27	7.21	-40.8%
BALANCE SHEET HIGHLIGHTS AND RATIOS							
Total assets	LKR Mn	7,425.3	7,105.5	0.0%	7,568.5	7,105.7	6.5%
Total debt	LKR Mn	175.4	414.0	-57.6%	175.4	414.0	-57.6%
Total shareholders' funds	LKR Mn	4,674.4	4,525.5	3.3%	4,944.1	4,586.5	7.8%
Net assets per share	LKR	19.68	19.04	3.4%	20.89	19.38	7.8%
Debt/equity	%	3.8	9.2	-59.0%	3.5	9.0	-60.7%
Debt/total assets	%	2.4	5.8	-59.5%	2.4	5.8	-59.5%
MARKET / SHAREHOLDER INFORMATION							
Market price of share as at 31 March	LKR	25.70	18.70	37.4%	25.70	18.70	37.4%
Market capitalisation as at 31 March	LKR Mn	6,082.3	4,425.7	37.4%	6,082.3	4,425.7	37.4%
Enterprise value	LKR Mn	6,137.9	4,921.5	24.7%	6,178.9	4,905.2	26.0%
Dividend per share	LKR/share	3.00	1.50	100.0%	3.00	1.50	100.0%
Dividend yield	%	11.7	8.1	44.4%	11.7	8.1	44.4%



AWARDS AND ACCOLADES

leading producer of black tea among regional plantation companies in 2023



compliance certificate in plantation sector at annual report competition in 2023

Competition Hosted and organized by China International Tea & Tea Ceremony Exhibition Committee, which was held at "Active Aria of Beijing Tea Expo has awarded



GOLD AWARD to "Waltrim BOP Grade"



SILVER AWARD to "Kenilworth BOP1 Grade"

HISTORICAL FINANCIAL INFORMATION

Statement of financial position

	Group			Company						
	2024	2023	2022	2024	2023	2022	2021 **	2020 **	2019	2018
ASSETS										
Non-current assets										
Right-of-use assets	318,420	214,669	208,733	318,420	214,669	208,733	202,264	207,471	106,843	110,918
Immovable estate assets	10,297	15,407	20,517	10,297	15,407	20,517	31,638	42,758	53,878	62,369
Property, plant and equipment other than bearer plants	1,455,215	1,482,686	1,436,965	1,105,382	1,108,663	1,039,150	984,239	995,555	1,042,488	1,153,612
Bearer plants	1,360,012	1,138,186	798,506	1,360,012	1,138,186	798,506	630,626	592,692	619,528	662,345
Biological assets - consumable	2,250,472	2,047,687	1,627,587	2,250,472	2,047,687	1,627,587	1,463,893	1,325,651	700,140	679,356
Investment in subsidiary at fair value through other comprehensive income	-	-	-	556,141	466,405	533,821	-	-	-	-
Equity investments at fair value through other comprehensive income	27,403	18,428	22,044	27,403	18,428	22,044	32,057	17,587	24,686	21,645
Long term investment	-	-	261,916	-	-	261,916	-	-	-	-
Total non-current assets	5,421,819	4,917,063	4,376,268	5,628,127	5,009,445	4,512,274	3,344,717	3,181,714	2,547,563	2,690,245
Current assets										
Inventories	20,038	832,524	452,925	20,038	831,353	452,925	590,550	356,016	440,351	678,439
Biological assets-produce crops on bearer plants	632,889	236,656	17,382	631,718	236,656	17,382	18,920	9,254	14,612	19,891
Trade and other receivables	244,663	369,150	241,031	239,837	276,125	139,028	277,870	150,311	233,666	185,688
Amounts due from related companies	957	313,469	59,331	957	317,711	48,310	30,039	20,986	-	-
Short term investment in financial assets	600,489	463,386	153,911	600,489	463,386	153,911	249,843	135,000	-	-
Cash and cash equivalents	504,453	186,283	254,488	447,339	184,003	253,105	357,017	327,072	185,224	255,493
Total current assets	2,003,489	2,188,468	1,179,068	1,940,378	2,096,234	1,064,661	1,524,239	998,639	873,853	1,139,511
Total assets	7,425,308	7,105,531	5,555,336	7,568,505	7,105,679	5,576,935	4,868,956	4,180,353	3,421,416	3,829,756
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	1,803,400	1,803,400	1,803,400
Reserve on rearrangement	-	-	-	-	-	-	-	-	-	52,798
Reserve on equity investments at FVOCI	16,640	7,665	11,281	113,845	15,134	86,166	21,294	6,824	3,041	-
Retained earnings	2,838,275	2,695,890	1,432,546	3,026,904	2,767,941	1,467,718	1,068,491	352,608	(242,754)	95,457
Equity attributable to equity holders of the parent	4,658,315	4,506,955	3,247,227	4,944,149	4,586,475	3,357,284	2,893,185	2,162,832	1,563,687	1,951,655
Non-controlling interests	16,082	18,536	20,298	-	-	-	-	-	-	-
Total equity	4,674,397	4,525,491	3,267,525	4,944,149	4,586,475	3,357,284	2,893,185	2,162,832	1,563,687	1,951,655
Non-current liabilities										
Borrowings	115,762	175,393	309,337	115,762	175,393	309,337	128,717	196,700	50,541	151,878
Lease liability	364,097	246,734	232,112	364,097	246,734	232,112	217,495	214,137	188,664	193,024
Retirement benefit obligation	884,131	824,909	768,409	876,592	818,381	761,472	744,725	1,017,309	1,011,911	661,290
Deferred capital grants	102,490	110,638	112,878	102,490	110,638	112,878	115,051	121,320	127,588	133,857
Deferred tax liability	518,721	350,269	100,029	416,392	305,751	45,549	116,547	75,045	48,606	95,646
Total non-current liabilities	1,985,201	1,707,943	1,522,765	1,875,333	1,656,897	1,461,348	1,322,535	1,624,511	1,427,310	1,235,695
Current liabilities										
Borrowings	59,631	238,605	371,430	59,631	238,605	371,430	101,138	141,658	96,277	101,824
Lease liability	4,424	2,817	2,353	4,424	2,817	2,353	1,245	973	4,359	4,191
Trade and other payables	658,458	593,177	376,465	656,903	591,182	374,786	506,619	250,379	322,348	499,794
Retention on project	-	-	84	-	-	-	-	-	-	-
Current income tax liability	43,197	37,498	14,714	28,065	29,703	9,734	44,234	-	7,435	36,597
Total current liabilities	765,710	872,097	765,046	749,023	862,307	758,303	653,236	393,010	430,419	642,406
Total liabilities	2,750,911	2,580,040	2,287,811	2,624,356	2,519,204	2,219,651	1,975,771	2,017,521	1,857,729	1,878,101
Total equity and liabilities	7,425,308	7,105,531	5,555,336	7,568,505	7,105,679	5,576,935	4,868,956	4,180,353	3,421,416	3,829,756

** Restated - Statement of Financial Position

CASH FLOW

Year ended	Group			Company						
	2023/2024	2022/2023	2021/2022	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
Net cash generated from operating activities	1,781,853	1,145,148	479,430	1,659,384	1,080,331	506,867	603,329	113,730	152,939	488,375
Net cash used in investing activities	(421,783)	(532,217)	(965,833)	(357,748)	(471,697)	(892,595)	(293,253)	(173,565)	(52,965)	(65,122)
Net cash generated from / (used in) financing activities	(937,239)	(561,128)	53,747	(933,639)	(557,728)	57,147	(245,085)	166,637	(170,243)	(171,494)
(Decrease) / increase in cash and cash equivalents	422,831	51,803	(432,656)	367,997	50,906	(328,581)	64,991	106,802	(70,269)	251,759

FINANCIAL RATIOS

	Group			Company						
	2023/2024	2022/2023	2021/2022	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
OPERATING RATIOS										
Annual turnover growth %	0.2%	1.2%	0.7%	0.2%	41.3%	-5.0%	34.7%	3.6%	-13%	0
Profit Growth %	-46.4%	213.4%	-0.8%	-40.8%	200.3%	5.8%	19.5%	499.2%	-123%	0
Turnover per employee (Rs.'000)	1,427	1,424	915	1,729	1,412	911	911	635	571	662
PROFITABILITY RATIOS										
Return on equity %	19.2%	37.0%	16.4%	20.4%	37.2%	16.9%	18.6%	20.8%	-7.2%	12.3%
Gross Profit Margin %	14.9%	24.8%	7.0%	14.5%	24.5%	6.8%	10.7%	-2.2%	2.3%	18.8%
Net Profit Margin %	11.6%	21.7%	9.9%	13.2%	22.4%	10.6%	9.5%	10.7%	-2.8%	10.4%
LIQUIDITY RATIOS										
Current ratio (Times)	2.62	2.51	1.54	2.59	2.43	1.40	2.33	2.54	2.03	1.77
Quick Ratio (Times)	2.59	1.55	0.95	2.56	1.47	0.81	1.43	1.64	1.01	0.72
SOLVENCY RATIOS										
Debt equity ratio (Times)	0.04	0.09	0.21	0.04	0.09	0.20	0.08	0.16	0.09	0.13
Debt Ratio (Times)	0.37	0.36	0.41	0.35	0.35	0.40	0.41	0.48	0.54	0.49
Interest cover (Times)	6.47	13.00	5.26	8.09	13.21	5.60	10.19	7.22	(0.51)	11.56
Total assets to current liabilities %	10%	12%	14%	10%	12%	14%	13%	9%	13%	17%
INVESTOR RATIOS										
Annualised earning per share (Rs.)	3.78	7.05	2.25	4.27	7.21	2.40	2.27	1.90	(0.48)	2.04
Price earning per share (Times)	6.80	2.65	3.73	6.02	2.59	3.50	3.83	2.21	(13.96)	3.82
Dividend per share (Rs.)	3.00	1.50	0.50	3.00	1.50	0.50	0.50	0.00	0.25	0.50
Dividend payout ratio	79%	21%	22%	70%	21%	21%	22%	0%	-53%	49%
Dividend cover (Times)	1.26	4.77	4.50	1.42	4.87	4.80	4.54	0.00	(1.90)	2.04
Market Capitalization (Rs.'000)	6,082,333	4,425,667	1,988,000	6,082,333	4,425,667	1,988,000	2,059,000	994,000	1,585,667	1,846,000
Net assets value per share (Rs.)	19.68	19.04	13.72	20.89	19.38	14.19	12.22	9.14	6.61	8.25
Enterprise value	6,137,876	4,921,469	2,648,744	6,178,908	4,905,213	2,650,127	2,150,578	1,220,396	1,740,284	2,041,424



A vertical strip of dried tea leaves is visible on the left side of the page, extending from the top to the bottom. The leaves are dark brown and appear to be loose-leaf tea.

Corporate Leadership

CHAIRMAN'S MESSAGE



Dear Shareholders,

I extend a warm welcome to the 7th Annual General Meeting of Hatton Plantations PLC.

I have the pleasure of presenting the Annual Report and Audited Financial Statements of Hatton Plantations PLC for the financial year ended 31 March 2024.

I am pleased to report that Hatton Plantations concluded another profitable year marked by significant growth in our tea yields and financial performance, further solidifying the company and reinforcing our position as a key contributor at Colombo Tea Auction.

The Company recorded a revenue of Rs. 7,633.2 million, a 0.2 per cent growth from Rs.7,619.8 million reported in FY 2022/23, supported by prudent decision making and dynamic plantation management strategies despite the challenging operating environment.

During the financial year 2023/24, as a key non-financial focus area, Hatton Plantation focused on promoting

employee well-being and encouraging greater estate community participation in the management of the plantations. The Company successfully contributed to enhancing the value of its female workforce and supported the estate community through supervisory level employment opportunities. These initiatives underscored our commitment to sustainable progress and strengthened our corporate reputation during the financial year under review.

Performance Highlights

During the financial year 2023/24, Hatton Plantations PLC reported a profit after tax of Rs. 1,010.2 million up from Rs. 1,706.0 million in the previous financial year.

Disciplined financial management has maintained a robust financial position, supporting effective working capital for operational and capital funding needs. Shareholders' funds increased to Rs. 4,944.1 million, up by 78 per cent from Rs. 4,586.5 million in the previous financial year. Earnings per

share was Rs. 4.27 for the financial year 2023/24, compared to Rs. 7.21 in 2022/23. Exceptionally, the Company was able to generate an operational cash balance of Rs. 1,659.3 million in 2023/24 as against Rs. 1,080.3 million in 2022/23. The Board of Directors declared interim dividends of Rs. 3.0 per share for the year under review.

Novel Technology

Hatton Plantations PLC consistently strives to integrate cutting-edge technology to uphold the highest standards in tea production while minimizing the workload of estate employees and reducing crop loss and waste. Throughout the financial year 2023/24, the Company prioritized the digitalization of the weighing process, seamlessly integrating it into our ERP system. This initiative enhanced productivity across our operations, ensuring more efficient resource management and optimizing overall process efficiency.

To address the challenge of worker shortages, Hatton Plantations PLC introduced mechanized tea plucking that augmented our operational capacity, and maintained consistent crop levels.

Through these initiatives, the Company not only alleviated the strain on manual labour but also reinforced our commitment to innovation in the agricultural sector.

Awards and Accolades

Hatton Plantations PLC continued to demonstrate superior quality, innovation, and consistency in producing regional teas, securing top position both locally and globally throughout the last financial year. The Company was recognized as the leading producer of black tea among regional plantation companies in 2023, selling the highest volume at the Colombo Tea Auction. The Company sold 6,737,178 kg of tea at an average of Rs.1,038.84 per kg.

I am proud to share that the Company received the Gold

Award for BOP Grade teas in our Waltrim category and Silver Award for the BOP 1 Grade in our Kenilworth category at the 8th Asia-Pacific Tea Competition held in Beijing China organized by the China International Tea & Tea Ceremony Exhibition Committee in April 2023.

Hatton Plantations PLC was awarded compliance certificate in plantation sector at the annual report competition in 2023 organized by the Institute of Chartered Accountants of Sri Lanka in its TAGS Awards Ceremony, assuring our reporting, governance and transparency of the Company.

Governance and Sustainability

Hatton Plantations PLC integrates sustainability into its business framework, aiming to generate enduring value for stakeholders and make positive contributions to society at large. Environmental sustainability is fundamental to our mission, as emphasized by initiatives such as rainwater harvesting and moisture retention techniques, which are pivotal in mitigating climate change impacts and ensuring the resilience of our tea plantations.

Through innovative agricultural practices and optimized resource management, Hatton Plantations PLC minimizes its environmental footprint while preserving the exceptional quality of tea production.

Across our initiatives and processes, the Company follows a well-structured governance process with accountability, checks and balances at every level. (See pages 77 to 92 for governance for details)

Additionally, our Company actively enhances the livelihoods of our estate communities by adhering to fair labour practices, ethical business standards, and robust community engagement. Investments in health, education, and community development programs further promote the well-being of our employees and their families.

Strategic Diversification

Hatton Plantations PLC remains steadfast in its diversification strategy to enhance its competitive edge in both Sri Lankan and international markets. The Company's initiatives to reduce reliance on a single crop and diversify by investing in coffee continue and expected to yield crops in the next five years. Concurrently, initiatives in coffee and commercial timber planting are progressing to mitigate the revenue risks associated with tea production. Timber nurseries are already operational, complementing our ongoing efforts to diversify our product range. Additionally, the introduction of leafy grade manufacturing at Tangakelle Estate aims to optimize our tea product mix and capitalize on market price movements.

Our portfolio diversification includes expanding into green tea production, at the newly built Green Tea Factory at Agrakande Estate and ongoing tea plant nurseries.

Our strategic goal is to enhance the overall asset base of the Company, ensuring the sustainability of our plantations and benefiting our corporate goals.

Future Outlook

We are fortunate and humbly pleased that our products have been well-received in markets, a testament to the quality and consistency that define our brand. Our efforts during the year through strategic focus, dynamic management leadership, and the dedicated workforce has overcome every challenge that we faced. In the same spirit, the Company intends to forge ahead, ensuring that we embrace technology and digitalization, empower our teams, and ensure our plantation sustainability amidst the competitive and challenging landscapes that we no doubt will encounter in the future.

We are hopeful that the future will present greater opportunities for growth, expansion, and innovation for Hatton Plantations PLC as we aim to maximize the benefits from these expansion opportunities and continue to explore new markets, innovate our product range, and uphold the values that have guided us for decades.

Acknowledgement

The Board of Directors deserve my heartfelt appreciation for being a continuous driving force of the Company during various challenging times over the financial year 2023/24.

I would also like to express my sincere gratitude for the dedicated commitment demonstrated by Mr. Menaka Athukorala, Managing Director/CEO, the Executive Management Team, and all employees, including those in the estate community, throughout the year.

I extend a special thanks to all frontline employees and their families for their tireless efforts, which have been crucial in maintaining operations on the plantations and ensuring the safety and well-being of everyone.

My appreciation also goes out to our shareholders, buyers, brokers, suppliers, banks, government authorities, and all other service providers. Your continued support and confidence in us have been instrumental in sustaining the operational growth of Hatton Plantations PLC, and we are confident that your trust in us will continue into the future.



G D SEATON

Chairman

23rd August 2024

MANAGING DIRECTOR/CEO'S REVIEW



I am pleased to present the Annual Report of Hatton Plantations PLC for the financial year ending 31 March 2024, a testament to our undeterred drive to succeed and grow.

Hatton Plantations PLC remains steadfast, reporting a revenue of Rs.7,724.9 million, a 0.2 per cent growth as against last year, driven by our commitment to strategic planning and collaborative teamwork, despite drop in auction average, adverse weather conditions, and economic challenges that impacted the tea industry. This approach led to a significant turnaround, positioning Hatton Plantations PLC as the top black tea producer (by volume) for the fifth consecutive year among regional plantation companies.

Being acknowledged as an industry leader in a period of 5 years since the Company's incorporation as an independent entity, is a significant achievement. During the year, the Company navigated challenges effectively and capitalized on opportunities, positioning us for continued success in the future.

Macro-economic Environment

Sri Lanka's GDP contracted by a moderate 2.3 percent in 2023, a notable improvement from the 7.3 percent contraction in 2022. Despite this progress, industrial activities experienced a 9.2 percent contraction, attributed to subdued demand conditions impacting all sectors.

The Central Bank's Annual Economic Review for 2023 states that agricultural activities in Sri Lanka reported a resurgence in the agriculture sector with a 2.6 percent increase in value added compared to the 4.2 percent contraction seen in 2022. This recovery was primarily driven by improved supply conditions, particularly the availability of fertilizers, agrochemical inputs, and fuel.

However, tea production contracted during the year, largely due to adverse weather conditions, resulting in a negative growth of 1.5 per cent, which directly impacted tea volumes auctioned at the Sri Lanka Tea Auction. Despite the decline in export volumes, Sri Lanka's tea export earnings were at USD 1,304.1 million, 2.8 per cent higher than last year driven by higher export prices.

Company Performance

Despite the challenges faced by the tea industry, Hatton Plantations PLC performed exceptionally during the year, well above tea industry performance for the year, reinforcing our status as a leading producer of tea in Sri Lanka. Maintaining our top-rank in production was yet another notable achievement.

During the year under review, Hatton Plantations PLC's revenue was at Rs. 7,633.2 million, compared to Rs. 7,619.8 million reported in 2022/23. The Company reported Profit after Tax of Rs. 1,010.2 million, contrasting with Profits after Tax of Rs. 1,706.0 million in the financial year 2022/23. The Company's decrease in profits was due to a drop in tea auction prices in Colombo Tea auction despite well managed cost control measures, higher tea yields and higher gains from exchange rate fluctuation. In 2023/24, the Company's sales average decreased by Rs. 212.17 per kg, 18 per cent drop compared to the last year.

The Company's current year sales volume dominated in the Colombo Tea Auction by 21.1 per cent increase in market share in comparison to last year, well above overall sales volume at the Colombo Tea Auction by 0.05 per cent of marginal increase. Total production volume increased from 6,106.0 million kilos in 2022/23 to 7,189.1 million kilos in 2023/24, despite worker shortages and the impacts of the adverse weather. This is an increase of 177 per cent compared to 2022/23. Similarly, the Company's tea yield per hectare saw a significant increase of 1,471 kgs in 2023/24, compared to 1,174 kgs in the last year.

Cost of sales came down to Rs. 909.90 per kg in the year under review, compared with Rs. 1,032.89 per kg last year. This was a remarkable achievement for the Company during the year 2023/24. Increase in crop and well managed cost control measures ruled out the adverse impact of escalated input prices in production costs in the tea sector during the financial year 2023/24.

Operating and administrative expenses were kept well below last year at Rs. 276.0 million, a marginal drop of 2.6 per cent over the last year. Net finance costs remarkably declined to Rs. 39.7 million by 21.0 per cent despite the highest increase in government lease interest by Rs. 277 million during the reporting period.

Shareholders' total equity rose to Rs. 4,944.1 million in 2023/24, up from Rs. 4,586.5 million in 2022/23. Consequently, the Net Asset Value per share increased to Rs. 20.89 in 2023/24, vis a vis Rs. 19.38 the last year. The Company generated an operational cash flow surplus of Rs. 1,659.4 million during the financial year 2023/24 of which Rs. 364.1 million allocated for capital expenditure to support long-term growth prospects and enhance shareholder wealth.

During the year under review, the Company distributed two interim dividends totaling Rs. 710.0 million (compared to Rs. 355.0 million in 2022/23) to our shareholders. Despite this, the Company ended the year with a cash surplus of Rs. 368.0 million.

Facing Challenges

The year under review, by no means was without challenges. The Company consistently faced shortage of workers, which in turn, impacted the availability of raw material. Many workers remained hesitant to embrace mechanization due to a lack of understanding regarding its operation. As a result, manual plucking persisted, exacerbating the impact of labour shortages on crop yield.

Over the years, government policies have posed considerable challenges for the plantation sector. Unanticipated decisions such as the introduction of new tax regulations, economic policies, fertilizer import restrictions and policies, and the unrest of estate sector wages have had serious effects on the overall agriculture sector, and particularly the tea industry.

The economic crisis during the year, which impacted domestic inflation, the exchange rate, and market dynamics such as supply and demand, combined with global pressures such as increased competition, higher logistic costs had a direct impact on export incomes of the tea industry. The Company was compelled to make certain adjustments in our operational strategies and employee retention efforts to mitigate the effect of these external challenges on the business.

Amidst these hurdles, the Company also faced unpredictable and severe weather conditions that required immediate attention to manage production quality and quantity.

Identifying Strategies

The Company took proactive measures to address challenges and focused on maximizing crop yield, swiftly engaging in sales, and avoiding stockpiling, which proved pivotal. This strategic approach enabled us to promptly sell volumes and gain a competitive edge in the market.

To address labour shortages, Hatton Plantations PLC implemented a mechanization initiative, introducing machines for plucking to enhance operational efficiency and productivity. Harvesting supervisors and leaders were newly introduced to enhance and ensure the maximum potential of harvest. The workforce was trained to facilitate their transition to using these machines effectively. This ensured a steady supply of raw materials and continuous plucking throughout the year.

Although our overarching Company policy has always prioritized both quantity and quality, a shift in focus was made towards a more quality-driven approach while maintaining quantity. Our aim is to enhance the top line through a focus on a quality-driven, long-term commitment.

To enhance the manufacturing process, the Company implemented supervision through the appointment of executives responsible for overseeing production. In

addition to on field plantation executives, additional executives were appointed at the office level to support the monitoring process.

The Company also improved the accuracy of tea plucked at the collection points, through the expansion of digital weighing scales, ending decades of mistrust and malpractice. This had a positive impact overall with the raw material being accurately weighed and instilling good faith in tea pluckers and small holders on the accuracy of the daily green leaf collection. This, in turn, yielded positive results and increased productivity.

Hatton Plantations PLC also engaged in providing extensive training, grooming, and introduction of newer perspectives to management practices, aligning executives with contemporary trends in management. The introduction of modern management practices was crucial to meet new standards, enhancing operational efficiency, and improving organizational effectiveness.

Women Empowerment

Recognizing the potential and the contribution of the female workforce of the plantations, the Company embarked on a female supervisory scheme, empowering young, educated women within the estate community to take on this role. Despite initial resistance, we remained steadfast in supporting these women, ensuring they were respected and valued, fostering an empowered female workforce. Following comprehensive training and education to equip them with necessary skills as supervisors, the initiative received positive feedback and exceptional results.

Driving Force

Hatton Plantations PLC's astounding success year on year despite the numerous challenges facing the country and the industry lies in our ability to strategize, plan, and implement from the ground up. Our efficient team

surpassed mere discussion on evolving into genuine collaboration; field employees actively collaborated on strategic planning with the executive team, contributing suggestion and in participatory decision-making; combined with the continuous and vigorous efforts by the management to be in-sync with the pulse on the field, has led to transformative changes and continued success within the Company.

The Company fosters an environment of open dialogue and debate, ensuring all perspectives are considered. Our commitment to good governance is evident in the streamlined decision-making process, accountability and transparency initiatives, and our efforts towards minimizing time and resource waste. This approach was instrumental in achieving our goals and driving the Company forward.

Future Outlook

Hatton Plantations PLC foresees both opportunities and challenges in the future. Our primary focus is on increasing the top line, which involves driving quality across all operations to enhance revenue streams. Additionally, the Company is committed to maintaining benchmark agricultural practices, which are paramount for sustained success.

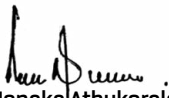
This strategic approach has proven to be a key driver of the Company's achievements, facilitating higher production levels and contributing to growth. Our dedication to quality, coupled with prudent agricultural management, will continue to be pivotal in facing the challenges ahead and ensuring the long-term prosperity of Hatton Plantations PLC.

Appreciations

I extend my gratitude to our Chairman and esteemed Directors for their invaluable direction, guidance, and unwavering support throughout the reporting financial year. I wish to recognize the tireless efforts and dedication of our executive management team and all employees for their

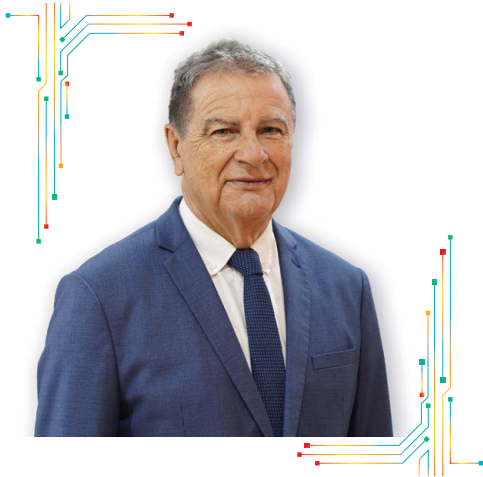
outstanding performance in advancing the Company during this tumultuous and challenging period.

I am grateful to our shareholders, buyers, brokers, suppliers, banks, government authorities, external auditors, and all other service providers for their continued support and confidence in us. Their steadfast support has been instrumental with sustaining operational growth for all stakeholders, and I am hopeful that this support will continue to guide us through the challenges that lie ahead.



Menaka Athukorala
Managing Director / CEO
23rd August 2024

BOARD OF DIRECTORS



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. Gary has served as a Director Australian Oilseeds Investment since its inception. Mr. Seaton has also served as the Managing Director of Cootamundra Oilseeds Pty Ltd. ("Cootamundra"), Cowcumbra Investments Pty Ltd ("Cowcumbra") and CQ Oilseeds Pty Ltd. since 2014, and he is Chief Executive Officer and Chairman of the Board of Directors of Australian Oilseeds Holding a Nasdaq listed company.

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, G & G Agro Commodities (Private) Limited and Good Earth Fertilizers (Pvt) Ltd.



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 and currently, he is pursuing his MBA. His career path started as a Junior Assistant Superintendent in 1992 and was promoted to Superintendent at Salawa Estate under Pussellawa Plantations Limited in 2002. He was subsequently promoted to 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. In addition, he is on the director board of NASDAQ-listed company, Australian Oil Seed Holdings Ltd in Australia.



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 21 years of experience in developed and developing markets. He is currently the Managing Director & CEO – G&G Group of Companies, Singapore. 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. He is currently doing his research economics and international trade from NIT, Warangal. Mr. Gowri Shankar also holds Directorship in Australian Oilseeds

holdings (NASDAQ) , 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.



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.

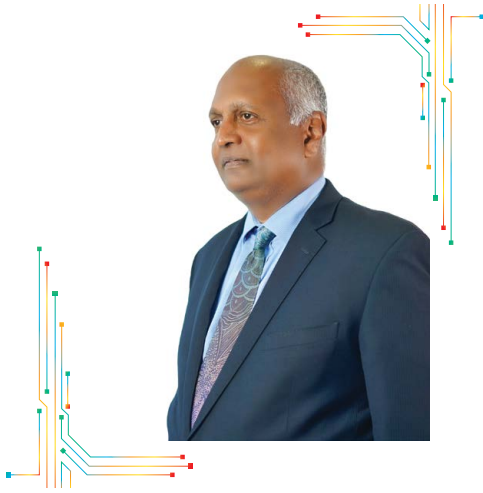
He joined his family business immediately upon graduation and was assigned to manage the MIS Department of the diversified group. After a thorough revamp of their accounting and financial reporting systems he was transferred to their Business Development Division in 1984.

He was actively involved in and grew the Group's core business of trading and global distribution of consumer electronics, garment manufacturing JVs in Philippines & Thailand and real estate investment and development in Singapore.

He 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. Among the businesses, 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.



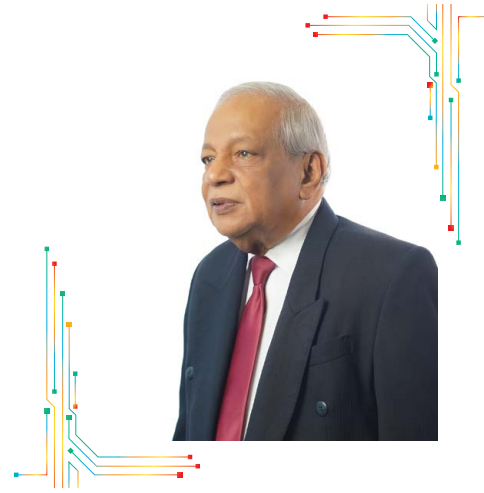
MR. INDRAJITH FERNANDO

Independent-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 31 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.

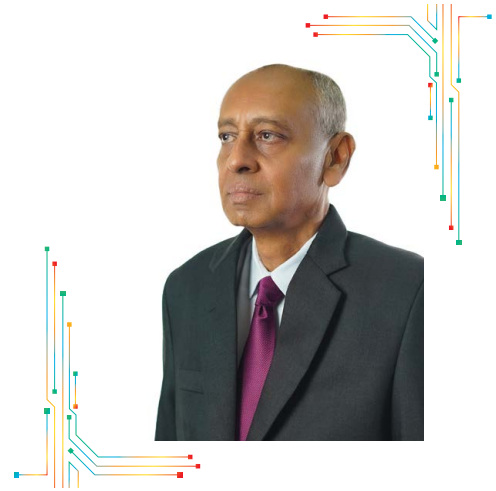


MR. UDITHA PALIHAKKARA

Independent-Non-Executive Director
30 Jul 2019

Mr. Uditha Harilal Palihakkara, 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. The Organization of Professionals Association of Sri Lanka (OPA), a multi-disciplinary professional institution with 52 member associations, elected him as its President in 2010. 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 2014, ICASL inducted him into its Hall of Fame in recognition of his dedicated service. In 2016, OPA presented him with the National Apex Award in recognition of his outstanding contribution to the profession and the nation. The Institute of Personnel Management (IPM) conferred the title "People Leader—Finance 2017" on him in June 2017, acknowledging his contribution to promoting sound and vibrant people management practices in the workplace. The Chartered Institute of Management Accountants (UK) honored him with a Recognition Award in September 2017 for his outstanding leadership, contribution, and service to CIMA Sri Lanka. Mr. Palihakkara is the Vice Patron of the Sri-Lanka Thailand Society and the Immediate Past President of the Sri Lanka China Business Cooperation Council. He is a Trustee of the Organization of Professional Associations and serves on its National Issues Committee, Development Policies, Strategies, and Development Finance Committee; the National Issues Committee; and the Education and Human Resources Committee. He is an independent, non-executive director of Lotus Hydro Power PLC.

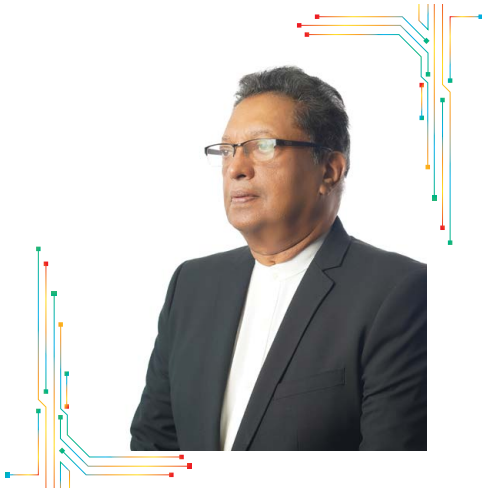


MR. DAMASCENE PERERA

Non- Executive Director

15 January 2021

Mr. Damascene Perera counts 46 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 Jayawardenepura. In his career spanning 40 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 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. He also held the position of Chairman at Softlogic Stockbrokers (Pvt) Ltd, Director and Chairman of the Audit Committee of Softlogic Capital PLC . He is Managing Director of Anuga Holdings (Pvt) Ltd and 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	<i>Chairman</i>
Mr. Menaka Athukorala	<i>Managing Director/ CEO</i>
Mr. Gowri Shankar	<i>Non Executive Director</i>
Mr. Hiro Bhojwani	<i>Non Executive Director</i>
Mr. Indrajith Fernando	<i>Non Executive/ Independent Director</i>
Mr. Uditha Paliakkara	<i>Non Executive/ Independent Director</i>
Mr. Damascene Perera	<i>Non Executive Director</i>
Mr. Lucille Wijewardena	<i>Non Executive Director</i>

Senior Executive Management Team - Head Office

Mrs. Annemarie Outschoorn	<i>Chief Financial Officer</i>
Mr. Waruna Fernando	<i>General Manager</i>
Mr. Ajith Kolambathantri	<i>Group Head of Human Resources</i>
Mr. Sujiva Godage	<i>Chief Operating Officer</i>
Mr. Suranga Dela	<i>Regional General Manager</i>
Mr. Kapila Sumanrathne	<i>Senior Manager Manufacturing</i>
Mr. Gayan De Silva	<i>Consultant Marketing</i>
Mr. Saliya Plevian	<i>Finance Manager</i>

Functional Managers - Head Office

Mr. Vijitha Perera	<i>Senior Assistant Manager - Information Technology</i>
Mrs. Sriyani Kulawansa	<i>Assistant Manager - HR and Administration</i>
Mr. Torans Jayasanka	<i>Assistant Manager - Quality Assurance</i>
Mr. Nisal Rukshan	<i>Assistant Manager Plantations and Leisure</i>
Mr. Dasun Jayakodi	<i>Assistant Manager - IT</i>
Mr. Binara Kaushalya	<i>Assistant Manager - Purchasing</i>
Mr. Jayantha Gamage	<i>Forestry Officer</i>

Internal Audit Managers

Mr. Susantha Karunarathna	<i>Senior Assistant Manager Internal Audit</i>
Mr. Priyantha Dharmarathna	<i>Senior Internal Auditor</i>
Mr. Bernard Jacob	<i>Assistant Manager - Internal Audit</i>

Regional Office

Mr. Rafeek Abdul	<i>Assistant Manager - Regional Office</i>
Mr. Kumaravel Kirubakaran	<i>Assistant Manager - Regional Office</i>
Mr. Punnyanath Kumarasiri	<i>Assistant Manager - Supervision and Auditing of Agriculture Operation</i>
Mr. Chaminda Kumara	<i>Assistant Manager - Supervision and Auditing of Agriculture Operation</i>

Estates Managers

Mr. Suranga Dela	<i>Regional General Manager</i>	<i>Abbotsleigh Estate</i>
Mr. Chandika Fernando	<i>Senior Manager</i>	<i>Dickoya Estate</i>
Mr. Rasanjana Perera	<i>Senior Manager</i>	<i>Strathdon Estate</i>
Mr. Gotabaya Virantha	<i>Manager</i>	<i>Carolina Estate</i>
Mr. Nandana Jayawardena	<i>Deputy Manager</i>	<i>Wigton Estate</i>
Mr. Arjuna Medagama	<i>Manager</i>	<i>Vellaiaya Estate</i>
Mr. Vihanga Pathum	<i>Manager</i>	<i>Shannon Estate</i>
Mr. Gaya Weerasekera	<i>Acting Manager</i>	<i>Kenilworth Estate</i>
Mr. Deshan Thilakarathne	<i>Acting Manager</i>	<i>Tangakelle Estate</i>
Mr. Ravindra Sannasuriya	<i>Senior Manager</i>	<i>Henfold Estate</i>
Mr. Tharaka Wijerathne	<i>Manager</i>	<i>Ouvahkelle Estate and Re-processing Factory</i>
Mr. Indika Premachandra	<i>Senior Manager</i>	<i>Waltrim Estate</i>
Mr. Jerrard Stephen	<i>Manager</i>	<i>Agrakande Estate</i>

Management Discussion and Analysis



OPERATING ENVIRONMENT

ECONOMIC REVIEW

Sri Lanka's economy recovered in 2023 from heightened economic challenges, restoring the country's macroeconomic stability during the year. Amidst uncertainties and challenging conditions following the severe economic crisis in the country, economic activity resumed supported by the easing of interest rates and the revival in the external sector through central bank efforts.

Policy measures by the Government and the Central Bank and the structural reform agenda alongside the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement reinforced overall macroeconomic stability. Having benefited from restored stability, the economy commenced transitioning to a growth trajectory.

The domestic economy made a steadfast recovery in 2023 benefiting from the gradual return of overall macroeconomic stability. The economy recorded an expansion in its activity in Q3-2023, after six consecutive quarters of contraction.

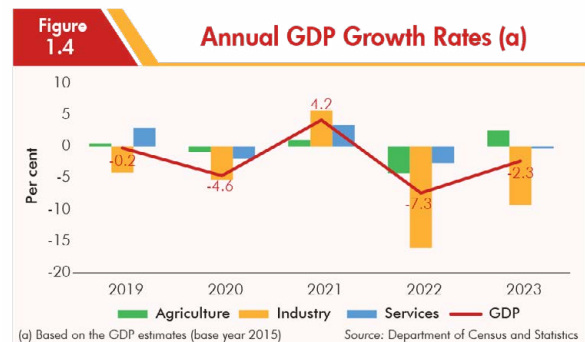
Real Sector GDP

In 2023, the Sri Lankan economy showed rebound with a moderate contraction of 2.3 per cent, in comparison to a significant contraction of 7.3 per cent in 2022. This was evident in the second half of the year, during which the Gross Domestic Product (GDP) recorded positive growth rates.

GDP at current market prices grew by 14.8 per cent to Rs. 27,629.7 billion in 2023. Government revenue growth was largely owing to a significant growth in tax collection during the year at Rs. 2,721 billion compared with Rs.1,758 in 2022. Upward revisions to tax rates (personal income tax, corporate income tax, VAT, excise duties) and expanding the tax base (reducing tax-free thresholds for income taxes) mainly contributed to the significant improvement in revenue collection. In addition, the Social Security Contribution Levy (SSCL), which was introduced in October

2022, also contributed notably to the growth in revenue during 2023. Influx of foreign exchange incomes through tourism, worker remittances and donor funding and appreciation of the rupee also contributed to revenue growth.

GDP per capita increased to Rs. 1,253,785 in 2023, compared to Rs. 1,084,882 in 2022.



Source: CBSL Annual Report 2023

Industry (Overall)

The year saw supply-side improvements throughout the year, however, they were not equally met by consumer demand. Demand remained subdued impacting all industry activities, resulting in a 9.2 per cent contraction in industry activities during 2023. However, most of the other manufacturing activities recorded a strong recovery in the latter part of the year, mainly supported by the manufacture of food, beverages and tobacco products.

Table
1.3

Gross National Income by Industrial Origin at Constant (2015) Prices (a)(b)

Economic Activity	Rate of Change (%)		Contribution to Growth (%)		As a Percentage of GDP (%)	
	2022 (c)	2023	2022 (c)	2023	2022 (c)	2023
	Agriculture, Forestry and Fishing	- 4.2	2.6	- 0.3	0.2	7.5
Manufacturing, mining and quarrying and other industry	- 13.9	- 4.7	- 2.9	- 0.9	19.6	19.1
Of which: Manufacturing activities	- 12.7	- 3.2	- 2.2	- 0.5	16.1	16.0
Construction	- 20.9	- 20.8	- 1.9	- 1.6	7.6	6.2
Wholesale and retail trade, transportation and storage, accommodation and food service activities	2.4	3.1	0.6	0.8	26.5	28.0
Information and communication	- 0.4	- 13.2	- 0.0	- 0.5	3.4	3.0
Financial and insurance activities	- 18.3	- 5.3	- 1.0	- 0.3	5.0	4.8
Real estate activities (including ownership of dwelling)	- 12.1	- 6.0	- 0.6	- 0.3	4.6	4.4
Professional, scientific, technical, administration and supporting service activities	- 17.7	2.4	- 0.4	0.0	2.0	2.1
Public administration, defense, education, human health and social work activities	- 0.3	- 0.6	- 0.0	- 0.1	9.6	9.8
Other services (excluding own-services)	0.3	0.4	0.0	0.0	8.2	8.4
Equals Gross Value Added (GVA) at Basic Price	- 7.0	- 2.6	- 6.6	- 2.5	94.1	93.7
Taxes less subsidies on products	- 12.4	2.8	- 0.8	0.2	5.9	6.3
Equals Gross Domestic Product (GDP) at Market Price	- 7.3	- 2.3	- 7.3	- 2.3	100.0	100.0
Net primary income from rest of the world	- 4.5	- 23.7				
Gross National Income at Market Price	- 7.6	- 3.0				

(a) Based on the GDP estimates (base year 2015)

(b) Provisional

(c) Revised

Source: Department of Census and Statistics

Source: CBSL Annual Report 2023

Labour Force

As estimated by the Registrar General's Department, the mid-year population in Sri Lanka in 2023 declined by 0.6 per cent to 22.037 million, due to a decrease in births and increases in both deaths and net migration. As shown in the Sri Lanka Labour Force Survey conducted by the Department of Census and Statistics (DCS), the economically active population (labour force) decreased to 8.408 million in 2023 from 8.547 million recorded in 2022. The Labour Force Participation Rate (LFPR), which is the ratio of the labour force to the household population, also decreased to 48.6 per cent in 2023, compared to 49.8 per cent in 2022.

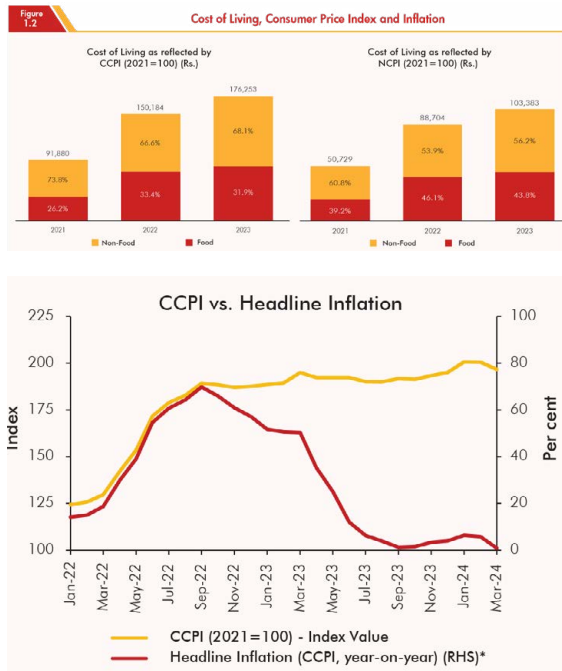
Inflation and Cost of Living

Inflation, which reached historical highs in September 2022, recorded a rapid disinflation process reaching lower single-digit levels towards the end 2023. Restrained demand from the impacts of tight monetary conditions to the wider economy was the major contributor to this transition on the demand side. Further, the normalisation of domestic supply conditions, the moderation of global commodity prices, and the strengthening of the Sri Lanka rupee, also contributed to this rapid disinflation process.

As a result, CCPI-based YOY headline inflation was recorded at 4.0 per cent (2021=100) by the end 2023 compared to 57.2 per cent (2013=100)¹ by the end 2022, while CCPI-based annual average headline inflation in 2023

decelerated to 174 per cent (2021=100) from 46.4 per cent (2013=100) recorded in 2022. The National Consumer Price Index (NCPI) based YOY headline inflation also followed a similar path, dropping to 4.2 per cent (2021=100) by the end 2023, compared to 59.2 per cent (2013=100) recorded at the end 2022, while NCPI-based annual average headline inflation in 2023 decelerated to 16.5 per cent (2021=100), compared to 50.4 per cent (2013=100) in 2022.

Both official Consumer Price Indices (CPIs), which measure changes in the general price level, exhibited a modest rise throughout 2023. The cost of living, as reflected by the consumer price indices, continued to increase in 2023, although at a slower pace compared to the surge witnessed in 2022.



Source: CBSL Annual Report 2023

Interest rates

Market interest rates declined significantly in 2023 from notably high levels recorded in 2022. The reduction of market interest rates was driven by Central Bank's monetary policy measures. The administrative measures introduced in August 2023 to reduce excessive lending interest rates, and broader guidelines that were introduced to induce a gradual reduction in other market lending rates on rupee loans and advances during the latter part of the year resulted in a decline in market lending rates. Market lending interest rates displayed some downward stickiness as yields on government securities remained at relatively elevated levels.

Standing Deposit Facility Rate (SDFR) reduced to 9.0 per cent in 2023 from 14.50 per cent in 2022, and Standing Lending Facility Rate (SLFR) decreased to 10.00 per cent in 2023 from 15.50 per cent in 2022.

External Sector

Sri Lanka's external sector rebounded strongly in 2023 and demonstrating greater stability, having recorded positive developments on many fronts towards the latter part of the year. The commencement of the IMF-EFF programme in March 2023 and its successful continuation have been instrumental in achieving stability in the external sector. The external current account recorded a surplus in 2023. This was supported by a notable contraction in the trade deficit and significant inflows in terms of services exports and workers' remittances.

The trade deficit for 2023 recorded its lowest since 2010, supported by a larger contraction in import expenditure compared with that of export earnings. The surplus in the service sector was from and improvement in earnings from tourism with the robust recovery in tourist arrivals. Further, workers' remittances recorded a significant improvement as a result of continuous departures for foreign employment and higher.

Net forex purchases by the Central Bank from the domestic

forex market, disbursements under the IMF-EFF, and foreign financing from multilateral agencies such as the World Bank and the Asian Development Bank (ADB) helped augment GOR substantially by the end 2023.

The external sector recorded a surplus of US dollars 1,559 million in 2023, compared to a deficit of US dollars 1,448 million in 2022. This surplus was mainly driven by a lower trade deficit of US dollars 4.9 billion in 2023, compared to a trade deficit of US dollars 5.2 billion recorded in 2022, improved trade in services, particularly earnings from tourism, and a higher surplus of donor funds and workers remittances.

Exports

Earnings from exports recorded US dollars 11,911 million in 2023, which is a decline of 9.1 per cent compared to 2022. This decline was influenced by global factors, including high cost of living and economic downturn in major export destinations and geopolitical tensions, which resulted in reduced demand for Sri Lankan exports. Domestic factors, such as higher operating expenses and supply constraints of intermediate goods, adversely impacted the overall competitiveness of exports.

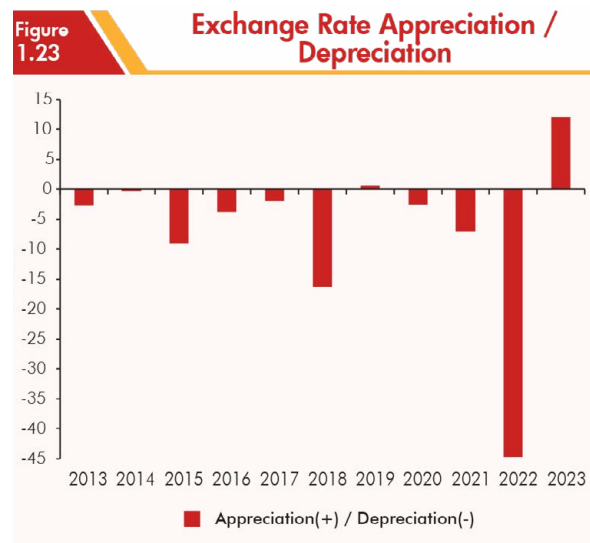
Export earnings as a percentage of GDP in 2023 declined to 14.1 per cent from 17.1 per cent in 2022.

Exchange Rate

The Sri Lanka rupee, which depreciated by 44.8 per cent against the US dollar in 2022, appreciated by 12.1 per cent in 2023. Central bank encouraged flexibility and market driven activity in the domestic forex market. Favourable market sentiments subsequent to the commencement of the IMF-EFF arrangement in March 2023 also helped the exchange rate to appreciate.

Further, the receipts of the special policy based loan for budget support from ADB in May 2023 and the World Bank financing in June 2023 were conducive to the improvement in market sentiments.

The Sri Lanka rupee recorded the highest appreciation of 24.8 per cent against the US dollar since the beginning of the year by 08 June 2023. The rupee recorded an appreciation in the latter part of the year despite some intermittent volatility.



Source: CBSL Annual Report 2023

Industry Review

Global Tea Industry Overview

The global tea industry reached a market value of USD 24.4 billion in 2023 and is projected to grow to USD 37.4 billion by 2032. Despite slight declines in traditional tea-drinking regions, the overall market is expected to see a steady increase, driven by evolving consumer preferences and emerging markets.

Key Trends

Premium and Functional Teas

Consumer Preferences:

Shift towards unique blends with health benefits.

Popular Functional Teas:

- ▣ Stress Relief
- ▣ Improved Gut Health
- ▣ Enhanced Wellness

Organic and Sustainable Practices

Health Consciousness:

Increased demand for organic tea options.

Environmental Concerns:

Adoption of sustainable cultivation and processing methods.

Regional Consumption Patterns

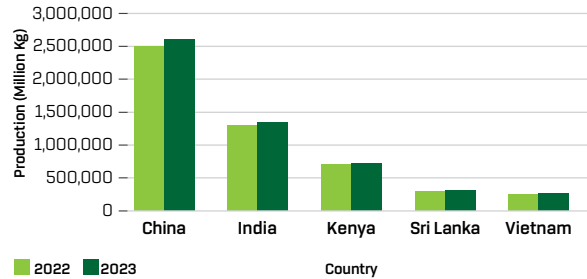
Decline in Traditional Markets:

Slight decrease in established tea-drinking regions.

Growth in Emerging Markets:

- ▣ East Asia
- ▣ Africa
- ▣ Latin America
- ▣ Near East

Leading Tea Producers (2023 vs 2022)



Source: John Keells PLC Tea Review

Export Volumes

While overall tea consumption forecasts remained positive, exports faced stagnation and even declined. Reports indicate that export volumes of tea in 2023 decreased compared to 2022 levels. According to the Supplement to Annual Bulletin of Statistics 2023 published by the International Tea Committee (ITC), global tea exports experienced only a marginal increase of 0.4%, reaching 1,736.74 million kilograms in 2023, up from 1,729.94 million kilograms in 2022.

This limited growth is primarily attributed to disruptions caused by the global economic slowdown and ongoing geopolitical tensions, which have impeded smooth international trade flows. These factors have notably impacted shipments to major tea importers such as Iran, Pakistan, and Russia, contributing to the overall stagnation in export performance.

Country/Region	2022 (Million Kg)	2023 (Million Kg)	Change (%)
Global Total	1,729.94	1,736.74	+0.4%
Africa Total	568.97	628.81	+10.51%
Asia Total	450.33	522.92	+16.04%
Kenya	1,077.86	1,029.8	-4.46%
India	224.00	227.91	+1.71%
China	375.23	367.44	-2.09%
Sri Lanka	250.19	241.91	-3.39%

Source: John Keells PLC Tea Review

The global tea industry is projected to continue its growth trajectory into 2024 and beyond, though the expansion will be moderate.

Key Drivers of Growth:

- **Health and Wellness Awareness:** Increasing consumer interest in the health benefits of tea, such as cognitive enhancement, relaxation, and disease prevention, is expected to fuel demand.
- **Premiumisation:** There is a growing preference for specialty and functional teas with unique flavors and health benefits, which is likely to enhance the market's value.
- **Sustainability Focus:** Rising environmental consciousness among consumers is driving demand for teas that are ethically sourced and sustainably packaged.

However, the industry faces significant challenges. Climate change is causing erratic weather patterns and rising temperatures, posing a threat to tea production in key regions. Additionally, increasing production costs due to higher labour expenses and agricultural input prices are expected to drive both production costs and tea prices, potentially tightening profit margins for producers. Moreover, competition from other beverages such as coffee, soft drinks, and functional drinks poses an additional concern, especially in developed markets.

Local Tea Industry Overview

In 2023, Sri Lanka's tea industry exhibited a blend of growth and challenges. Overall tea production increased by 1.87%, reaching a total of 256.04 million kilograms. However, exports saw a decline of 3.3% compared to 2022. This discrepancy between production and export performance highlights the complexities faced by the industry, which was still striving to reach pre-2022 production levels despite this modest growth.

Production and Export Dynamics

Production Growth: The rise in production was driven by an increase in medium and high-grown elevation teas, known for their superior quality and flavor. This indicates a shift towards premium offerings in Sri Lankan tea production.

Value-Added Products: The Sri Lankan Tea Board reported an increase in the export of value-added tea products, including green tea, flavored tea, and tea bags. This suggests expanding market opportunities for specialty teas.

Production by Elevation

	Low Grown Teas	Medium Grown Teas	High Grown Teas
2023 Production	155.06 million kg	42.33 million kg	58.63 million kg
2022 Production	154.99 million kg	40.19 million kg	56.32 million kg

Source: John Keells PLC Tea Review

Tea Exports

Sri Lanka's tea exports in 2023 reflect a challenging environment with mixed performance across various metrics. While export volumes declined, earnings grew slightly due to favorable exchange rates and auction dynamics. The market saw shifts in key importing countries and variations in quarterly performance, indicating a complex interplay of global economic and local factors impacting the tea industry.

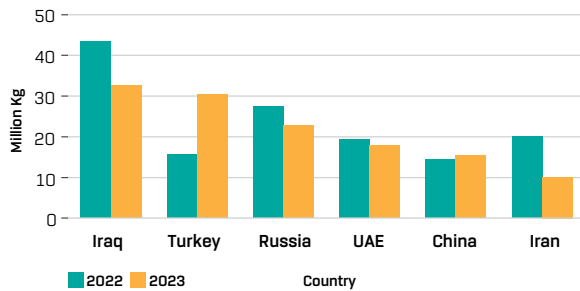
Export Volumes

Performance: In 2023, Ceylon Tea exports continued their downward trend, falling by 3.3% to 241.91 million kilograms from 250.19 million kilograms in 2022. Several key factors contributed to this decline. Iran, one of Sri Lanka's major tea importers, faced difficulties due to stringent payment terms and sanctions imposed by the US and Europe. Additionally, demand weakened in other crucial markets, such as Russia, the UAE, Azerbaijan, Iraq, and Japan. The persistent global recession

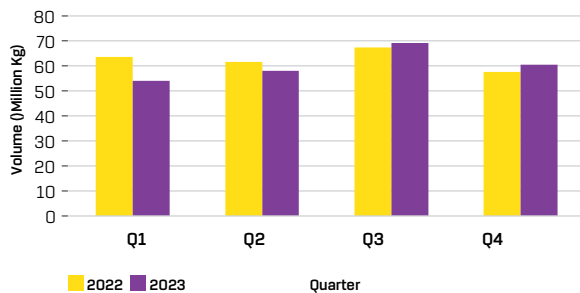
further exacerbated these challenges, creating economic difficulties for importing nations and contributing to the overall decline in export volumes.

Export Earnings: In 2023, despite a decline in export volumes, Sri Lanka's tea industry saw a 4% increase in export earnings, amounting to Rs. 428.29 billion (USD 1,304.10 million) compared to Rs. 411.09 billion (USD 1,268.37 million) in 2022. This growth can be attributed to two main factors. Firstly, the high exchange rate of the Sri Lankan Rupee against the US Dollar significantly boosted the revenue generated from exports. Secondly, the reduced availability of tea at auctions helped maintain higher prices, thereby offsetting the impact of lower export volumes. These factors combined to ensure that the industry's earnings remained robust despite the challenging market conditions.

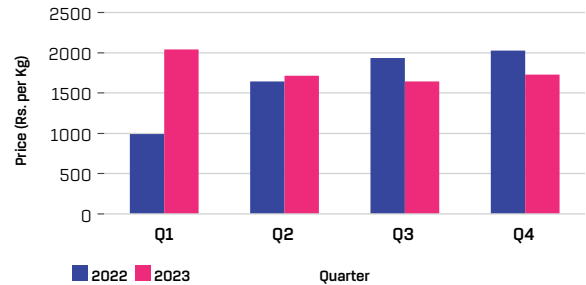
Export Volumes by Destination



Quarterly Export Volumes



Export Prices



Source: John Keells PLC Tea Review

Tea Exports by Variety

- **Black Tea:** Continued decline to 234.58 million kg from 242.89 million kg in 2022, holding 97% market share.
 - **Bulk and Packed:** Fell to 103.32 million kg and 108.03 million kg from around 110 million kg in 2022.
 - **Tea Bags:** Marginal increase to 23.23 million kg from 21.67 million kg in 2022.
- **Instant Tea:** Declined to 2.8 million kg from 3.08 million kg in 2022.
- **Green Tea:** Slight increase to 4.52 million kg from 4.22 million kg in 2022.

Tea Auction: Auction prices for Sri Lankan tea experienced a 6% decline in 2023, averaging USD 3.57 per kilogram, compared to USD 3.81 per kilogram in 2022. This price decline was influenced by two primary factors: a decrease in global demand for tea and the strengthening of the Sri Lankan Rupee as the country's economic crisis began to ease.

Auction Prices

Year	Average Price (USD per kg)
2022	3.81
2023	3.57

Impact Factors for Sri Lanka's Tea Industry

Factor	Impact
Local Factors	
Rising Production Costs	
In 2023, Sri Lankan tea farmers, particularly smallholders, experienced a substantial increase in fertilizer costs. This escalation affected both the quantity and quality of tea production.	Decreased production and export volumes
Weather Conditions	
A drought from July to August adversely impacted tea yields.	Reduced export volumes
Labour Issues	
The tea industry's historical unionisation led to higher wages but confounded cost-cutting efforts, as plantation owners struggled to manage rising expenses.	Higher operational costs
US Dollar Crisis	
The foreign exchange reserve crisis limited access to US Dollars (USD), exacerbating difficulties in importing and paying for essential supplies like chemical fertilizers and packaging materials.	Increased costs and reduced production
Sri Lankan Rupee Fluctuations	
The early-year devaluation of the Sri Lankan Rupee increased the cost of imported materials but slightly boosted USD earnings from tea exports. However, as the Rupee began to strengthen in March, export earnings declined despite an increase in export volumes in earlier months.	Variable impact on export earnings
Government Taxation Policy	
The suspension of the Value Added Tax (VAT) exemption for tea, effective late December 2023, raised concerns. The 18% VAT could reduce the competitiveness of Sri Lankan tea in global markets, imposing additional costs on exporters and complicating their financial operations.	Increased costs for exporters
Global Factors	
International Trade Sanctions	
Sanctions imposed by Europe and the United States on Iran complicated financial transactions for Sri Lankan tea exporters. However, the implementation of a tea-for-oil barter agreement with Iran in August 2023 led to increased export volumes, especially for tippy teas and small leaf teas.	Increased costs and delays

Factor	Impact
Depreciation of the Iranian Rial	
The devaluation of the Iranian Rial against the USD created market uncertainty and reduced Iranian purchasing power. This led to a steep decline in Sri Lankan tea exports to Iran, which fell to about 50% of 2022 levels by the end of 2023, diminishing Iran's position as a leading importer of Ceylon Tea.	Significant drop in exports
Gaza Civil War	
The conflict in Gaza disrupted regional trade routes, affecting neighboring countries such as Syria, Jordan, and Iran.	Disrupted delivery schedules
Oversupply	
A global oversupply of tea due to favorable weather and aggressive production strategies in other countries put downward pressure on auction prices.	Reduced export revenue
Shifting Consumer Preferences	
The growing global interest in specialty teas like green tea, flavored teas, and organic teas presents missed opportunities for Sri Lanka, which has not fully capitalized on these emerging trends.	Missed market opportunities
Climate Change	
Long-term impacts of climate change on weather patterns and crop yields pose sustainability concerns for the Sri Lankan tea industry.	Potential decrease in production
Increasing Competition	
Sri Lanka faces intense competition from other major tea-producing nations, such as China, Kenya, and India, which may have lower production costs or more aggressive marketing strategies.	Pressure on market share and prices

Source: John Keells PLC Tea Review






Future Outlook

The Sri Lankan tea industry in 2023 faced a complex landscape of growth and adversity. While production growth is a positive indicator, addressing export challenges and emphasizing high-value markets are crucial for sustained success. Collaborative efforts among government agencies, industry stakeholders, and international partners are vital. By fostering innovation in value-added products, promoting sustainable agricultural practices, and leveraging digital technologies for marketing, Sri Lanka's tea industry aims to enhance its global competitiveness and maintain its reputation for excellence.

STAKEHOLDER REVIEW

Hatton Plantation PLC believes that stakeholder value creation through engagement is an important factor in our business. The Company's success relies on cordial and mutually beneficial stakeholder engagement. We recognise the value of stakeholders who being a crucial role in our seamless and successful business operations. The Company is mindful that our partnerships consistently deliver value, even amidst challenging conditions. Hatton Plantations PLC continuously communicate with our stakeholders and consistently strategize our value additions towards each stakeholder.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER	DESCRIPTION	TYPE OF ENGAGEMENT
External Stakeholders	SUPPLIERS  Small tea holders Other suppliers such as material suppliers, service providers etc.	<ul style="list-style-type: none"> ▣ Fair value ▣ Open communication <ul style="list-style-type: none"> ● policies and certifications ● quality of the products ▣ Procurement and other codes and standards sharing ▣ Training <ul style="list-style-type: none"> ● Personal safety protocols ● Crop development knowledge
	CUSTOMERS  Our key customer segment is the tea auction buyers.	<ul style="list-style-type: none"> ▣ Customer satisfaction level analysis <ul style="list-style-type: none"> ● Customer feedback/complaints/testimonials ▣ Awareness sessions ▣ Awareness on types of teas, tea tasting sessions, information sharing material ▣ Product transparency <ul style="list-style-type: none"> ● Offer right product details to the customer: product composition, net weight, gross weight, serial number of the package, company name
	TRADE UNIONS  Estate workers unions are an important stakeholder with whom we engage	<ul style="list-style-type: none"> ▣ Maintain a positive relationship through discussions on concerns as and when needed.
	COMMUNITY  Close engagements are maintained with the community through multiple activities	<ul style="list-style-type: none"> ▣ Donations ▣ Welfare projects in estate community ▣ Infrastructure development in estates living areas ▣ Environment conservation ▣ Other CSR activities
	GOVERNMENT ORGANIZATIONS  We engage with multiple state institutions across our operations and management	<ul style="list-style-type: none"> ▣ Comply with government regulations in environmental, financial, people management and all other areas of engagement ▣ Contribute towards revenue generation for the state through timely tax and other payments

STAKEHOLDER	DESCRIPTION	TYPE OF ENGAGEMENT
EMPLOYEES	 <p>A total of 6,323 employees work at our offices and estates. Refer Human Capital report on pages 50 to 60.</p>	<ul style="list-style-type: none"> ▣ Performance based compensation ▣ Training & Development <ul style="list-style-type: none"> ● Technical, leadership, and management skills development ▣ Health & Safety workplace <ul style="list-style-type: none"> ● Health check-ups ● Medical surveys ▣ Customary celebrations for religious and cultural functions ▣ Welfare schemes and leisure programs
SHAREHOLDERS	 <p>These are the investors who also provide strategic guidance</p>	<ul style="list-style-type: none"> ▣ Regular communication <ul style="list-style-type: none"> ● Annual meetings ● Annual and quarterly reports ● Other reports ▣ ROI <ul style="list-style-type: none"> ● Dividend per share

Internal stakeholders

FINANCIAL CAPITAL

Company

Revenue growth of	Gross profit Margin	Debt reduced by	ROE	Earnings per Share at
0.2%	14.5%	60.7%	20.4%	RS. 4.27

Financial Performance - Company	Unit	2023/24	2022/23	Change %
Revenue	Rs.'000	7,633,209	7,619,812	0.2%
Gross profit	Rs.'000	1,103,584	1,864,870	-40.8%
Operating Profit	Rs.'000	1,198,829	2,127,046	-43.6%
Profit before tax	Rs.'000	1,159,111	2,076,769	-44.2%
Profit after tax	Rs.'000	1,010,168	1,705,951	-40.8%

***Financial Capital** is a reflection of the company's overall performance, profitability, growth and financial stability. It provides the management and shareholders with an understanding of how the strategies and efforts during the year impacted the company's overall profitability. Therefore, financial capital is a key contributor to the company's financial and strategic planning initiatives.*

During the year under review, Hatton Plantations PLC faced several challenges that impacted on the company's financial capital, combined with external and environmental factors that were inherent to the overall industry. The main challenge for the year for the company was the unpredictable weather conditions that impacted crop volumes and quality. Despite these challenges the company demonstrated resilience, strategic foresight and prudent financial management in navigating the business to report the second highest profit in the last 5 years.

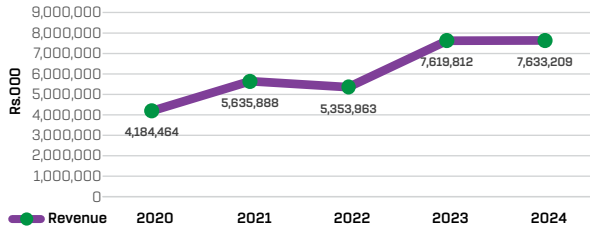
Revenue

The Company's revenue was at Rs. 7,633.2 Mn during the year under review, marginally lower from last year's historic best performance. The decrease in revenue was due to poor weather conditions for quality tea and unfavorable and unstable market prices at the Colombo Tea Auction during most quarters. However, over the last 5 years, the company's revenue has seen an upward growth trend

despite a challenging operating environment. The company has successfully exceeded projected results for FY 2024, reporting the highest revenue reported in the last 5 years.

The company's performance during the first three quarters of the year was relatively lower than expected due to low tea volumes. However, the company recovered the volumes and yielded higher prices during the last quarter of the year, recouping for the quarters with comparatively lower performance. The last quarter saw prices at the tea auction stabilized and improvements in tea quality and demand for our selling marks that attracted higher prices.

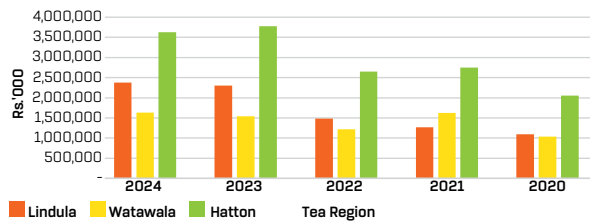
During the year, the management set in place initiatives to overcome challenges posed by adverse weather conditions and dwindling labour concerns in the estates as discussed under chapters on manufacturing and natural capital. These were successful in weathering impacts on the crop quality and quantity which led to better prices at the tea auction and subsequent revenue increase.



Revenue (Rs.000)

	2023/24	2022/23	2021/22	2020/2021
Black tea	7,204,671	7,442,940	5,275,113	5,581,985
Green tea	190,653	16,540	Nil	Nil
Other teas	237,885	154,547	78,850	53,903

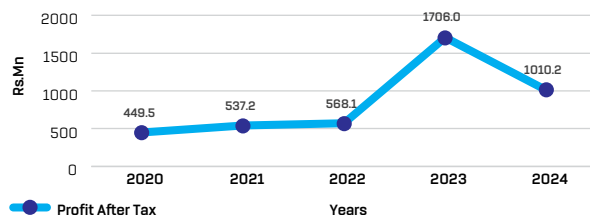
Revenue by Region



Profitability

Hatton Plantations PLC maintained profitability during the year, recording a total gross profit of Rs. 1,103.6 Mn lower compared to last year yet higher than previous years. Higher input costs and lower revenue from sales during the initial quarters contributed to lower gross profit. However, gross profit margin showed promise, and maintained at 14.5% margin thanks to improved efficiencies in internal processes amidst challenges in escalated costs and resultant pressure on volumes.

Profit After Tax



Profit after tax (PAT) for FY 2023/24 was reported at Rs. 1,010.2 Mn, declined by 40.8% from the Rs 1,706.0 Mn recorded last year. The Introduction of higher taxes for corporates by the government also added to the company's tax burden. The Company continued to take strategic measures to improve financial management and invest prudently whilst improving production efficiency and reducing the cost of production. The PAT margin dropped to 13.2% in the reporting year, compared to 22.4% last year.

Hatton Plantations PLC's profit before tax (PBT) also reduced this year as the company strategically focused on improving working capital conditions amidst the reduced turnover. As a result, the profit before tax was reduced by 12.1% during the year.

In an attempt to manage external challenges impacting the company's performance, the company implemented several strategies, including centralizing negotiations with suppliers for better prices, optimizing low crop quarters to prepare soil to optimize the final quarter that traditionally harvests a higher crop production, and strategic investments in diversified crops and factory quality improvements. The company also placed emphasis on rationalization, and efficiency improvements of expenses to mitigate the impact of cost pressures.

Finance Income and expenses

HPL took strategic initiatives in managing financial income and expenditure during the year, working towards minimizing borrowing and overdrafts. Finance income increased by 3.4% and finance expenses decreased by 30.8%. The high interest regime that existed during most quarters of the last year increased the cost of borrowing. Government lease interest increased by 48.9% in line with the increase in GDP deflator of the Central Bank of Sri Lanka. The company continued to manage finance costs significantly during the year through self-financing strategies.

Cash Flow and Liquidity Position

Hatton Plantations PLC's working capital was directly impacted by the external macro-economic challenges in the country. Despite the reduced operating profit, the cash generated from operating activities in 2024 was Rs. 1,880.1 Mn, a substantial improvement from Rs. 1,385.3 Mn in 2023. Operating net cash outflow was Rs 1,659.4 Mn in comparison with last year's net cash outflow of Rs. 1,080.3 Mn.

The company demonstrated strong cash flow management in 2024. Significant improvements in working capital components, reduced interest expenses, and effective asset management collectively contributed to a positive cash flow from operating activities, due to robust financial strategies aimed at enhancing liquidity and operational efficiency.

Cash and cash equivalents at the end of the period improved to Rs. 447.3 Mn compared to Rs. 79.3 Mn last year. Capital expenditure was Rs. 364.1 Mn this year compared with Rs. 553.3 Mn last year.

The company's liquidity position remains positive from 2022/23 to 2023/24. Total current assets were at Rs. 1,940.4 Mn, while current liabilities decreased to Rs. 749.0 Mn, indicating a favorable current ratio of 2.6 times, pointing the company's financial stability and operational efficiency.

Maintaining a robust liquidity position is crucial for sustaining financial health and supporting future growth initiatives. The Company strategy focused on low dependency on borrowings.

Return on Capital Employed (ROCE)/ Return on Equity (ROE)

The Company's Return on Capital Employed has decreased to 24.4% from 44.9% reported in FY 2022/23 on account of lower profits earned during the year, resulting in a lower sale average in the Colombo Tea Auction compared to the previous year 2022/23. Similarly, Return on Equity also decreased to 20.4% in 2023/24 as against 37.0% reported

in 2022/23 mainly due to drop in tea market prices hence profitability.

Asset Base and Funding Profile

During the year, the company's total assets increased 6.5% to Rs. 7,568.5 Mn from Rs. 7,105.7 Mn, as the company invested in expanding and replacing its asset base in bearer crop development and diversification. The company's asset use was more efficient during the year and was optimized towards revenue generation. The total asset turnover ratio slightly reduced by 0.06 times during the current year compared to last year.

Investments in property, plant, and equipment remained at an asset value of Rs. 105 Mn.

Asset composition

Item	2023/24 (Rs.000)	2022/23 (Rs.000)	Change %
PPE	1,105,382	1,108,663	-0.3%
Cash and Cash Equivalents	447,339	184,003	>100%
Biological Assets	2,250,472	2,047,687	9.9%
Bearer Plants	1,360,012	1,138,186	19.5%
Inventories	631,718	831,353	-24.0%
Interest Income	123,967	119,844	3.4%
Investment Income	67,010	71,070	-5.7%

PPE composition

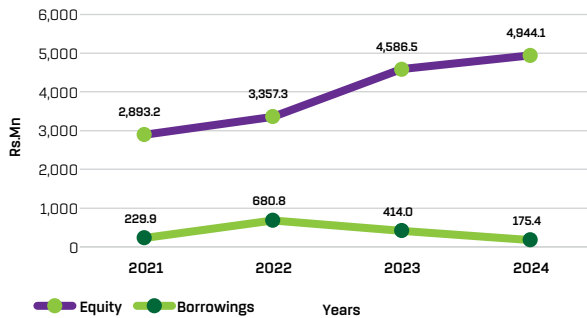
Item	2023/24 (Rs.000)	2022/23 (Rs.000)	Change %
Buildings	590,147	601,029	-1.8%
Capital Work in Progress	29,938	44,897	-33.3%
Motor Vehicles	51,768	30,662	68.8%
Machinery and Equipment	357,112	355,363	0.5%
IT	10,523	13,376	-21.3%
Furniture and Fittings	7,190	6,782	6.0%
Other	58,705	56,254	4.4%

Shareholders' Funds

Shareholders' funds as at the end of March 2024 amounted to Rs. 4,944.1 Mn, a 7.8% increase compared to the FY 2022/23, primarily due to an increase in retained earnings. The debt-to-equity ratio at the end of March 2024 was 3.5% compared to 9.0% at the end of March 2023.

Funding profile

Year	Shareholders' Fund (Rs.000)	Borrowings (Rs.000)
2021	2,893,185	229,855
2022	3,357,284	680,767
2023	4,586,475	413,998
2024	4,944,149	175,393



Earnings Per Share (EPS) and Dividend Per Share (DPS)

The Company announced two interim dividends being Rs. 3/= per share for the financial year ended March 31, 2024. The Earnings per share decreased by 40.8% to Rs. 4.3 per share, from Rs.7.2 last year.

Investments

During the year, the company maintained its replanting efforts in the estates to ensure the estates continue to

yield higher volumes. The replanting investments were of Rs. 260.6 Mn. This includes investments made into diversifying crops in coffee and cinnamon at a cost of Rs. 27.0 Mn.

New investments in property, plant and equipment were at Rs 103.6 Mn, focusing mainly on maintenance and upgrades of building and machinery. The company focused on technology infusion during the year to improve systems and processes. Investments in technology enhancements to the value of Rs.2.3 Mn This includes field data digitization software and hardware.

The company made a total investment of Rs. 8.9 Mn for the improvement of estate infrastructure and factory development of Rs. 14.6.

STRATEGIC VALUE CREATION

Hatton Plantations PLC's strategic value creation model is based on adding value to the company's key stakeholders. The company's strategic approach to its capital has resulted in stronger performance across the company. The Company has, in turn, created value across external and internal stakeholders.

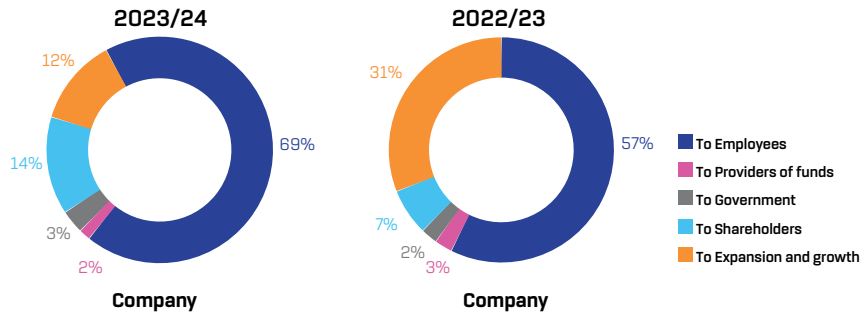
The company's value creation relies on:

- ▣ Sound policies
- ▣ Strategic financial management
- ▣ Strategic cost management
- ▣ Efficient plantations management
- ▣ Innovative systems and process improvements
- ▣ Efficient use of resources
- ▣ Continuous development of our estates and biological assets
- ▣ Positive engagements with suppliers, communities and other stakeholders
- ▣ Productive employees
- ▣ Commitment to sustainability
- ▣ Crop diversification

(Rs.000)	Group				Company			
	2023/24	%	2022/23	%	2023/24	%	2022/23	%
Revenue	7,724,871		7,708,019		7,633,209		7,619,812	
Other income	120,578		76,881		183,889		147,607	
Gain on change in fair value of biological assets	187,314		397,981		187,314		397,981	
	8,032,763		8,182,881		8,004,412		8,165,400	
Cost of materials and services obtained	(3,055,018)		(2,837,577)		(2,930,447)		(2,889,926)	
Value Addition	4,977,745		5,345,304		5,073,965		5,275,474	
Value allocated to:								
To Employees								
Salaries, wages and other benefits	3,493,536	70%	3,038,845	57%	3,477,508	69%	3,024,014	57%
To Providers of funds								
Interest to money lenders	83,801	2%	135,134	3%	83,801	2%	135,134	3%
To Government								
JEDB/SLSPC Lease rental	83,885	2%	56,450		83,885	2%	56,450	
Tax Paid	96,996		77,721		86,149		69,177	
	180,881	4%	134,171	3%	170,034	3%	125,627	2%

(Rs.000)	Group				Company			
	2023/24	%	2022/23	%	2023/24	%	2022/23	%
To Shareholders								
Dividend paid to shareholders	713,600	14%	358,400	7%	710,000	14%	355,000	7%
To Expansion and growth								
Profit retained	148,906		1,257,966		357,674		1,229,191	
Depreciation & amortization	188,569		170,548		164,307		146,306	
Deferred Taxation	168,452		250,240		110,641		260,202	
	505,927	10%	1,678,754	31%	632,622	12%	1,635,699	31%
	4,977,745		5,345,304		5,073,965		5,275,474	

	Group				Company			
	2023/24	%	2022/23	%	2023/24	%	2022/23	%
To Employees	3,493,536	70%	3,038,845	57%	3,477,508	69%	3,024,014	57%
To Providers of funds	83,801	2%	135,134	3%	83,801	2%	135,134	3%
To Government	180,881	4%	134,171	3%	170,034	3%	125,627	2%
To Shareholders	713,600	14%	358,400	7%	710,000	14%	355,000	7%
To Expansion and growth	505,927	10%	1,678,754	31%	632,622	12%	1,635,699	31%
	4,977,745		5,345,304		5,073,965		5,275,474	



MANUFACTURED CAPITAL

Value of PPE Rs. **1,819.1** Mn

Production capacity **155,500** Kgs green leaf per day

Total production increase by **17.7** %

Addition of a new **Green Tea Factory**

	Unit	2023/24	2022/23	Change %
Tea production	Kg	7,189,067	6,106,084	17.7%
No of estates	No.	13	13	0%
Total extent of cultivation	Ha	5,148.9	5,129.0	0.4%
Nos of tea small holders/ sellers	No.	110	80	37.5%
Payment to suppliers	Rs. Mn	2,930.4	2,889.9	1.4%
Value of PPE	Rs. Mn	1,819.1	1,714.1	6.1%
Capital expenditure	Rs. Mn	364.1	553.3	-34.2%

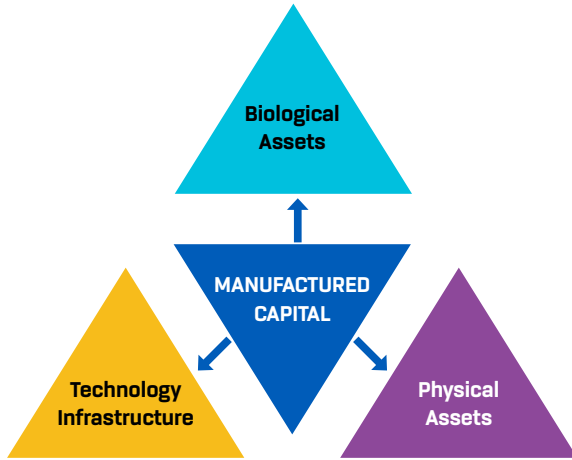
Manufactured Capital consists of cultivated tea land, property, plant, equipment and other physical assets that are held by the company. These include manufacturing plants, estates, machinery, tools, equipment, vehicles, inventory and warehouses, infrastructure and all other tangible fixed assets. The Company continuously invests in physical assets and logistics facilities to enhance production capacity, and ensure safe and reliable operations. Upgrading the Company's technology, infrastructure, and equipment is of paramount importance to deliver quality products to customers.

During the year under review, Hatton Plantations PLC's manufacturing capital faced multiple challenges due to adverse weather conditions impacting crop and plucking, regulatory decisions that limited access to quality fertilizers and agro chemicals, and labour shortages that risked the overall tea production. However, the company has strategically managed to overcome these challenges and improve production capacity, recording the highest tea sales volumes for the year among regional plantation companies.

With a view to achieving high volumes and increased productivity, Hatton Plantations invested a total of Rs. 364.1 million in our manufacturing facilities. Of this, Rs. 246.4 million was on tea replanting and soil management, Rs. 103.6 million on machinery, buildings, equipment, etc and Rs. 2.3 million on technology enhancements. The Company's net sales average has also improved month by month and manufacturing quantity has increased.

Manufactured Assets Profile

Hatton Plantations' asset profile focuses on three main areas of manufactured assets. They can be categorized as follows:



Asset Type (by Value)	2023/24 Rs. '000	2022/23 Rs. '000	Change %
Biological Assets	3,610,484	3,185,873	13.3%
Physical Assets	1,796,881	1,698,165	5.8%
Technology Infrastructure	22,266	15,962	39.5%
Total	5,429,631	4,900,000	10.8%

Biological Assets

Our biological assets are the company's most valuable and primary asset which are the crops cultivated. Currently, the primary crop of the company is tea whilst we have commenced diversifying our portfolio into timber and coffee in recent years. However, timber and coffee cultivations are currently at an early stage and would take a few years to generate a sufficient yield.

Biological Asset Type		Extent (Ha)	Net Carrying value Rs. '000
Crops	Tea	3,408.01	1,224,062
	Timber	751.58	2,250,472
	Coffee	66.5	119,579

	Unit	2023/24	2022/23
Total Cultivated Land	Ha.	5,148.9	5,129.0
Tea Land	Ha.	3,838.4	3,838.4
Tea Estate Development	Rs. Mn	364.1	553.3
Investment In Compost	Rs. Mn	12.5	10.5
Coffee Land (new plantation)	Ha.	66.5	66.5
Coffee Cultivation Development	Rs. Mn	24.6	95.0
Timber land	Ha	751.58	728.03
Timber Development	Rs. Mn	11.0	26.5

During the year under review, Hatton Plantations tea volumes increased by 177 per cent to 1,082.9 MT/Kg. The growth in volumes came from multiple efforts at the estates, which enhanced production. The Company spent Rs.364.1 million on land preparation, replanting, new planting, and upkeep of tea. A highlight of the year was the full commissioning and investment of Rs. 90.6 million in the setting up of a new green tea manufacturing facility in Agarakanda Estate.

Continuous soil management

Several soil management initiatives were implemented during the year including terrace and drainage construction, rainwater harvesting to lower the risk of soil erosion. Further investments were made to improve the health of the soil.

Introduction of mechanized tea plucking

Mechanized tea plucking was introduced in the estates to overcome the labour shortage in tea plucking. Although this took time to be familiarized amongst the workforce, this improved the volumes of tea plucked during the year.

Quality Fertilizer

In the previous years, the plantation faced a severe shortage of fertilizer due to state regulations on

fertilizer imports. However, with the lifting of this rule, high quality fertilizer was made accessible and was used to improve the soil quality and tea leaf quality in the estates.

Weed and Pest Chemical

Access to weed and pest control chemicals were also limited during the year due to import limitations and a high import cost experienced last year. With improvements in the economy leading to exchange rate stability and relaxation of the import ban, the company was able to access advanced weed and pest control chemicals, which helped improve overall tea yield.

Black tea production improved by 15.3 % to 7032 MT during the year. However, The Company also commenced the production of green tea with a new green tea factory during the year under review, and sold quantity of green tea production was 157,181 kgs during the year and is expected to improve over time.

Physical Assets

Hatton Plantations PLC's physical assets constitute a gamut of items from machinery, tools and equipment to, furniture and fittings, vehicles and buildings. The maintenance of these physical assets is crucial in the seamless operation of the business as they make a significant contribution to the efficiency, productivity of the manufacturing process, and in turn to the overall profitability of the company.



Agrakande Green Tea Factory

		2023/24	2022/23	% Change
Net Book Value – PPE				
Buildings	Rs. Mn	590.1	601.0	-1.8%
Motor Vehicles	Rs. Mn	51.8	30.7	68.7%
Plant & Machinery	Rs. Mn	306.4	329.7	-7.1%
Equipment	Rs. Mn	50.7	25.6	98.0%
Computers/IT	Rs. Mn	10.5	13.7	-23.4%
Furniture & Fittings	Rs. Mn	7.2	6.8	5.9%
Others	Rs. Mn	48.2	56.3	-14.4%

During the year, the company continued to make investments in plant, property, equipment, and machinery. Hatton Plantations invested heavily in improving and replacing machinery in the tea production facilities that helped improve made tea volumes.

- Factories were upgraded to state of the art manufacturing facilities, simultaneously adding capacity.
- Installing machinery to improve the quality of tea which in turn, increase the price per kilogram of tea sold at the Tea Auction, a direct contributor to revenue growth.
- Installation of newest and advanced machinery in the CTC factories for greater efficiency and higher productivity.
- Mechanized plucking equipment was introduced across our plantations and training was provided to increase the efficiency of tea pluckers.
- Extensive training was provided to the estate and factory staff on the new machinery use, operation, and maintenance.

Technology Infrastructure

Hatton Plantations PLC, despite being a plantation company, has integrated and invested significantly in technology and related infrastructure. These investments are not limited to office spaces, instead are incorporated at field level providing greater efficiency, accuracy of processes. Most challenges faced due to external pressures and factors were overcome by effective and timely use of technology at our plantations and manufacturing facilities.

Some of the key technology infusions included:

- **Digital tea scales**

With the introduction of digital tea volume weighing at the estates, many inaccuracies and misunderstandings caused by manual weighing were eliminated and

harvesting pluckers, tea small holders and other tea sellers were able to obtain accurate volumes of tea handed over to estates.

- **Modern real time data sharing software**

The company introduced sophisticated harvest software that allowed information to be shared from estates and manufacturing facilities with the head office in Colombo on a real time basis. This ensured that management had accurate and timely information on the progress and status of the business in the field that helped decision making faster and credible.

- **IT hardware and network infrastructure**

Network infrastructure and wireless connectivity were introduced to the field offices, estates and factories enabling them to capture, monitor and report on daily activities on the field. To support this, tabs and other IT hardware was provided to field officers, estate managers and other key staff to ensure sufficient mobility and access to the software was available in the field.

- **Training**

Software and hardware training was provided to ensure that both field and office staff were able to optimize the technology.

HUMAN CAPITAL

Highlights

Investment in Training and Development
 Investment in productivity enhancements initiatives
 HR technology investment
 Total Employees 6,336
 Women in Management

	Unit	2023/24	2022/23	%
Total cadre with Casual	No	6,336	6,560	-3.4%
Training investments	Rs. Mn	4.5	4.2	7.1%
Welfare for estate staff and workers	Rs. Mn	195.0	194.7	0.2%
CSR initiatives	Rs. Mn	3.8	3.6	5.6%

Human Capital is recognized as the most vital and valuable resource within our organization and includes all the care of staff, management, estate workers, and others. This foundation is crucial to the effectiveness of all other resources, including financial, physical, and informational. Without a strong, well-developed human capital base, these other assets cannot be utilized to their full potential. Hatton Plantation PLC's organizational structure is designed to ensure effective management and operational efficiency across all regions.

During the year under review, Hatton Plantations PLC encountered a number of human capital concerns at every level of the workforce. The country's economic and social environment attracted migration of professional level employees, while retention of staff was a key challenge arising from cost of living, heavy personal tax burdens and other external impacts on the human resource. In addition, at the estate level, imposition of wage hikes was also being considered by the government. Despite many hurdles, the company's human resource remained strong, and intact thanks to strategic leadership and a people friendly approach in addressing workforce concerns.

Leadership Structure Overview

The leadership focuses on nurturing and developing talent at every level, which has proven to be a significant strength. The Company's human capital strategy is deeply rooted in strong leadership, continuous development, and a commitment to employee engagement. By focusing on these areas, we have successfully overcome challenges and maintained a motivated and capable workforce poised for ongoing success.

Level	Title	Focus
Top-Level	CEO, Managing Director	Leadership, Strategic Direction
Regional Level	COO, Regional GM, Estate Manager	Operational Management, Execution
Departmental Levels	Subordinates, SBS	Specific Business Unit Performance

Workforce Profile

Regions	Permanent	Casual	Total
Watawala	764	558	1,322
Hatton	1,455	755	2,210
Lindula	1,750	1,041	2,791
	3,969	2,354	6,323

Workforce

Estate	Permanent			Casual		
	Men	Women	Total	Men	Women	Total
Kenilworth	111	107	218	127	78	205
Carolina	67	101	168	47	84	131
Wigton	60	76	136	21	34	55
Shannon	68	83	151	69	94	163
WATAWALA	306	367	673	264	290	554
Abbotsleigh	121	203	324	159	128	287
Dickoya	136	166	302	112	141	253
Vellai Oya	166	234	400	5	11	16
Strathdon	135	171	306	85	108	193
HATTON	558	774	1,332	361	388	749
Agrakande	78	115	193	10	30	40
Henfold	186	216	402	96	132	228
Ouvahkelle	113	171	284	116	99	215
Tangakelle	83	161	244	75	91	166
Waltrim	222	276	498	167	222	389
LINDULA	682	939	1,621	464	574	1,038
Company	1,546	2,080	3,626	1,089	1,252	2,341

Staff

Estate	Permanent			Contract		
	Male	Female	Total	Male	Female	Total
Kenilworth	23	10	33	1	-	1
Carolina	11	7	18	1	-	1
Wigton	8	4	12	-	1	1
Shannon	20	8	28	1	-	1
WATAWALA	62	29	91	3	1	4
Abbotsleigh	27	4	31	1	1	2
Dickoya	20	8	28	1	1	2
Vellai Oya	24	8	32	1	-	1
Strathdon	23	9	32	1	-	1
HATTON	94	29	123	4	2	6
Agrakande	10	3	13	-	-	-
Henfold	18	11	29	1	-	1
Ouvahkelle	21	5	26	-	-	-
Tangakelle	21	2	23	-	-	-
Waltrim	30	8	38	2	-	2
LINDULA	100	29	129	3	-	3
Company	256	87	343	10	3	13

Fostering a Supportive Workforce and Work Environment

Strong Governance and Policies

Hatton Plantations PLC is committed to fostering an inclusive and productive work environment characterized by dignity, mutual respect, well-being, and safety, supported by a robust governance and policy framework. Our comprehensive policy framework outlines the Company's approach to Human Capital management, while our Code of Ethics—available in all three languages—clearly delineates employees' rights and responsibilities. Estate Managers lead a dedicated team of people who oversee employee welfare. These policies are formulated in alignment with

regulatory requirements and global best practices.

Human Capital and Social Policies

- ▣ Employment policy
- ▣ No Child labour
- ▣ No Forced labour
- ▣ No Harassment
- ▣ No Discrimination

Human Resource and Social Policy

- ▣ Dignity and Respect
- ▣ Training and empowerment
- ▣ Equal opportunity
- ▣ Freedom of Association
- ▣ Grievance handling
- ▣ Local communities

Wage Policy

Health and Safety policy

Equal Opportunities

As an equal employment opportunity provider, Hatton Plantations PLC is committed to ensuring that our recruitment processes are transparent and equitable. Our organization strictly prohibits any form of discrimination based on gender, race, or religion, and we actively promote a multicultural environment across our plantations and workplaces. We have formulated objective recruitment criteria that are applied consistently.

The Company is dedicated to creating employment opportunities that contribute to the upliftment of estate families and their communities. Additionally, we adhere to a gender policy designed to prevent discrimination based on gender, reinforcing our commitment to fairness and inclusivity in the workplace.

Empowering Estate Women

Hatton Plantations PLC initiated a youth empowerment program, providing supervisory opportunities to an educated and capable estate community. The program has currently employed, educated women supervisors who manage the field operations at the estates. The women have been trained in their expected duties and have been able to obtain the respect and support of other estate worker communities to perform their duties. This has

helped overcome the traditional tea plucker role associated with women and given them greater responsibility and authority, in the functions of estate management.



Appointment of Women field supervisors

Total Labour Composition by Gender Distribution



Estate Labour Composition by Gender



Staff Composition by Gender



■ Male ■ Female



Women's Day celebration 2023

Fair Remuneration

The Company is committed to ensuring equitable compensation for all employees that reflects their contributions. Compensation for trade union members is governed by the existing Collective Bargaining Agreements, while remuneration for other employees aligns with industry standards. Additionally, we have implemented an incentive program to acknowledge contributions to innovation and productivity. Exceptional achievements are further recognized through our annual rewards programs.

Benefit Schemes

The company offers the following benefit schemes to its employees

Employee Group	Benefits
Executives – Head Office	<ul style="list-style-type: none"> ☑ Insurance ☑ Medical Facility ☑ Fuel/ Travelling ☑ Tea allowance
Staff - Head Office	<ul style="list-style-type: none"> ☑ Medical Facility ☑ Tea Allowance ☑ Mobile Allowance ☑ Fuel/ Travelling

Employee Group	Benefits
Executives – Estates	<ul style="list-style-type: none"> ☑ Billet Allowance ☑ Medical Facility ☑ Tea Allowance ☑ Mobile Allowance ☑ Fuel/Travelling/Vehicle ☑ Accommodation ☑ Water, Electricity, Gas
Staff – Estates	<ul style="list-style-type: none"> ☑ Medical Facility ☑ Tea Allowance ☑ Accommodation ☑ Water, Electricity
Associates	<ul style="list-style-type: none"> ☑ Housing ☑ Water ☑ Tea Allowance ☑ Travelling for outside associates ☑ Free drugs ☑ Medical facility ☑ Free Clinics Ambulance ☑ Child Care facilities for Children below 5 years ☑ Wheat Flour ☑ Death Donation ☑ Assistance to temples & religious festivals ☑ Health Education



Health and Safety

At Hatton Plantations PLC, the health and safety of our employees are paramount. We are committed to maintaining a safe and healthy work environment through rigorous safety protocols, regular health checks, and comprehensive training programs. Our health and safety initiatives include the implementation of stringent safety measures, the provision of personal protective equipment, and the promotion of wellness programs to ensure that our workforce remains healthy and productive. The Company continuously monitors and improves our safety practices to adapt to emerging risks and regulatory changes.



Training and Development

At our organization, we have implemented various training and development programs aimed at enhancing employee skills, attitudes, and overall performance. These initiatives are designed to address specific needs and improve engagement across different levels of the company. The Company provides subsidies covering 50% of training costs for certain programs, while fully funding others.

Key training initiatives in FY 2023/24

Interpersonal and Leadership Skills

- ▣ **Objective:** Improve interpersonal skills and change attitudes among employees.
- ▣ **Target audience:** Managers and staff

Outbound training programs were organized and a specialized program was conducted at the Sri Lanka Special Forces Training School, customized to meet our specific needs. This program aimed to enhance engagement between managers and staff, focusing on improving communication and reducing behavioral gaps.

Various Skill Development Programs

- ▣ **Objective:** Enhance different skills
- ▣ **Target audience:** Employees at various levels
- ▣ **Focus Areas:**

Communication Skills: Workshops were conducted to improve communication among employees.

Personal Skills: Online personal development programs were introduced to enhance various skills.

Customized training included branding and role-specific targets. Specialized training focused on mindfulness and attention to enhance task management and instruction adherence.

Behavioral and Mindfulness Training

- ▣ **Objective:** Address and improve expected behaviors and focus
- ▣ **Target audience:** Managers and executives

Programs were implemented to help participants maintain mindfulness and focus on their responsibilities. Regular self-assessments and consultations were conducted to support behavioral changes.

Specialized Skill Training

- ▣ **Objective:** Enhance specific skills
- ▣ **Target audience:** Executives and staff

Skill development through National Institute of Personnel Management (NIPM) materials was carried out, while executives participated in diploma programs to further enhance their skills.



Following are a few specialized skill training programs:

- ▣ **Field Officer Training:** Targeted programs for various categories of field officers were held, focusing on specific skills and curriculum.
- ▣ **Factory Officer Training:** Educational and skill

development courses tailored to factory operations were conducted.

- ▣ **Technological Adaptation:** Training programs were conducted to help adapt to field digitization programs.

Leadership Development

- ▣ **Objective:** To prepare employees for higher roles, such as State Manager or Estate Superintendent.
- ▣ **Target audience:** Potential State Managers

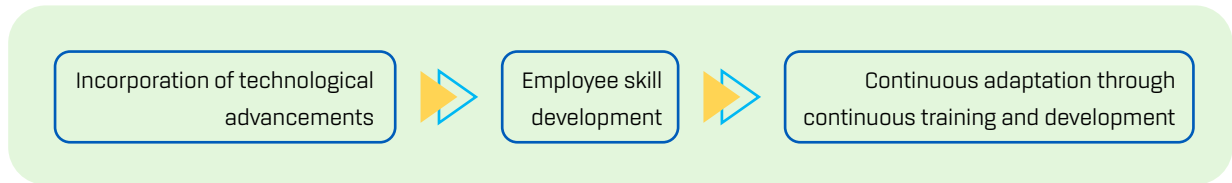
Specialized courses designed by the National Institute of Plantation Management (NIPM), Athurugiriya.



Executive Leadership Development

Skill Development through Technological Advancements

The rapid advancement of technology, particularly digitalization, has necessitated a continuous evolution of skills and knowledge within our workforce. At Hatton Plantation PLC, we recognize the importance of adapting to these changes to remain competitive and efficient. Our approach involves identifying and enhancing the specific skills required to effectively utilize new technologies.



Digitalization:

The integration of digital technology into our operations has transformed various processes, making it essential for employees to acquire new skills. The transition from traditional analog weighing systems to advanced digital weighing systems has proven to be a productive enhancement for the Company.

Process	Old Method	New Digital Method
Weighing	Manual weighing using analog scales	Digital weighing system
Data Recording	Field officers record on a physical card	Digital entry into the interconnected system
Data Accessibility	Limited to physical cards	Real-time access at head office and regional levels
Skill Requirements	Basic manual operation	Advanced digital proficiency



Digital Weighing at Tea Fields

Digital Skill Enhancement Strategies



Staff Training of ERP System

Training Programs:

- ▣ **Digital Systems Training:** The Company provided comprehensive training to ensure that all relevant personnel are proficient in using new digital systems, such as the digital weighing process.
- ▣ **Machine Harvesting:** As machine harvesting becomes more prevalent, Hatton Plantations PLC also focused on training employees to operate and maintain this equipment. This includes developing the necessary technical skills to handle advanced machinery.

Continuous Learning:

- ▣ **Adaptation to Technological Changes:** The Company was committed to continuously upgrading our human capital to adapt to the evolving technological landscape.

- ▣ **Long-Term Skill Development:** Emphasis was placed on the gradual development of skills, ensuring that our workforce is not only capable of handling current technology but also prepared for future advancements.

Rewards and Recognition

Hatton Plantations PLC continuously strives to acknowledge and celebrate the exceptional contributions of our employees through a structured recognition system. This includes performance-based bonuses, long-service awards, and employee of the month initiatives. By aligning rewards with organizational goals and individual achievements, we aim to enhance job satisfaction, reinforce positive behavior, and drive overall business success.

Challenges impacting Human Resource Management

Challenge	Description	Impact
Labour and unionization	<p>The industry faced challenges related to unionization and cultural motivations within the plantation community. The total population in the plantation community exceeds 1.2 million, with over 100,000 actively working. Managing this large workforce and addressing union-related issues were ongoing challenges.</p>	Difficulty in managing and engaging workers
Maintenance of proper infrastructure facilities	<p>Providing adequate infrastructure and facilities for workers had been a challenge. Efforts were made to improve facilities, but there were limitations and ongoing needs for better infrastructure.</p>	Limitations in current facility provisions
Unhealthy impact of political and cultural environment	<p>Another issue which the Company faced last year was navigating the political and cultural challenges that affected HR practices.</p> <p>Engaging with employees and their families while managing political and cultural expectations was a challenge.</p>	Complexities in employee management
Adverse climate and weather patterns	<p>Climate change and irregular weather patterns impacted our operations. For instance, recent rainfall patterns in Watawala have been inconsistent compared to surrounding areas.</p>	Operational disruptions due to weather changes

Decline in Labour Availability	Strategic Approach	Outcome
<p>Issue: The plantation industry has been experiencing a gradual decrease in the labour force due to younger generations pursuing opportunities outside the agricultural sector.</p>	<p>Introduction of Machine Harvesters: Adopted mechanized harvesting technology to reduce reliance on manual labour and address labour shortages.</p> <p>Opportunities for Younger Generations: Leadership Roles for Women: Promoted female harvesting team leaders to increase participation and leadership diversity.</p> <p>Incentive Programs: Offered additional cash incentives to attract and retain younger workers.</p> <p>Enhancing Work Availability: Cash Work Opportunities: Provided additional work opportunities with cash incentives for specific tasks (e.g., manual labour, chemical application) to retain workers and reduce turnover.</p> <p>Recognition and Education: Acknowledgement of Contributions: Recognized the economic contributions of workers to Sri Lanka and emphasized their value to the industry.</p> <p>Educational Outreach: Educated workers and their families about the importance of their contributions, especially during challenging times such as the COVID-19 pandemic.</p>	<p>Increased Efficiency: The introduction of machine harvesters led to improved harvesting efficiency and reduced dependency on manual labour.</p> <p>Enhanced Workforce Engagement: Attracting younger generations and offering leadership roles and cash incentives resulted in better engagement and retention of younger workers.</p> <p>Improved Worker Retention: The provision of additional cash work opportunities helped retain workers.</p> <p>Greater Recognition and Morale: Recognizing workers' contributions and providing educational outreach increased morale and reinforced the value of their work to the broader economy.</p>
<p>Impact: Persistent labour shortages that affect the efficiency and sustainability of plantation operations.</p>		

INTELLECTUAL CAPITAL

14
tea selling
marks

30%
of staff with over 20
years of experience

05
Quality
certifications

*Our **Intellectual Capital** includes brand equity, industry experience, research and development, investments in technology, knowledge and skills, operational excellence, systems and process developments, certifications and leadership. Our intellectual capital has been a key driver in our growth over the years, ensuring year on year steadfast performance.*

Hatton Plantations PLC takes pride in being a young company with a mature intellectual capital portfolio. The company's intellectual capital has been a key factor in our ability to overcome challenges, instill buyer confidence, and perform exceptionally year on year. We continue to nurture and grow our intellectual capital through continued investments and partnerships.

During the year under review, Hatton Plantations PLC invested in our intellectual capital growth through training, licensing, research, retaining expertise, and improving systems and processes.

Our Intellectual Capital Portfolio



Intellectual Property Chain



Hatton Plantations Brand

As a trader of tea, Hatton Plantations has maintained the highest respect and credibility as a reliable and ethical tea producer at the Ceylon Tea Auction. Hatton Plantations garden selling marks hold high regard amongst global tea connoisseurs, and are recognized as the highest quality amongst Ceylon Tea varieties.

During the year, Hatton Plantations invested in brand development and tea research to develop new types of unique varieties. The company introduced green tea grades to our portfolio of selling grades.

Estates and Selling Marks

Region	Estate	Selling Mark
Lindula	Waltrim	Waltrim
	Henfold	Henfold
	Tangakelle	Tangakelle and Cymru
	Agarakanda	East Fassifern
	Ouvahakelle	Ouvahakelle
Hatton	Dickoya	Adisham
	VellaiOya	VellaiOya
	Abbotsleigh	Florence
Watawala	Strathdon	Strathdon
	Shannon	Shannon
	Kenilworth	Kenilworth and Strathellie
	Carolina	Carolina CTC

Experience, Skills, Knowledge and Expertise

Hatton Plantations is built on decades of experience, knowledge, technology, skills and expertise that has been passed on. The company values its rich knowledge and skills and makes multiple efforts to retain and share these amongst employees, such as:

- ▣ Knowledge and experience sharing activities
- ▣ Participatory strategic planning initiatives discussions for field and office staff
- ▣ Investment in training in global tea trends and innovations
- ▣ Continuous research and innovation to maintain high quality and progressive products
- ▣ Providing incentives to retain high performers and longstanding employees with technical experience and expertise
- ▣ Technology investments that provide knowledge transfers
- ▣ Leadership and succession planning enabling growth and continuity
- ▣ Training in best practices and global benchmarks

Average Training Hours per Category

	Senior Management and Above	Executive	Field Staff	Other
No. of Training Hours	80	96	110	140

Operational Excellence

Hatton Plantation PLC has continuously improved our operational excellence through increased efficiency of our resources, waste management, system and process streamlining, and productivity and efficiency improvements. Ensuring efficient estate management has been a key driver in our business. During the year, the company increased productivity by 10% and improved the cost of production by 20%.

The Company has initiated the below activities for operations excellence during the year:

- ▣ Timely replacement of machinery
- ▣ Introduction of advanced tools and equipment in the production process
- ▣ Integration of quality management in both estate and factory level
- ▣ Timely training and development for key staff both at office and in field
- ▣ Pre- identification of needs, risks and threats and early management of them

Systems and Processes

Our main process is the process of making tea. Over the years, this is a craft that has been perfected and passed down through generations. The tea making process begins with soil and soil health management. The tea leaves are withered, rolled, tossed, oxidized, dried, sorted, and tested before they are weighed and traded for public consumption.

The company continuously explores new technologies and efficiencies in improving the processes through research and innovation. Maintaining efficient systems and processes are essential in operational efficacy and productivity. Hatton Plantations

PLC has integrated technology in improving systems and processes from plucking to tea manufacture. The company introduced mechanized plucking to increase the efficiency of plucking in the estates. Efforts to digitally monitor and obtain real time information from the estate to the office in Colombo has helped track the progress and daily production status. In turn, this helped the company to address any delays, slowdown in production, concerns about plucked volumes without delay.

This monitoring process is further strengthened with the introduction of a system of physical monitoring through a well-trained team of supervisors at the field level and at the office level.

In addition, systems and processes are in place to ensure that health and safety, environmental impact, and employee performance are prioritized.

Certifications

- ☑ Rainforest Alliance
- ☑ Fair Trade Foundation
- ☑ Central Environment Authority
- ☑ Ethical Tea Partnership
- ☑ ISO 22000:2005

Rainforest Alliance

The Alliance engages in a well-rounded effort to minimize the impact on the environment throughout

the business process. As a member of the Rainforest Alliance, the company's sustainability initiatives extend beyond the environment to social, economic and people sustainability.

Fair Trade Foundation

Ensures that international fair-trade standards are followed across environmental, labour and developmental policies and practices within the company.

Central Environment Authority

Provides regulatory and essential guidelines within the Sri Lankan legal framework on environmental protection and industrial regulations on environment management.

Ethical Tea Partnership

Authenticates that the products comply with international best practices on social and environmental guidelines.

ISO 22000:2005

Certifies that the food safety management system addresses the good safety management risks across the food supply chain and ensures the safety of the food during human consumption.

Certificate	Estate Certified
Rainforest Alliance	All estates
Fair Trade Foundation	Abborsleigh, Dickoya, Waltrim, Henford, Kenilworth, Vellaioya
Central Environment Authority	All estates
Ethical Tea Partnership	Abborsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina, Henfold, Tangakelle, Vellaioya, Agarakanda, Ouvahakelle, Lippakelle, Strathdon, Wigton
ISO 22000:2005	Abborsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina
HACCP	Abborsleigh, Dickoya, Waltrim, Shannon, Kenilworth

Partnerships for Research

Hatton Plantations PLC has a mutually beneficial partnership with the Tea Research Institute in Sri Lanka and India which is involved in continuous research and development in the tea industry. These institutes and organizations set the tone and trends as well as new innovations for improving both the quality and quantity of tea production. The partnership Hatton Plantations maintain with these institutes has allowed us to obtain research knowledge for greater enhancement of our production.

NATURAL CAPITAL

Focus on,

Energy saving

Reduced water consumption

Increased replanting

Increased use of organic fertilizer

Land rehabilitated

Natural Capital includes plantations, land, water, energy, soil, and the surrounding environment. The company is dedicated to ensuring minimal impact on the environment through the implementation of best practices, advanced manufacturing processes, and effective environmental policies.

As a plantation company, Natural Capital is the lifeline of our business, making natural capital the most valued resource for Hatton Plantations PLC. Our natural capital includes a total 7,206.38 hectares of plantations lands that are cultivated on 13 estates.

During the year, the main challenge faced by Hatton Plantations on the natural front were the impacts of adverse weather which threatened to impact the quality of our raw materials and the quantity of the tea leaves available for production. The heavy rainfall in the area also posed the risk of soil erosion and flooding which had to be mitigated. Thanks to our continued efforts in environmental safeguards, the impact of the weather was mitigated successfully. The company is dedicated to ensuring minimal impact on the environment through the implementation of best practices, advanced manufacturing processes, and effective environment policies.

In addition to the dominant tea production of Hatton Plantation PLC, the company has also diversified into coffee and timber in recent years. The company's efforts in coffee plantations are still young and being cultivated, and the timber plantations specialize in eucalyptus and other commercially valuable timber varieties.

Environment Policy

At Hatton Plantations PLC, we implement a comprehensive and robust environment management policy in keeping with our commitment to the 'Rainforest Alliance Certification Program'. Under this initiative, the company engages in a well-rounded effort to minimize the impact on the environment throughout our business process. As a member of the Rainforest Alliance, the company's sustainability initiatives extend beyond the environment to social, economic and people sustainability. It requires the company to adopt best practices in protecting and improving:

Forests – implementing best practices in protecting forests and fighting deforestation.

Climate – responsible land management methods that increase and conserve the number of trees as a means of storing carbon and keeping the atmosphere clean.

Human Rights – provides robust tools for preventing child labour, forced labour, poor working conditions, low wages, gender inequality and the violation of indigenous land rights. Certification promotes the rights of farmworkers, and their communities.

Livelihoods – improving opportunities for smallholder farmers and forest communities towards the upliftment of rural people and communities.

(source: <https://www.rainforest-alliance.org>)

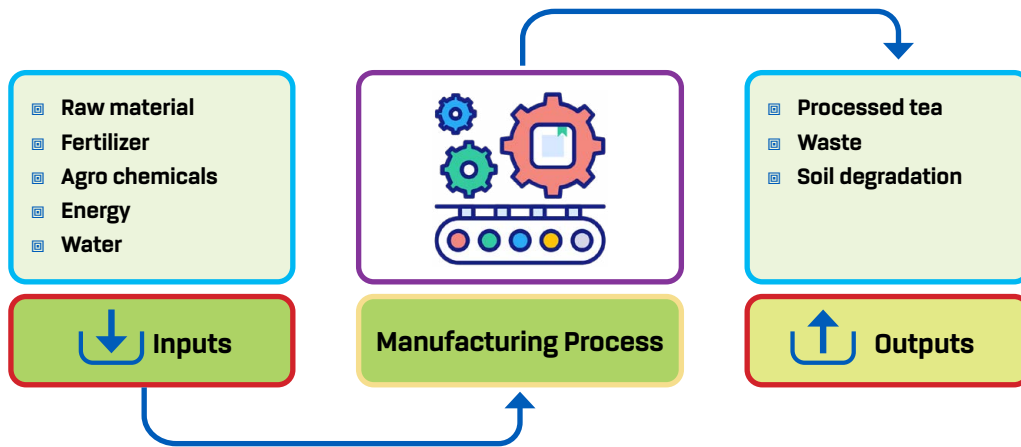
Hatton Plantations PLC's responsibility towards environmental sustainability extends to include fair trade certification which ensures that these processes of manufacture and trade are in line with global ethics and benchmarks. Further, the company conducts environmental impact assessments annually to identify and address environment needs. This has helped the company to provide timely and relevant solutions to every aspect of the environment management. Simultaneously,

Hatton Plantations PLC also obtains an environment license for each tea factory under our portfolio from the Central Environment Authority.

The company is also committed to protecting the surrounding streams, jungles and bio diversity within the plantation, and factory parameters from encroachers, poaching, deforestation, and other dangers. This commitment extends to bordering and surrounding bio diversity that the company makes effort to protect.

In addition, Hatton Plantations PLC engages in educating our teams and communities on the importance and methods of environmental safeguards as a part of our environmental management.

Natural Resource Chain



Agricultural Policy

Increasing land productivity through environmentally friendly practices is our key agriculture policy. It is guided by :

- Offering the best plucking methods and durations to ensure plant life
- Maintaining soil fertility through timely application of fertilizer
- Minimization and control of soil erosion and degradation of soil
- Control of pests, diseases and weeds using appropriate and approved techniques
- Careful and appropriate use of chemicals without endangering health or the environment
- Obtaining the services of experts/ consultants in agricultural practices and soil fertility

Material (Raw Material)

Our raw material which is primarily the tea leaf is plucked from the 3,346.06 Ha of land owned by Hatton Plantations PLC and leaf is purchased from tea small holders. Annually, the Company invests in rehabilitation of the land once it becomes unfertile for tea planting. The Company continuously replants tea bushes in arable land with healthy soil, replacing the estimated tea bushes that complete their life span.

In addition, we rely on fertilizer and agro chemicals on our plantations. By adopting responsible and best practices in our plantations, the Company promotes sustainability across our manufacturing process.

Soil Management

At Hatton Plantations PLC, the soil is at the heart of our business. The quality and quantity of the tea produced by us rely on the health of the soil our plantations grow. A healthy soil is therefore essential for a profitable and productive plantation whilst it also ensures the sustainability of the plantation eco-system. In sustaining the soil quality of our plantations, Hatton Plantations PLC invests in organic compost development and quality fertilizer which keep the soil healthy. The Company is cognizant of the responsible consumption practices in our fertilizer and agro chemical use in order to minimize any harm.

However, most of our estates are located in areas prone to heavy rainfall and environmentally sensitive areas such as Hatton, Watawala and Lindula. Landslides and soil erosion are two of main environmental threats to the soil in these plantations.

Hatton Plantations PLC has implemented several soil conservation projects to protect from soil erosion. They include:

Activity	Description
Bamboo Planting	Bamboo planting on stream banks bordering or running across the plantations. The bamboo plantations are mainly found in the Vellaioya, Shannon and Strathdon estates. This has helped to strengthen the soil on the river banks and prevented it from being washed off.
Building of terraces	Terraces are built in higher level slope estates where there is a higher risk of rainfall eroding the mountainous terrain soil. The terrace system has helped to solidify the soil through layers of concrete/ brick support. These are initiated in all estates.
Development of drainage systems	As a measure to manage excess rainfall from the estates in heavy rainfall prone areas, a systematic drainage system has been built to transport the water away from the estates. These are developed in all estates.

Energy

Hatton Plantation PLC relies on grid electricity as its main source of energy, while the company relies on diesel, fire wood, petrol to support the energy requirements of the tea manufacturing process. In addition to these, the company benefits from the mini hydro power plants of the parent company which supports the plantation energy requirement.

The production of tea involves a process of both electrical and thermal energy. The withering, rolling, fermentation, drying, sorting/grading and packaging has varying levels of energy requirements. Of these, the withering and drying processes are the highest energy consumers. In addition, the functioning of the factory and workplace operations rely on grid and mini hydro energy supply.



Hydro Power Generation to National Grid

Water

Hatton Plantations PLC has been implementing water management initiatives in the plantations and tea factories over the last few years.

Activity	Description
Rainwater harvesting	Rainwater is collected in tanks within the plantations and factories to be reused on the premises and in the production of tea. Further, this supports soil conservation and maintain soil health by preventing the erosion of plantation soil from excess rain. This also helps keep the soil moist during the dry season.

Waste Management

Waste management is a key concern for Hatton Plantations PLC. We have ensured that our operations generate minimum waste and has equipped our factories and premises in the management of pollution, solid waste, and any other emissions from being released to the environment.

Type of Impact	Action Taken
Solid waste (biodegradable)	- Biodegradable solid waste are used in the production of compost fertilizer for crops
Solid waste (non-biodegradable/hazardous)	- Non-biodegradable waste such as plastics, glass and others are handed over to recycle partners authorized by the Central Environment Authority
Pruning waste	- Used in the plantation soil to increase its fertility as a water retention method

SOCIAL AND RELATIONSHIP CAPITAL

Raw material sourced from local suppliers - 95 %.
 Investments in community development Rs. 3.8 Mn
 Direct and indirect employment opportunities within the community
 Awareness programs conducted.

	Unit	2023/24	2022/23	%
Tea small holders/ sellers' network	No.	130	120	8.3%
Estates	No.	13	13	0%
CSR Initiatives	Rs. Mn	3.8	4.1	-7.3%

*Our **Social and Relationship Capital** captures a broad spectrum of stakeholders, ranging from customers and business partners to investors and regulatory bodies, each of whom is integral to our continued growth and sustainability. Our social and relationship capital represents the networks, relationships, and partnerships that enhance our value creation and operational success. This encompasses interactions with key stakeholders, compliance with standards, and our commitment to Corporate Social Responsibility (CSR).*

During the year under review, our commitment to social and relationship capital extended beyond commercial pursuits; it included the ethical values of these relationships, ensuring that our business practices not only drive economic value but also align with our core values of integrity and responsibility. This focus on managing stakeholder relationships with care and respect is the foundation of our mission of creating enduring, sustainable value.

As a distinguished leader in the plantation sector with over two decades of experience, Hatton Plantations PLC recognizes the key role that social and relationship capital plays in fostering long-term success.

Value Addition through Relationships

- ▣ **Employee Relations:** We maintain a supportive work environment and provide opportunities for career advancement, contributing to high employee satisfaction and retention.
- ▣ **Community Engagement:** Our CSR activities and community programs build goodwill and strengthen our relationships with local communities.
- ▣ **Partner Relations:** By upholding strong relationships with our business partners and adhering to high standards, we enhance our credibility and operational effectiveness.

Stakeholder Engagement Overview

Stakeholder Group	Key Engagement Strategies	Objectives	Approach
Employees	<ul style="list-style-type: none"> Fair wages Professional development Positive work environment 	<ul style="list-style-type: none"> Ensure employee well-being. Foster career growth Maintain high job satisfaction 	<ul style="list-style-type: none"> Regular training sessions Competitive salary reviews Employee feedback programs
Estate Workers	<ul style="list-style-type: none"> Fair working conditions Health and safety measures Skill development opportunities 	<ul style="list-style-type: none"> Provide safe and fair working conditions. Promote skill enhancement. Ensure worker satisfaction 	<ul style="list-style-type: none"> Safety protocols Skill training workshops Health and safety inspections
Customers	<ul style="list-style-type: none"> Customer engagement High service standards Quality product delivery 	<ul style="list-style-type: none"> Understand customer needs. Maintain exceptional service. Deliver quality products 	<ul style="list-style-type: none"> Customer surveys Service quality assessments. Product quality control
Suppliers and Partners	<ul style="list-style-type: none"> Transparency Trust-building Mutual benefit 	<ul style="list-style-type: none"> Strengthen partnerships. Ensure fair business practices Foster collaborative success 	<ul style="list-style-type: none"> Regular performance reviews Clear communication channels Joint development initiatives

Relationship with Employees and Estate Workers

Our workforce is the cornerstone of our operations, and we are committed to their well-being and professional growth. Hatton Plantations PLC ensures that all employees are compensated with fair wages that reflect their contributions and align with industry standards. Beyond financial compensation, we offer comprehensive professional development opportunities that empower

our employees to enhance their skills and advance their careers. By fostering a positive and inclusive working environment, the Company aims to cultivate a culture of engagement, motivation, and mutual respect, which not only benefits our employees but also drives the overall success of our organization.

Similarly, we are dedicated to upholding the rights and welfare of our estate workers, who play a crucial role in our production process. The Company provides them with

fair working conditions that adhere to stringent health and safety standards, ensuring their physical and mental well-being. Additionally, we offer various opportunities for skill development, enabling our estate workers to acquire new competencies and improve their livelihoods. By prioritizing their welfare and professional growth, we strengthen our social and human capital, thereby contributing to the long-term sustainability and resilience of our operations.

HARVEST CONCEPT

The Harvest Concept, developed by Hatton Plantations PLC's Managing Director (MD), aims to enhance both harvest efficiency and employee engagement. This innovative approach addresses operational challenges and cultivates a more productive work environment.

The concept has been successfully implemented at a few of the other Regional Plantations Companies, where it has demonstrated improvements in operational efficiency and employee involvement.

We are planning to expand the Harvest Concept to additional areas of our operations. This expansion will be accompanied by ongoing interactions and refinements to further enhance the effectiveness of the approach.

Worker Welfare

The Company provides a range of facilities for our estate workforce, including quality accommodation, healthcare, childcare, and child development services. During the year under review, Hatton Plantations PLC invested Rs. 195.0 million in housing for associates, educational facilities for their children, medical services, welfare programs, sports activities, and crèche facilities.

Additionally, a series of health and wellness programs were conducted across several estates, focusing on oral cancer screening, the prevention of communicable

and non-communicable diseases in the elderly, anemia control, environmental conservation, personal hygiene, and grooming. We also supported the communities with personal capacity-building initiatives, offering workshops on women's leadership, savings practices, obtaining essential legal documentation, and processing EPF/ETF claims.

Relationship with Customers

Hatton Plantations PLC places a high priority on responsible engagement with our customers and buyers, earning their confidence and trust through our commitment to excellence. Our focus is on creating positive customer experiences by delivering high-quality products, and exceptional service. We communicate transparently and actively seek customer feedback, which is vital for meeting their needs efficiently.

Our employees are well-trained in customer service principles, ensuring adherence to best practices and compliance with all relevant regulations. Our unique garden marks are recognized for producing premium teas, and Hatton Plantations PLC is trusted by customers for our dedication to quality, ethical practices, and sustainable farming methods. We engage with customers to understand their needs and maintain high service standards. Our focus is on delivering quality products and services.

Our Company distributes more than 95% of our tea production through brokers at the Colombo Tea Auction, with the remaining portion sold directly to buyers. These buyers consist of wholesalers and exporters who further process our teas into value-added products for local and international markets, thereby contributing to valuable foreign exchange earnings for our country. The exceptional performance of our garden selling marks and the consistently premium prices achieved underscore the strong market demand for our high-quality teas.



Relationship with Suppliers and Business Partners

Hatton Plantations PLC remains committed to cultivating robust relationships and engaging in strategic collaborations with our business partners to enhance our value creation process. Managing these partnerships with diligence and care is central to our approach. A key aspect of our engagement strategy is to build and maintain trust in the Hatton Plantations PLC brand. We maintain strong relationships with our suppliers and business partners, ensuring transparency, trust, and mutual benefit.

Our focus is on nurturing partnerships founded on mutual understanding and shared experiences. To reinforce the confidence our partners have in us, we regularly extend invitations to visit our facilities, providing a transparent view of our production processes.

Our partner selection is meticulous, involving thorough background checks and collaboration only with top-tier entities possessing both local and international expertise and strong corporate reputations. We are dedicated to fulfilling our commitments and securing high-quality relationships with our partners.

We source all bought-leaf locally, with close engagement with smallholders and collectors to enhance capacity at every stage of production. Bought-leaf contributes to 25% to 40% of the green tea leaves processed, sourced from over 130 suppliers, including collectors. These suppliers are either tea smallholders registered with the Tea Small Holders Development Authority (TSHDA) or collectors representing groups of out-growers, registered with the Tea Commissioners Division.

Corporate Social Responsibility (CSR) Activities

Hatton Plantations PLC is committed to various CSR initiatives aimed at improving the communities where we operate and supporting sustainable practices.

Key CSR activities include:

- ▣ Funding and organizing educational programs for children in the communities surrounding our estates.
- ▣ Implementing waste management and recycling programs to minimize environmental impact.
- ▣ Ensuring comprehensive health and safety measures for employees and workers.

Partnerships and Collaborations

Our strategic partnerships and collaborations are key to advancing our commitment to regulatory compliance, community development, and sustainable practices.

- ▣ National and Government Partnerships: We collaborate with national and governmental bodies to align with regulatory standards and contribute to community development.
- ▣ Non-Governmental Organizations (NGOs): We engage with NGOs to enhance our CSR efforts and address societal issues effectively.
- ▣ International Standards: We comply with international standards such as Rainforest Alliance and Fair Trade which provide guidance to our practices in sustainability and ethical operations.

Key Associations and Engagement

Our engagement with Tea Trade Associations, and Planters' Associations plays a crucial role in advancing the interests of the tea industry and addressing common challenges. These associations provide a collective platform for addressing industry-wide issues and fostering collaboration among stakeholders.

Association	Role	Matters Addressed	Engagement Approach
Tea Trade Associations	Representing industry interests	<ul style="list-style-type: none"> Market trends Trade regulations Industry standards 	<ul style="list-style-type: none"> Regular meetings Policy discussions Collaborative projects
Planters' Associations	Addressing planter concerns	<ul style="list-style-type: none"> Daily wage issues Working conditions Collective bargaining agreements 	<ul style="list-style-type: none"> Joint negotiations Issue resolution forums. Collective action

Compliance and Standards

All our tea estates are voluntarily certified by the Rainforest Alliance, Ethical Tea Partnership, Fair Trade, ISO 22000 Food Safety Management System, and HACCP.

We adhere to appropriate standards and regulations to ensure responsible operations:

Standard/Regulation	How we adhere
Rainforest Alliance	Compliance with Rainforest Alliance standards, focusing on sustainable practices and fair treatment of workers.
Fair Trade	Adherence to Fair Trade principles, ensuring products meet high social, environmental, and economic standards.
Occupational Safety and Health (OSH)	Regular inspections and compliance with OSH standards to maintain a safe working environment.
Environmental Standards	Annual inspections of facilities to ensure compliance with environmental regulations and proper waste disposal.



Product Quality and Standards

High product quality is a core value of our operations. Our commitment to excellence is reflected in the meticulous attention to detail at every stage of the production cycle. Hatton Plantations PLC's highly qualified quality assurance team monitors and ensures the quality of our tea, particularly at the Colombo Tea Auctions. Adhering to stringent quality assurance processes, the Company complies fully with all relevant food safety regulations.

To safeguard the well-being of our consumers and maintain the highest standards, our operations are fully aligned with both local and international best practices. Our agricultural methods on tea estates strictly adhere to the guidelines set forth by the Sri Lanka Tea Research Institute (TRI), and the Sri Lanka Tea Board and meet all necessary certification standards, including those related to agro-chemical usage, gestation periods, and permitted materials.

During the year under review, the Company did not incur any fines for non-compliance with applicable laws and regulations concerning products and services. Additionally, there were no instances of non-compliance with regulations or voluntary codes related to marketing communications.

Regulatory Oversight and Policies

Our operations are subject to oversight by various regulatory bodies to ensure compliance with relevant labour laws and industry standards.

Regulatory Framework	Purpose	Compliance Focus
Department of Labour	Ensures adherence to labour laws and regulations	<ul style="list-style-type: none"> Wage standards Working conditions Employee rights
Industrial Disputes Act	Resolves industrial disputes and promotes fair practices	<ul style="list-style-type: none"> Dispute resolution Fair treatment of workers
Trade Union Act	Regulates trade union activities	<ul style="list-style-type: none"> Union formation Collective bargaining

Hatton Plantations PLC is committed to broadening our Corporate Social Responsibility (CSR) initiatives to address emerging social and environmental challenges. We recognize the importance of proactively addressing new and evolving issues within the tea industry and will engage with associations to respond to these challenges effectively.

Our commitment to promoting best practices across the industry will drive overall performance, foster innovation, and support sustainability. Maintaining compliance with regulatory requirements remains a continuous priority, ensuring that Hatton Plantations PLC addresses any emerging issues promptly and upholds high standards of operational integrity.

Furthermore, we plan to develop and implement innovative concepts to enhance operational efficiency and employee satisfaction, driving continuous improvement and supporting a positive work environment. Through these efforts, we aim to strengthen our social and relationship capital, fostering a collaborative industry environment and making a positive contribution to our communities and stakeholders.

Governance and Risk



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.

As the highest decision-making authority, the Board sets the tone at the top through Hatton Plantations PLC's Charter

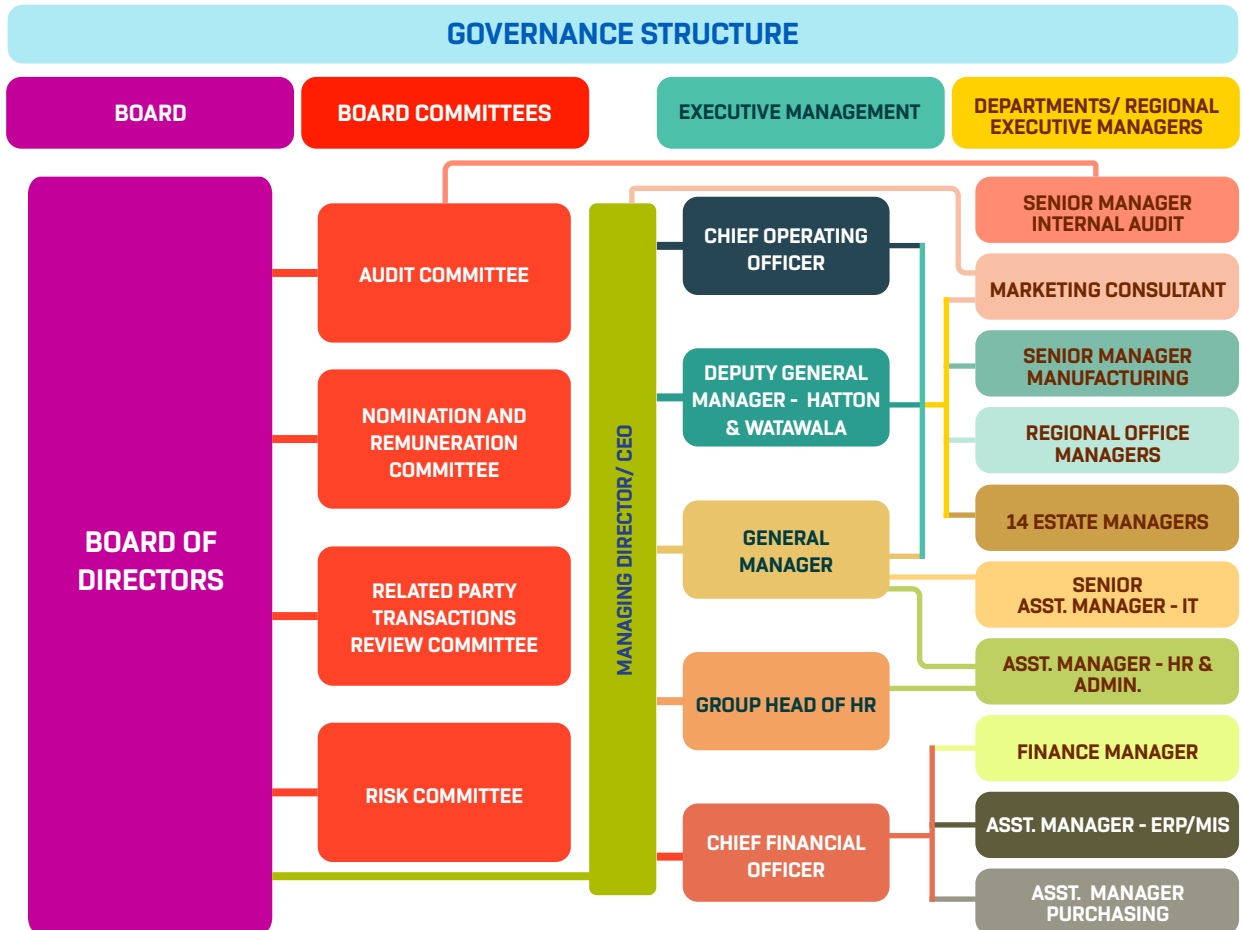
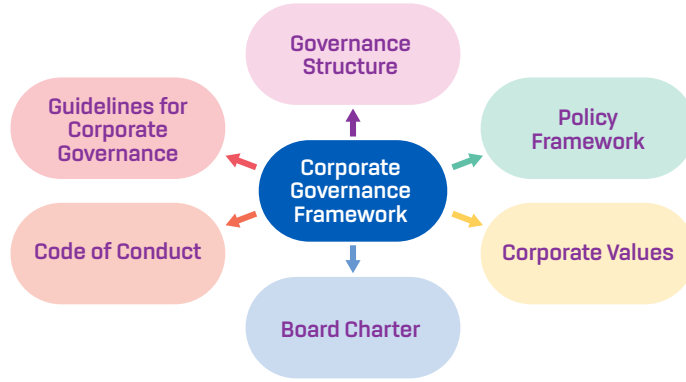
for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. Hatton Corporate Governance Framework comprises:

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

KEY LEGAL ENACTMENTES, CODES AND AGREEMENTS COMPLIED WITH,

Company and Financial Regulations	Employment and Labour Laws	Governance and Best Practices	Taxation
<ul style="list-style-type: none"> ▣ 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 	<ul style="list-style-type: none"> ▣ 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 	<ul style="list-style-type: none"> ▣ Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka 	<ul style="list-style-type: none"> ▣ Inland Revenue Act No. 10 of 2006 ▣ Inland Revenue Act No. 24 of 2017 ▣ Inland Revenue (Amendment) Act No. 45 of 2022

CORPORATE GOVERNANCE FRAMEWORK



BOARD COMPOSITION

The Board comprises eight Directors. The Chairman and Managing Director/ CEO are Executive Directors. Six Directors are Non-Executive Directors of whom two are Non-Executive and Independent Directors. One of the two Non-Executive and Independent Directors is Senior Independent Director.

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 21 to 26.

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	4
Engineering	1
Science	0
Marketing	1

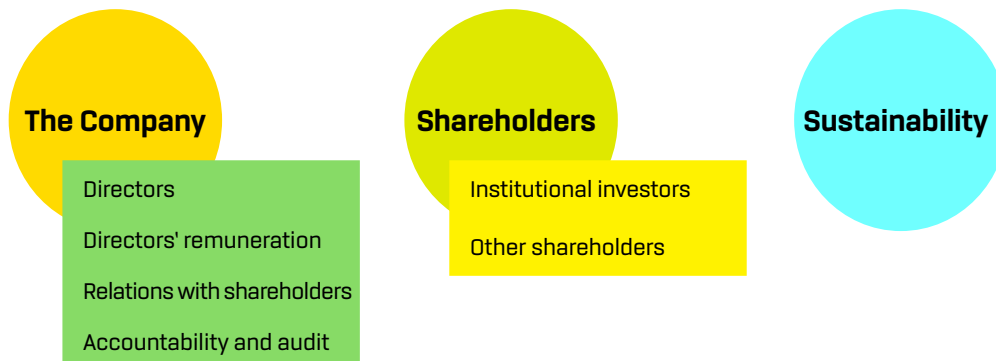
ANTI-CORRUPTION

The Company's Code of Conduct clearly sets out the standard of conduct expected of all our employees addressing, among other things, 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 address the need to maintain high standards of ethics to ensure that employees are sufficiently knowledgeable about their areas of expertise. Reprimands issued in cases 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 summarized below.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE



A – DIRECTORS

PRINCIPLE A 1

AN EFFECTIVE BOARD

The Board of Directors comprises eight Directors. Two are Executives and two are Non-Executive Independent Directors, four Directors are Non-Executive Non-Independent. One of the two Non-Executive Independent Directors is a Senior Independent Director.

A 1.1 FREQUENCY OF BOARD MEETINGS

The Board meets once a quarter to discuss and review

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

BOARD ATTENDANCE

Name of Director	Board Meetings	Audit Committee	Nominations & Remuneration Committee	Related Party Transactions Review Committee	Risk Management Committee
Mr. G D Seaton	1/3	N/A	N/A	N/A	N/A
Mr. Menaka Athukorala	3/3	N/A	N/A	N/A	N/A
Mr. Gowri Shankar	3/3	5/5	1/1	5/5	1/1
Mr. Hiro Bhojwani	2/3	N/A	N/A	N/A	N/A
Mr. Indrajith Fernando	3/3	5/5	1/1	5/5	1/1
Mr. Uditha Palihakkara	3/3	5/5	1/1	5/5	1/1
Mr. Damascene Perera	3/3	N/A	N/A	N/A	N/A
Mr. Lucille Wijewardena	3/3	N/A	N/A	N/A	N/A

A 1.2 RESPONSIBILITIES OF THE BOARD

The Board of Directors reviews the Company business strategies regularly. The Executive Management Committee chaired by the Managing Director/ CEO reviews performance and discusses new strategies and methods prior to recommending them to the Board of Directors for discussion. The Estate Managers and Departmental Managers streamline the flow of information to the Executive Management Committee for effective decision-making. The Five-Year Strategic Plan, the Annual Budget are discussed in-depth at the Executive Management Committee prior to being submitted 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 and Forestry, Group Head of Human Resources, Chief Operating Officer, Deputy Manager Plantations and Consultant Marketing. 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 the deliberations.

Succession planning has been introduced to cover the more important roles in the Company. The relevant training is being provided based on the 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 compliance with laws and regulations of which a summary is appended on pages 91 to 92 of this Report.

The Company's Board of Directors considers stakeholders' requirements 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 recent years.

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

The board ensures compliance with the applicable laws

wherever required. Page 77 of this Report lists down the laws (in the best possible manner) applicable to the organisation and its compliance.

The Board also obtains professional advice from outside parties whenever necessary, such as 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 the company expense.

A 1.4 COMPANY SECRETARY

The Company Secretaries are Corporate Advisory Services (Private) Limited, They act 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 the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka. The Secretaries also record minutes which are tabled at 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 JUDGMENT

The Directors use their independent judgments 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 judgment without hindrance and every effort is made by the Chairman to ensure that all Directors contribute to the deliberations. The Senior Independent Director provides guidance to the Chairman on matters of governance for the Company and Group.

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 81 and is satisfied that all Non-Executive Directors have committed sufficient time during the year under review.

A 1.8 TRAINING FOR DIRECTORS

The decisions on Directors' training are 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 the Managing Director/ CEO are Executive members of the Board and the Company and they maintain clear segregation of roles between them.

The Role of the Managing Director/CEO includes: Implementing strategy and driving performance, ensuring succession planning of the corporate management team and assessing their performance periodically, developing the Company/Group strategy for consideration and approval by the Board in line with guidance provided by the Board, formulating and recommending to the Board, budgets supporting the Company/Group long-term strategy, setting the Board agenda in consultation with the Chairman and assisted by the Company Secretaries and Chief Financial Officer, monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles and ensuring that the Company operates within the approved risk appetite.

The Role of the Chairman is given under Principle A3 below.

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.

Roles of Chairman include: Leading the Board, preserving good corporate governance and ensuring that the Board works effectively, setting the Board's annual work plan and agendas, ensuring that the Board is in control of the affairs of the Company, ensuring effective participation of all Board members during Board meetings, ensuring efficient conduct of Board Meetings, building and maintaining stakeholder trust and confidence.

The Managing Director/CEO presents all detailed operating results to the Board along with the Chief Financial Officer. He also ensures that the Board is in complete control of the Group and 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 whom 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 judgment. 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 details of the full Board of Directors are indicated on pages 21 to 26.

If there are any concerns of the 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 and Group.

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 are 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.
- ▣ Next quarter's projected performance and how the year would end.
- ▣ 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, Board members could request any additional information if required. 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 21 to 26 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 the shareholders at the 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 evaluates their performance against the strategies adopted which is generally done at every Board meeting. In 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 of achieving the said standards.
- ▣ Securing effective information and control systems and audits.
- ▣ 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 21 to 26 of this Report.
- ▣ Related party transactions are disclosed on pages 194 to 196 of this Report.

- ▣ The details of Board meetings attended are on page 81.
- ▣ Board Committees that the Directors serve on and their attendance is on page 81.

PRINCIPLE A 11

APPRAISAL OF MANAGING DIRECTOR/ CEO

The performance of the Managing Director/ CEO is evaluated by the Board based on his ability to meet the company's short- and medium-term targets and his potential capability to meet 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 comprehensive 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 118 of this report.

Remuneration of the management staff is also approved by

the Board in total.

The Directors' remuneration is disclosed in Note 08 of the Financial Statement and the Management Staffs' remuneration is described on page 118 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 118 will give the members of the Remuneration Committee and the remuneration policy. The remuneration of the Executive Directors and the key managers is shown on page 154 of this report.

C – RELATIONS WITH SHAREHOLDERS

PRINCIPLE C 1

ANNUAL GENERAL MEETING

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 26th September 2024.

Proxy Forms are sent to all shareholders with the Annual Report. On the day of the Annual General Meeting a separate counter is set up to receive and record proxy forms.

The Company proposes separate resolutions for substantially separate issues. Adoption of Report and Accounts are taken as separate items in the agenda. The Chairmen of the two subcommittees, the Audit Committee and the Remuneration Committee make themselves 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 with 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 frame of the Listing Rules.

First quarter	15 August 2023
Second quarter	15 November 2023

Third quarter	15 February 2024
Fourth quarter	31 May 2024

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

- ▣ Directors Report is presented on pages 105 to 109 of this Report.
- ▣ The Report on Going Concern is on page 106.
- ▣ A comprehensive risk assessment is on pages 93 to 104
- ▣ Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 14 to 20.
- ▣ The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on page 111 and pages 121 to 124 respectively.
- ▣ Directors Report on page 106 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 for 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 concern 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. Deloitte Partners 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 its responsibility to the Audit Committee with regard to selection 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 upon with the External Auditors.

The Audit Committee of the Company consists of three Non-Executive Directors of whom two are independent.

Mr. Indrajith Fernando

Non-Executive Independent Director and the Chairman of Audit Committee. He was a past President of the Institute of Chartered Accountants 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 Accountants of Sri Lanka (CIMA), the Chartered Association of Certified Accountants of Sri Lanka (ACCA).

Mr. Gowri Shankar

Non-Executive Director, professionally a Banker and holds 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 they relate to work involving Audit and Assurance only. Currently, the External Auditors Messrs. Deloitte Partners 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 113 to 115.

PRINCIPLE D 4

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Report of the Related Party Transactions Review Committee is given on pages 116 to 117. The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Chairman is an Independent Non-Executive Director.

The Committee reviews all proposed related party transactions and the post-quarter confirmations in accordance with the requirements of the Listing Rules, and recommends appropriate action for compliance in respect of proposed related party transactions or post quarter confirmations as applicable. Annual review of thresholds of transactions falling under the ambit of Section 9.3.2 of the Listing Rules based on the available Audited Financial Statements and setting out criteria to determine Key Management Personnel.

PRINCIPLE D 5

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has a practice where it regularly draws the 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 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 business practices and ethics in the form of an employee handbook and has distributed it to all the employees of the organization. This covers a broad area of activities, including policies and business ethics of the Company. These policies are regularly reviewed and updated by the Human Resource Division of the organization.

PRINCIPLE D 6

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 publishes its quarterly financial statements with the necessary explanatory notes as mandated 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, that is price sensitive or warrants the shareholders' and stakeholders' attention and consideration, is promptly disclosed to the public.

E – INSTITUTIONAL INVESTORS AND OTHER SHAREHOLDERS

The Company through the Company Secretary, Corporate Advisory Services (Pvt) Ltd., and the Company Registrars, S S P Corporate Services (Pvt) Ltd. 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.

F – OTHER INVESTORS

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













G – INTERNET OF THINGS AND CYBERSECURITY





IT GOVERNANCE

The Board holds the primary responsibility for overseeing technology and information governance to ensure the Company and Group achieve their strategic objectives. They have established essential infrastructure, organizational frameworks, policies and procedures to effectively govern its digital assets, systems and information.

IT and Digital infrastructure development is a key necessity for Hatton Plantations PLC and investment in IT and digitalization is a priority for the Company. In doing so, the Company also takes note of the many pitfalls of cyber-attacks and hacking and has implemented several policies to ensure a stringent framework to protect the Company's intellectual property. Our IT Department is responsible for implementing the Company and Group digital strategy including adopting IT policies and safeguarding against cyber threats. Heads of IT and Consultants are assigned clear responsibilities and timely reporting to the Board. Matters are discussed at Management Committee meetings with matters escalated to the Board where it is deemed necessary considering risk, impact, and other prudential measures.

The Level of compliance with the Colombo Stock Exchange's Listing Rules Section 07.10 – Rules on Corporate Governance, are given in the following table.

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		Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee The RC shall recommend the remuneration of the Managing Director's and NEDs		Remuneration Committee Report
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 118
7.10.6	Audit Committee (AC) The Company shall have an AC		Principle D3 and Audit Committee Report on pages 113 to 115

Rule No.	Requirement	Compliance	Reference in this Report
7.10.6 (a)	<p>Composition of Audit Committee</p> <p>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</p> <p>The Chairman of the AC or one member should be a member of a professional accounting body</p>		Corporate Governance and the Board Committee Reports
7.10.6 (b)	<p>Audit Committee Functions</p> <p>Overseeing of the –</p> <p>Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards</p> <p>Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements</p> <p>Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessment of the independence and performance of the external auditors</p> <p>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</p>		Corporate Governance and the Board Committee Reports
7.10.6 (c)	<p>Disclosure in Annual Report relating to Audit Committee</p> <p>Names of Directors comprising the AC</p> <p>The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>The Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions</p>		Corporate Governance and the Board Committee Reports
	<p>Related party transactions review committee</p> <p>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</p>		Corporate Governance Report

COMPLIANCE REPORT FOR THE YEAR ENDED 31 MARCH 2024

	Reporting party/institute/personnel	Subject	Responsibility	Deadline	Status of Compliance
Statutory	Inland Revenue	1. Income Tax Payment	CFO/ MD	30 September	Complied
		2. Income Tax Return	CFO/ MD	30 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 Payment	CFO/ MD	15th of the following month	Complied
		6. WHT/ AIT Payment	CFO/MD	15th of the following month	Complied
		7. WHT/ AIT Annual Return	CFO/MD	30th of April following Year	Complied
		8. Stamp Duty Return and Payment	CFO/ MD	15th of the month following Quarter	Complied
		9. Assessment/Default notices	CFO/ MD	On given dates	Complied
Regulatory	Department of Labour	10. EPF/CPPS/ Payment	CFO/ MD	30th of the following month	Complied
	ETF Board	11. ETF Payment	CFO/ MD	30th of the following month	Complied
	Department of Labour	12. Gratuity – Provision/Payment	CFO/ MD	Within one month of resignation	Complied
	SLAASMB	13. Publishing of Annual Financial Report	CFO/ MD	By 31st December 2023	Complied
		14. All Financial Reports are prepared in accordance with SLFRS	CFO/ MD	-	Complied
	CSE/SEC	15. Quarterly Financial Report	CFO/ MD	15th of the month after month following the Quarter	Complied
	16. Annual Financial Report	CFO/ MD	30th of September 2023	Complied	

	Reporting party/institute/personnel	Subject	Responsibility	Deadline	Status of Compliance
Compliance with internal procedure	Finance Department	17. Monthly Financial Statements	CFO/ MD	10th of the following month	Complied
		18. Interim Financial Statements	CFO/ MD	10th of the following month	Complied
	Chairman and BOD	19. 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	20. 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

Hatton Plantations PLC, due to the nature of the sector operate in, is exposed to risks that are inherent to the industry. The financial year 2023/24 posed significant challenges and risks, arising from the macroeconomic landscape, weather patterns, and labour market shifts necessitating the enhancement of the company's risk management protocols. Hatton Plantations PLC meticulously navigated risk through a structured risk management framework during the year, where the company took a proactive approach to the identification and mitigation of risks, ensuring the achievement of corporate goals and objectives. Addressing risks strategically has helped identify potential opportunities for the company whilst adding value to stakeholders.

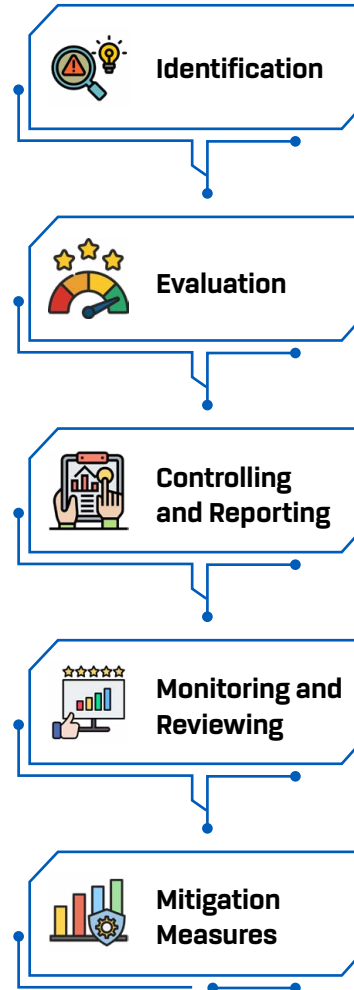
Principal Risks

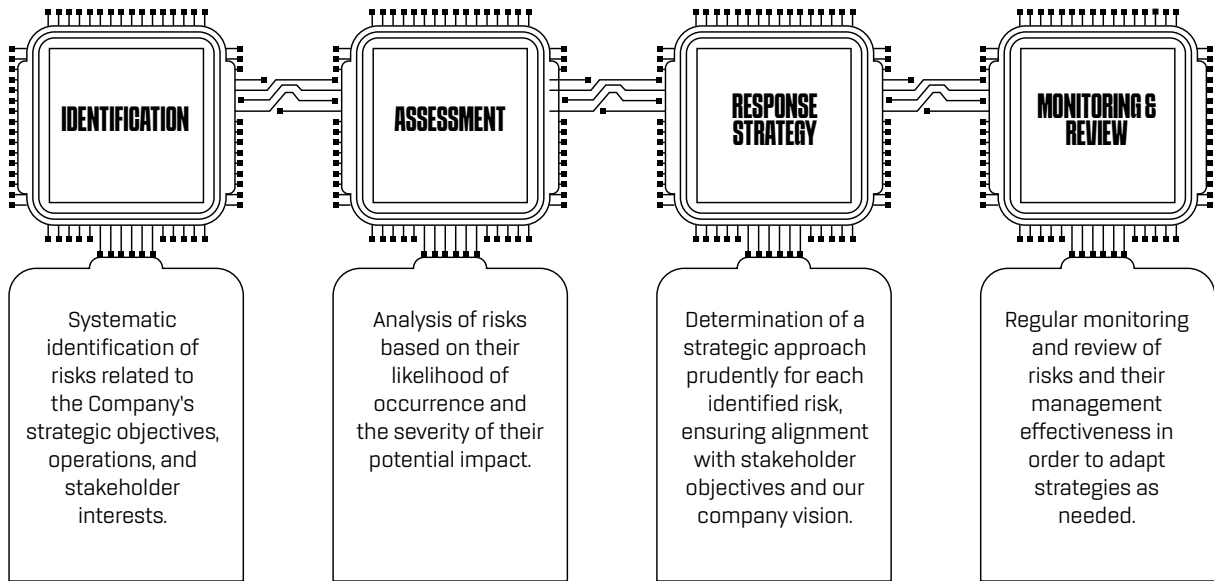
The Company's risk management includes a rigorous assessment of key risk indicators through stakeholder engagement, enabling us to effectively identify, analyze and mitigate potential risks. This strategic approach ensures a flexible and sustainable business model, underscoring our commitment to excellence and safety in every aspect of our operations.

The Company focus on below risk factors,

Internal Risks	External Risks
People Risks	Macro Economy Risks
Business Continuity Risks	Climate Risks
Supply Chain Risks	Market Risks
Financial Risks	Pest and Disease Risk
Compliance Risks	
Production Risks	

Risk Management Process





Risk Governance

Hatton Plantations PLC acknowledges the importance of risk governance which is pivotal in achieving company objectives by effectively managing risks and facilitating informed decision-making. The Company's all-encompassing management framework is structured to assess and mitigate risks at various organizational levels, involving a collaborative approach from the Board of Directors to the Corporate Management team and estate management. Collaborating closely with

corporate management and employees, risk exposures are maintained within acceptable thresholds. Anticipating potential risks is crucial to steer the company's risk management strategies. The management routinely assesses risks as part of its agenda, furnishing essential documentation to the Audit Committee and the Board. This multi-tiered approach ensures that all potential risks are identified, evaluated, and managed in a timely and effective manner, aligning with the company's risk appetite and long-term goals.

Board of Directors

- Establishes the risk management framework and defines the risk appetite level.
- Ensures the effectiveness of risk management at the corporate level.
- Assesses identified risks.
- Oversees the implementation and monitoring of response strategies.

Managing Director/CEO

- Leads the Corporate Management team.
- Manages risk assessment and mitigation in accordance with the Board's risk appetite level.

Corporate Management Team

- In charge of evaluating and mitigating risks.
- Develops and recommends risk management plans, ensuring alignment with the Board's risk appetite and the organization's strategic objectives.

Estate Management

- Plays a crucial role in executing risk management strategies.
- Delivers risk management strategies during monthly performance reviews and oversees the implementation of mitigation plans at operational levels.

Risk assessment and mapping

Hatton Plantations PLC evaluates the probability of events based on their past incidence and the effectiveness of current preventive measures. Each risk is classified, as high, medium, or low following this assessment. Similarly, the potential impact of these events is appraised by estimating potential losses and the magnitude of their effects, which are also categorized as high, medium, or low. The placement of each risk highlights the organization's risk tolerance, guiding the development and scrutiny of risk mitigation strategies by the management committee.

IMPACT	Critical			04, 05	01	
	Major		06, 14	19, 02, 03		
	Moderate	18		07, 08		
	Minor	15	09,11, 12, 13	10,16, 17, 21	22	
	Insignificant			20		
		Rare	Unlikely	Possible	Likely	Almost Certain
		LIKELIHOOD				

Risk landscape and management strategies

The risk landscape of Hatton Plantations PLC was impacted by the unprecedented challenges arose from both domestic and global operating environments during the last financial year. The table below outlines the noteworthy risk exposures for the year under review, their potential impacts on the Company, and the strategies implemented to manage these risks.

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact

STRATEGIC RISK

01. Pay scale Wage Structure	<ul style="list-style-type: none"> ▣ High production costs impairing international competitiveness in the tea market. ▣ Low productivity estates become financially unsustainable. ▣ Insufficient investment for replanting and capital expansion. 	<ul style="list-style-type: none"> ▣ Promote unskilled agricultural activities on task-based contracts. ▣ Outsource non-value adding activities. ▣ Implement mechanization in agricultural activities and factory production. ▣ Provide training, monitoring, and motivation to enhance worker productivity. ▣ Introduce task and norm-based incentives for workers and staff. ▣ Implement revenue sharing models for harvesting. ▣ Transition towards less labour-intensive crops. 	High	High	High
02. Shortage of input materials	<ul style="list-style-type: none"> ▣ Reduction in crop yields and production ▣ Product quality issues and reputational harm ▣ Decrease in revenue ▣ Increase in operational expenses ▣ Pressure and negative effects on working capital 	<ul style="list-style-type: none"> ▣ Vigilant oversight of field and factory operations for swift response. ▣ Proactive engagement with government authorities and suppliers. ▣ Maintain adequate stocks of input materials to ensure continuous production. ▣ Secure excess working capital and banking facilities for operational stability. 	High	High	High
03. Increased cost of input materials Inflation, Foreign currency shortage	<ul style="list-style-type: none"> ▣ Low yields, crop quality concerns. ▣ Working capital constraints. ▣ Estates become financially unsustainable. ▣ Significant impact on production costs, affecting international tea market competitiveness. 	<ul style="list-style-type: none"> ▣ Collaborative lobbying efforts with the government. ▣ Utilization of cost-effective alternative inputs and utilities. 	High	High	High

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
<p>04. Extreme weather conditions</p> <p>- Changes in rainfall patterns</p> <p>- Changes in temperature, sunshine, and humidity</p>	<ul style="list-style-type: none"> ▣ Crop losses ▣ Property damage ▣ Temporary halt of tea plucking and processing ▣ Revenue loss ▣ Additional expenses to support affected workers 	<ul style="list-style-type: none"> ▣ Increase buffer tea stock during cropping season and promote purchased leaf intake to minimize impacts on working capital and revenue. ▣ Protect forests, watersheds, and ponds to maintain moisture levels. ▣ Expand and promote rainwater harvesting methods and infrastructure. ▣ Implement pre-drought spraying for tea crops. ▣ Adjust fertilization schedules and harvesting patterns accordingly. ▣ Manage shade trees and bury weed piles to preserve moisture. ▣ Provide support with water bowsers and tanks during severe dry periods. ▣ Coordinate Estate Welfare Society activities to aid in natural disaster management. 	High	High	High
<p>05. Volatility of tea market</p> <p>Decrease in tea auction prices</p> <p>Reduction in sales volume</p>	<ul style="list-style-type: none"> ▣ Loss of profit, revenue, and liquidity due to deficits. ▣ Insufficient funds for capital expansion 	<ul style="list-style-type: none"> ▣ Maintain close plucking schedules. ▣ Ensure timely inputs for tea fields. ▣ Provide regular training for manufacturing staff and executives. ▣ The marketing team conducts buyer analysis and discussions to enhance our products' quality perception in the market. ▣ Obtain and uphold international standards and quality accreditations to maintain competitive pricing and premiums. ▣ Introduce leafy grades (Low Grown type) and Green Tea into our product range. ▣ Centralize tea manufacturing to meet high standards. ▣ Conduct regular grade analysis to focus production on high-selling grades at each factory. 	High	High	High

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
06. High dependence on tea and limited revenue generation	<ul style="list-style-type: none"> ▣ Reduced profitability due to lower crop yield, decreased market prices, and increased costs of our primary product, tea. ▣ Underutilization of assets. ▣ Unabsorbed or unspread overhead costs. 	<ul style="list-style-type: none"> ▣ Expansion into commercial timber planting. ▣ Initiative to venture into coffee and cinnamon planting. ▣ Expansion into hydro power, tea center, and holiday bungalows. 	High	High	High

Operational Risk

07. Around 40% reliance on outside purchased leaf.	<ul style="list-style-type: none"> ▣ Decline in product quality due to substandard raw materials, leading to a decrease in market price. ▣ Reduced output of made tea and increased production costs. ▣ Enhanced bargaining power of leaf suppliers demanding higher rates based on the Tea Board formula, resulting in higher production costs. ▣ Diminished focus on the productivity of our own crops, lands, workforce, and adherence to good agricultural practices. ▣ Loss of profits due to a decreasing Net Sale Average. ▣ Potential noncompliance with Tea Board regulations. 	<ul style="list-style-type: none"> ▣ Executives weigh and approve purchased leaf for production. ▣ The internal audit team conducts quality checks and weighs the purchased leaf. ▣ Additional payments are made for high-quality leaves. ▣ Replanting and infilling activities take place on company-owned lands. ▣ The estate workforce harvests crops from low-yield company lands on a revenue-sharing basis. ▣ The Senior Management Team regularly monitors KPIs related to agricultural and production practices, covering crops, lands, workforce, and production processes. ▣ After weekly sales, the Senior Management Team holds discussions and evaluations to determine the best course of action for tea stock disposal, aiming to maximize sale averages and minimize losses from purchased leaf in a declining market. ▣ Leaf is purchased from individual suppliers rather than large-scale intermediate collectors. ▣ Internal Audit and Estate Managers ensure compliance with Tea Board regulations. 	Moderate	High	Low
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Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
08. Around 40% Reliance on CTC tea production	<ul style="list-style-type: none"> ■ The average price of CTC tea is significantly lower compared to Orthodox and leafy tea varieties. ■ In some months, the prices of CTC tea fall well below expectations and the budgeted figures. ■ Revenue and profitability losses, as well as a decline in RPC ranking. 	<ul style="list-style-type: none"> ■ Redirect leaf production towards Orthodox, leafy, and green tea manufacturing where market prices are higher. ■ Initiative to establish a facility for leafy and green tea production. ■ Ensure low production costs for CTC manufacturing. ■ Increase the output of made tea. 	Moderate	High	Moderate
09. Credit Risk Debts Liabilities	<ul style="list-style-type: none"> ■ Problems with working capital and liquidity. ■ Damage to reputation. ■ High credit costs and lack of discounts. ■ Legal and compliance challenges. 	<ul style="list-style-type: none"> ■ The finance team ensures timely planning of cash flow. ■ Colombo Tea Auction facilitates tea sales, with settlements guaranteed within seven days by Tea Brokers. ■ Invoices for other debtors are issued promptly, and the finance team diligently follows up on collections. ■ The Company closely assesses credit periods and ensures timely settlement of creditors. ■ Monthly monitoring and timely settlement of government leases and other financial obligations are priorities. 	Low	Low	Low
10. Asset risk Fire Theft Machinery and equipment breakdown	<ul style="list-style-type: none"> ■ Instances of permanent or temporary manufacturing disruptions. ■ Rise in production costs and financial losses in capital. ■ Compensation for injuries and loss of life. ■ Matters concerning legal requirements and compliance. 	<ul style="list-style-type: none"> ■ Acquire comprehensive insurance coverage for all physical assets. ■ Conduct regular training programs, both internally and through outsourcing, for employees on fire prevention, motor accidents, and factory safety protocols. ■ Oversee executive supervision, custody, authorization, and conduct internal audit checks on assets. ■ Keep a machinery logbook, adhering to maintenance schedules under executive supervision, and ensure timely maintenance and replacements. 	Moderate	Low	Low

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
11. Risk of tea stock accumulation Lower demand Long-term inventory holding	Decrease in quality and subsequent reduction in prices over successive cataloging periods. Revenue loss from theft, shrinkage, and obsolescence. Expenses associated with holding stock.	<ul style="list-style-type: none"> ▣ The finance team focuses on analyzing weekly stock levels and forecasting inventory for the upcoming three weeks. They collaborate with the marketing team to optimize pricing and revenue, making disposal decisions as necessary. ▣ The finance team conducts monthly reviews of input material stocks, adjusting procurement strategies accordingly. ▣ The internal audit team conducts physical verifications to identify obsolete and slow-moving items, aiming to mitigate stock losses. 	Low	Low	Low
12. Risks related to lack of effective internal controls Damage to assets Frauds	<ul style="list-style-type: none"> ▣ Financial losses resulting from fraud and wastage. ▣ Losses in capital and concerns regarding the Company's ability to continue operations. ▣ Failure to comply with regulatory requirements. 	<ul style="list-style-type: none"> ▣ The Internal Audit Department conducts operational, management, financial, and investigative audits. ▣ The Finance and Internal Audit Departments follow up with clear and detailed operational instructions provided in circular form (SOPs). ▣ All financial transactions undergo verification at the Finance Department before disbursement to estates, overseen by two dedicated Managers. ▣ Each estate essentially submits a monthly operational plan to the Head of Plantation for approval in advance. ▣ The Managing Director and Senior Management Team hold monthly operational and performance review meetings to assess performance against budget and discuss operational issues and risks. 	Low	Low	Low

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
<p>13. Data security risk</p> <p>System failures</p> <p>Loss of information</p> <p>Threat to confidentiality</p>	<ul style="list-style-type: none"> ▣ Delayed availability of information for management decisions results in missed opportunities to optimize profitability and business prospects. ▣ Interruptions in the financial reporting system. ▣ Security system breaches. ▣ Financial and non-financial losses. 	<ul style="list-style-type: none"> ▣ A dedicated IT team is in place to ensure the security, privacy, and confidentiality of information, supported by robust systems and controls. ▣ Effective backup procedures are implemented at both estate locations and head office to ensure disaster recovery capabilities. ▣ The Company closely monitors internet and email usage to maintain security and compliance. ▣ Utilize licensed software and security systems to safeguard our operations. ▣ Employ branded hardware to ensure reliability and performance. ▣ The head office IT team and regional service providers provide immediate IT support for estate locations. ▣ The Company has strengthened internal control systems and procedures to prevent frauds and malpractices. ▣ The internal audit team assists in evaluating the resilience of our IT systems. 	Low	Low	Low
<p>14. Human capital and labour risk</p> <p>Reduced resident manpower</p> <p>A unionized workforce</p> <p>Low productivity levels</p>	<ul style="list-style-type: none"> ▣ Labour shortage on estates. ▣ Insufficient skilled labour and low productivity on estates. ▣ Challenges in making viable and economical operational decisions due to labour union pressures. ▣ Challenges in retaining and developing skilled employees. ▣ Limited labour mobility within/ between estates. 	<ul style="list-style-type: none"> ▣ Foster strong relationships to support workers' welfare through cooperative and welfare societies on the estate. ▣ Ensure compliance with regulatory requirements to benefit estate workers. ▣ Maximize benefits from governmental and non-governmental grants and donations for the health and wellbeing of plantation workers. ▣ Establish and maintain positive relations with trade union leaders through ongoing dialogues. 	Moderate	High	Low

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
15. Procurement risk Stock availability Quality of sourcing materials Procurement timeline Payments	<ul style="list-style-type: none"> ▣ Increase in production costs. ▣ Declining revenue from low tea auction prices. ▣ Delayed availability of fertilizers and chemicals during critical weather conditions. ▣ Factory operational breakdowns. 	<ul style="list-style-type: none"> ▣ Source materials from reputable industry suppliers. ▣ Keep buffer stocks of critical consumable and input materials. ▣ Secure forward purchase agreements with external leaf suppliers. ▣ Maintain relationships with multiple suppliers to source leaf. ▣ Provide advances and daily payments to retain supplier loyalty. ▣ Extend own transport arrangements to suppliers. 	Low	Low	Low
16. Vulnerability to pests and diseases	<ul style="list-style-type: none"> ▣ Loss of revenue ▣ Higher production costs 	<ul style="list-style-type: none"> ▣ Agriculture consultants conduct regular field supervision. ▣ Implementation of TRI-recommended best agricultural practices. 	Low	Low	Low
17. Spread of diseases/pandemics	<ul style="list-style-type: none"> ▣ Reduction in revenue and profitability. ▣ Increase in operational costs. ▣ Negative effects on working capital. 	<ul style="list-style-type: none"> ▣ Stringent measures adopted to enhance worker and staff health and immunity. ▣ Field and manufacturing operations comply with government-prescribed health practices. ▣ Maintain close and timely communication with government authorities to prevent disease spread. ▣ Provide free sanitary materials and facilities to workers and staff. ▣ Offer financial assistance to workers. ▣ Conduct awareness programs for estate workers and communities. ▣ Provide online and remote working options for staff and executives. ▣ Maintain digital connectivity with banks and suppliers. 	Moderate	Low	High

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
Financial Risk					
18. Investment risk	<ul style="list-style-type: none"> ▣ Inability to meet project profitability expectations or leading to failures. ▣ Long-term replanting program deficiencies. 	<ul style="list-style-type: none"> ▣ Conduct thorough feasibility studies with external expertise and finance team. ▣ Discuss and evaluate in Management Committee and Board Meeting; obtain Board approval. ▣ Periodically monitor progress to ensure project goals meet budget and timelines. ▣ Essential investments in capital assets (replanting, machinery, plant upgrades) to streamline production in major factories. 	Moderate	Low	High
19. Inflation Risk	<ul style="list-style-type: none"> ▣ High production costs make products uncompetitive. ▣ Liquidity shortages and working capital issues. ▣ Insufficient capital investment. ▣ Loss of real asset value. 	<ul style="list-style-type: none"> ▣ Strict cost management. ▣ Process improvement initiatives. ▣ Centralization and consolidation of manufacturing and administrative functions. 	High	High	High
Currency devaluation Import restrictions Supply shortage High taxation Government policies					
20. Interest rate risk	<ul style="list-style-type: none"> ▣ Higher finance costs and reduced profitability. ▣ Challenges in investing in capital developments and growth prospects. ▣ Low returns on new investments. 	<ul style="list-style-type: none"> ▣ Emphasize capital investments using internal funds. ▣ Maximize benefits from government concessions for the plantation sector. ▣ Finance short-term assets with short-term borrowings and long-term assets with long-term borrowings. ▣ Constantly monitor and balance debt levels with equity across short and long terms. 	Low	Low	Low
Changes in government fiscal and monetary policies					

Risk Factor	Potential Impact	Risk Management Strategy	Risk Rating		
			Overall Rating	Probability of occurrence	Severity of impact
21. Liquidity risk <ul style="list-style-type: none"> ▣ Unpredictable weather ▣ Salary increases ▣ Decline in auction averages ▣ Government decisions affecting input material prices 	<ul style="list-style-type: none"> ▣ Higher borrowing costs and loss of low-interest funding opportunities. ▣ Limited procurement options and expensive credit terms. ▣ Reputational damage from defaults and delays. 	<ul style="list-style-type: none"> ▣ Maintain buffer cash in short to medium-term fixed deposits. ▣ Utilize available concessionary funding facilities for plantation companies. ▣ Implement efficient cash flow planning and controls on a weekly and monthly basis by Finance Team. ▣ Verify all estate payments closely by Management executives and prioritize outgoing expenditure to minimum requirements. ▣ Maintain an effective budgetary control system for income and expenses of each estate, aligning expenses with monthly crop intake and sales averages. ▣ Hold input materials only as needed unless there is a specific requirement for buffer stocks. 	Low	Low	Low
Compliance Risk					
22. Non-compliance with related regulations and policies	<ul style="list-style-type: none"> ▣ Penalties, charges, and legal costs ▣ Reputational damage ▣ Threat to business continuity 	<ul style="list-style-type: none"> ▣ Periodic review and monitoring by Audit Committee. ▣ Internal Audit Team reviews and reports. ▣ Chief Financial Officer reviews statutory obligations monthly and reports to Board of Directors. ▣ External Audit reviews and reports annually. ▣ Compliance report presented at every board meeting for discussion. 	Low	Low	Low

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 2024. 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 2024 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 23rd August 2024.

PRINCIPAL ACTIVITIES

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

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

There was no significant change in the nature of business of the Group and the Company during the period that have had 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 is discussed in the Chairman's Report on pages 14 to 16, Managing Director/CEO's Review on pages 17 to 20

and Management Discussion and Analysis on pages 28 to 75.

These reports, together with the Audited Financial Statements (pages 125 to 204) and financial review (pages 10 to 11) provide a comprehensive assessment of the financial performance, financial position, and the state of affairs of the Company.

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

GROUP STRUCTURE

The Group Structure is given on page no 78.

FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Group and the Company for the period ended 31 March 2024 duly signed by the Chief Financial Officer, two of the Directors of the Company are given on pages 125 to 204 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 111 and forms an integral part of the Annual Report of the Board of Directors.

AUDITOR'S REPORT

The Company's Auditors, Messrs. Deloitte Partners, carried out the statutory audit on the Consolidated Financial

Statements of the Group and the Company for the period ended 31 March 2024 and the report on those Financial Statements is given on pages 121 to 124 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company in the preparation of Financial Statements are stated on pages 132 to 148.

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 have 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 7,724.9 Mn (2023 LKR 7,708.0 Mn). An analysis of the Group's revenue, profits and asset allocation relating to different segments are given in Note 05 (Page No. 149 to the Financial Statements).

FINANCIAL RESULTS

The Group profit before taxation, amounted to LKR 1,130.8 Mn (2023-LKR 2,041.3 Mn) during the period under review. After charging LKR 236.2 Mn (2023 – LKR. 371.7 Mn) for taxation, the Group Profit after tax for the period was LKR 894.6 Mn (2023 – LKR 1,669.6 Mn). The Group profit attributable to equity holders of the parent and non-controlling interest was respectively LKR 893.5 Mn and LKR 1.1 Mn (2023 – LKR 1,668.0 Mn and LKR 1.6 Mn).

STATED CAPITAL AND RESERVES

The stated capital of the Group as at 31 March 2024 was LKR 1.8 Bn 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 2024 Amounted to LKR 2,854.9 Mn (2023 – LKR 2,703.6 Mn) comprising retained earnings of LKR 2,838.3 Mn. (2023 – Rs. 2,696.0 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 2023-24, the following dividends were declared and distributed to the shareholders:

- ☐ 1st Interim Dividend of LKR 1/- per share paid on 1st September 2023, amounted to LKR 236.7 Mn (2022-23 – LKR 236.7 Mn)
- ☐ 2nd Interim Dividend of LKR 2/- per share paid on 26th February 2024, amounted to LKR 473.4 Mn (2022-23 – LKR 118.3 Mn)

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 Company External Auditors in respect of the interim dividends paid.

CORPORATE DONATIONS

During the period 2023/24 Company has made donations amounting to LKR 3.8 Mn (2023 – 4.1 Mn).

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. The profit earned on agro farming is exempt and Agro processing, Interest Income and other sources of income are liable at 30 %. Dividend Income is liable at 15%.

Tax of the Mark Marine Services (Private) Limited is

calculated using tax rate of 30% and profit from other activities of Mark Marine Services (Private) Limited are taxed 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 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 2024 amounts to LKR 115.5 Mn (2023 – LKR 190.1 Mn) and LKR 248.7 Mn (2023 – LKR 358.3 Mn) respectively. The movements in Property, Plant and Equipment and Bearer Plants are set out in Note 14, 15 and 16.1 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Total value of the Property, Plant and Equipment of the Group as at 31 March 2024 amounted to LKR 1,455.2 Mn (2023 – LKR 1,482.7 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 Government Institutions have been made up to date. The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 111.

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 on page 204.

SHAREHOLDING

As at 31 March 2024, there were 15,895 registered shareholders. Information on the distribution of shareholding, categories of shareholders and the percentage holding of Twenty Largest Shareholders is indicated on pages 208 to 209.

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 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.

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 deals 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 2024	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 2024 are given in Note 8 and 38 to the Financial Statements.

COMPLIANCE WITH RELATED PARTIES

The Board of Directors affirms 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 2024, the Board of Directors of Hatton Plantations PLC consisted of eight members. Names of the Directors and their brief profiles appear on pages 21 to 26 of the Annual Report.

AUDITORS

Messrs. PricewaterhouseCoopers, (PwC) Chartered Accountants, Audit firm has informed us that their network branding has been changed, and therefore, the name of

"PricewaterhouseCoopers" has been changed to "Deloitte Partners" with effect from 28th October 2023. We have given the necessary disclosure announcement in Colombo Stock Exchange.

Messrs. Deloitte Partners, 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 Deloitte during the period under review by the Company amounted to LKR 4.2 Mn (2023 – LKR 3.4 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 interest 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 77 to 92.

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 the 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 the 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, the Remuneration and Nomination Committee meetings, the Related Party Transactions Review Committee and the attendance of Directors at these meetings are given in the Annual Report under Corporate Governance, Audit Committee Report, Remuneration and Nominations Committee Report, and Related Party Transaction Review Committee.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 26th September 2024 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 pages 215 to 216.

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
23rd August 2024

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per Section D.1.5 of the "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 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 the effective implementation of the required processes.
- ▣ The comments made by the External Auditors in connection with the internal control system during the financial year 2022/23 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 confirms 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, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Consolidated Financial Statements for the year ended 31st March 2024 have been audited by Messrs. Deloitte Partners, Chartered Accountants.

By order of the Board,


Gary Seaton
 Chairman


Menaka Athukorala
 Managing Director/ CEO


Indrajith Fernando
 Chairman, Audit Committee

23rd August 2024

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 and the Group 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 and the Group have resources to continue in 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 125 to 204 the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards that they consider to be applicable, have been followed.

The Directors are responsible for ensuring that the Company and the Group keep accounting records disclose, with reasonable accuracy of the financial position of the Company and the Group 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 and the Group satisfied 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), Sri Lanka Accounting Standards (LKAS) and the Listing Rules of the Colombo Stock Exchange and provide the External Auditors with every assistance to undertake whatever inspections, they consider 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, on pages 121 to 124 sets out their responsibility in respect of the Financial Statements.

Compliance Report

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 the Group and all contributions, levies, and taxes payable on behalf of and in respect of employees of the Company and the Group and all other known statutory dues, payable by the Company and the Group 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

23rd August 2024

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

Profile of Mr. Uditha Palihakkara is given on page 25 of this report.

In compliance with Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Company has appointed me as the Senior Independent Director (SID) of Hatton Plantations PLC with effect from 29th November 2023.

According to Section 9.6.3 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, a Senior Independent Director (SID) must be appointed where the Chairman and CEO are the same person or where the Chairman is not an Independent Director. At Hatton Plantations PLC, although the Chairman is not the CEO, he is not an Independent Director.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

- ☐ The Senior Independent Director (SID) provides guidance to the Chairman on matters of governance of the Company.
- ☐ The role of the SID also places emphasis on transparency on matters relating to governance and calls for a review of the effectiveness of the Board.
- ☐ The SID is available to any Director or any employee for any confidential discussions on the affairs of the Company, as needed.

ACTIVITIES DURING THE YEAR

- ☐ In line with the regulatory requirements, I presided over the following meetings and exercised my voting rights where necessary.
- ☐ Meetings were conducted with the Non-Executive Directors without the presence of the Executive Directors. The performance of the Chairman and the Executive Directors was appraised at these meetings.

- ☐ A separate meeting was held only with the Independent Directors, to discuss matters relating to the Company and the operation of the Board.
- ☐ The outcome of these meetings together with recommendations was duly informed to the Chairman and the Board.
- ☐ The Company follows a policy of strict compliance with mandatory requirements while maintaining voluntary adherence, to enhance stakeholder acceptance, and making a positive impact on value creation.

COMPLIANCE REPORT

As Senior Independent Director, I believe that I have diligently fulfilled the obligations entrusted to me by the Corporate Governance Guidelines.



Uditha Palihakkara

Senior Independent Director

23rd August 2024

REPORT OF THE AUDIT COMMITTEE

ROLE OF THE AUDIT COMMITTEE

The Terms of Reference "Charter" provides a clear understanding of the 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 21 to 26. Corporate Advisory Services (Private) Limited functions as the Secretaries to the Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met five (05) 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	5 of 5
Mr. Uditha Palihakkara	Independent Non-Executive	5 of 5
Mr. Gowri Shankar	Non-Independent Non-Executive	5 of 5

The Managing Director/ Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Manager-Finance normally attended 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. Deloitte Partners attends Audit Committee meetings. The Audit Committee shall report to the Board.

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, the following activities were carried out by the Audit Committee during the financial year ended 31 March 2024.

FINANCIAL REPORTING

The Audit Committee reviewed the quarterly and year-to-date financial results of the Company and the relevant announcements to the 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 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 reviewing of the annual Audited Financial Statements, the Committee discussed with the Managing Director/ CEO, the Chief Financial Officer, Manager – Finance and the External

Auditor the significant accounting policies, estimates, and judgments applied in preparing these reports, the accounting principles and reporting standards that were applied, and the impact of the items on 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 93 to 104.

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 complaints 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.

The Committee 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.

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

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 a 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. Deloitte Partners and recommended their appointment to the Board for Financial Year ended 31 March 2025 subject to the approval of the shareholders at the Annual General Meeting. . A rotation of partners took place in 2023.

REGULATORY COMPLIANCE

The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Managing Director/ CEO along with 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. The Committee received information and support from Management during the year to enable it to carry out its duties and responsibilities effectively. The Committee

would continue to monitor compliance with the relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

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

23rd August 2024

REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Related Party Transactions Review Committee, appointed by and responsible to the Board of Directors, comprises six Non-Executive Directors out of whom two are Independent Directors.

COMPOSITION

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 9.14.2 of the Listing Rules of the Colombo Stock Exchange. Related Party Transaction Review Committee comprised two Independent Non-Executive Directors and one Non-Executive Director.

The Chairman of the Committee is an Independent Non-Executive Director.

Policies and Procedures adopted for reviewing related party transactions:

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

- (1) Recurrent, routine transactions 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 employee 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 were 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 a related party transaction requires immediate market disclosure.

The Committee reviewed the related party transactions and their compliance with Hatton Plantations PLC and communicated the same to the Board. The Committee in its review process recognized the adequacy content and quality of the information forwarded to its members by the management.

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 (5) times during the year. The 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	5 of 5
Mr. Uditha Palihakkara	Independent Non-Executive	5 of 5
Mr. Gowri Shankar	Non-Independent Non-Executive	5 of 5

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 are 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 and observations to the Board of Directors. Information disclosures as required under Section 9.14.8 of the Listing Rules are presented under Note 38 to the Financial Statements.

On behalf of the Related Party Transactions Review Committee,



Indrajith Fernando

Chairman – Related Party Transactions Review Committee

23rd August 2024

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

TERMS OF REFERENCE

The Charter of the Remuneration and Nominations Committee determines the terms of reference for the Remuneration Committee. The Remuneration Committee is responsible to the Board for recommending the 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 Secretary 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 Nomination Committee of the Company met one time during the Financial year.

The Remuneration and Nomination Committee of the Company meets at least once a year, and as and when required. The attendance of the meetings is given in the table on page 81 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 the prevailing market conditions in which they operate. The remuneration packages which are linked to individual performances are aligned with the Company's short-term and long-term strategies.

Remuneration levels are reviewed annually by the Remuneration and Nominations 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. The Committee has the authority to seek external independent professional advice on matters within its purview.

DIRECTORS' FEES

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 08 to the Financial Statements.

RE-APPOINTMENT

The Committee has recommended to re-appoint Mr. Uditha Palihakkara and Mr. Lucille Wijewardena who are over seventy years of age.

On behalf of the Remuneration and Nominations Committee,



Indrajith Fernando

Chairman – Remuneration and Nominations Committee

23rd August 2024

RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR/ CEO AND CHIEF FINANCIAL OFFICER

The Financial Statements of the Hatton Plantations PLC and the Consolidated Financial Statements of the Group as at 31 March 2024 are prepared and presented in compliance with the requirements of the following:

- ☐ 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;
- ☐ Listing Rules of the Colombo Stock Exchange;
- ☐ Code of Best Practice on Corporate Governance-2017 issued jointly by the institute of Chartered Accountants of Sri Lanka;
- ☐ The Securities and Exchange Commission of Sri Lanka.

The accounting policies used in the preparation of the Financial Statements are appropriate and consistently applied by the Company and the Group as described in the Notes to the Financial Statements. There are no departures from the prescribed Accounting Standards in their adoption. The significant accounting policies and estimates that involve a high degree of judgment 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 judgments 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 have taken proper and sufficient care in installing a system of internal controls and accounting records, safeguarding assets and preventing and detecting frauds as well as other irregularities, which are 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 recognized 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 independent external auditors, Messers. Deloitte Partners, Chartered Accountants, and their report is given on pages 121 to 124 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 Company and the Group have complied with all applicable laws and regulations and guidelines, and that there are no material litigations pending against the Company and the Group other than Note 40 to the Financial Statements in this Annual Report.


Menaka Athukorala
 Managing Director/ CEO


Annemarie Outschoorn
 Chief Financial Officer

23rd August 2024

Financial Reports



FINANCIAL CALENDAR

First quarter	15th August 2023
Second quarter	15th November 2023
Third quarter	15th February 2024
Fourth quarter	31st May 2024
Publishing of Annual Accounts	26th August 2024
Annual General Meeting	26th September 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hatton Plantations PLC

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Hatton Plantations PLC (the Company) and the consolidated financial statements of the Company and its subsidiary (the Group). The financial statements of the Company and the consolidated financial statements of the Group comprise:

- the statement of profit or loss for the year ended 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2024;
- 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We 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"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Key audit matters

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

Deloitte.

The Group and the Company:

Key audit matter	How our audit addressed the Key audit matter
<p> <ul style="list-style-type: none"> ● Valuation of consumable biological assets – Valuation of Timber Trees <p>Refer Accounting Policy Note 3.4.1 and Note 16.1 to the financial statements. The carrying value of consumable biological assets – mature plantations in the statement of financial position at the year end was LKR 2,169 million.</p> <p>Timber trees that are more than 5 years old on estates managed by the Group/ Company, are classified as consumable biological assets – mature plantations and are measured at each reporting date at fair value less cost to sell.</p> <p>The fair value of 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.</p> <p>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 Group/Company as at 31 March 2024.</p> <p>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:</p> <ul style="list-style-type: none"> ▣ Estimation of height and girth of trees to arrive at the volume of timber ▣ Value of timber per cubic meter ▣ Discount rates </p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ● Checked the qualifications, experience and independence of the external valuer. ● We obtained the external valuer's valuation report and performed the following: <ul style="list-style-type: none"> ▣ Obtained estate wise reports for timber trees that are used by the Group/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 have further used data analytics to identify any anomalies within the data and obtained explanations from management. ▣ Checked the mathematical accuracy of the consumable biological assets – mature plantations 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 information in the local market 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 the market information. ▣ Assessed the adequacy of the disclosures in the financial statements. <p>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 2024 is appropriate.</p>

Deloitte.

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional 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.

Deloitte.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/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 of the Company and the consolidated financial statements of the Group 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our

independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate/ consolidated 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.

Deloitte Perhum

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number - 2857

COLOMBO

23rd August 2024

STATEMENT OF PROFIT OR LOSS

(all amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
		Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
		2024	2023	2024	2023
Revenue	5	7,724,871	7,708,019	7,633,209	7,619,812
Cost of sales		(6,576,677)	(5,798,933)	(6,529,625)	(5,754,942)
Gross profit		1,148,194	1,909,086	1,103,584	1,864,870
Other income	6	120,578	76,881	183,889	147,607
Gain on change in fair value of biological assets	7	187,314	397,981	187,314	397,981
Administrative expenses		(287,701)	(294,155)	(275,958)	(283,412)
Operating profit		1,168,385	2,089,793	1,198,829	2,127,046
Finance income	9	126,109	121,600	123,967	119,844
Finance expenses	9	(77,852)	(112,490)	(77,852)	(112,490)
Interest paid to government and other on lease	9	(85,833)	(57,631)	(85,833)	(57,631)
Net finance costs		(37,576)	(48,521)	(39,718)	(50,277)
Profit before income tax		1,130,809	2,041,272	1,159,111	2,076,769
Income tax expense	10	(236,180)	(371,719)	(148,943)	(370,818)
Profit for the period		894,629	1,669,553	1,010,168	1,705,951
Profit is attributable to:					
Equity holders of the parent		893,488	1,667,968	1,010,168	1,705,951
Non-controlling interest		1,141	1,585	-	-
		894,629	1,669,553	1,010,168	1,705,951
Profit per share for profit attributable to the ordinary equity holders of the Company (expressed in LKR per share)					
- Basic earning per share	11.1	3.78	7.05	4.27	7.21

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
		Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
		2024	2023	2024	2023
Profit for the period		894,629	1,669,553	1,010,168	1,705,951
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	1718	8,975	(3,616)	98,711	(71,032)
-Remeasurements of post-employment benefit obligations	29	(58,710)	(70,816)	(58,864)	(72,469)
-Income tax relating to these items	10	17,613	21,245	17,659	21,741
Total other comprehensive income for the year (net of tax)		(32,122)	(53,187)	57,506	(121,760)
Total comprehensive income for the period					
		862,507	1,616,366	1,067,674	1,584,191
Profit is attributable to:					
Equity holders of the parent		861,361	1,614,728	1,067,674	1,584,191
Non-controlling interest		1,146	1,638	-	-
		862,507	1,616,366	1,067,674	1,584,191

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
		As at 31 March	As at 31 March	As at 31 March	As at 31 March
		2024	2023	2024	2023
ASSETS					
Non-current assets					
Right-of-use assets	12	318,420	214,669	318,420	214,669
Immovable estate assets	13	10,297	15,407	10,297	15,407
Property, plant and equipment other than bearer plants	14	1,455,215	1,482,686	1,105,382	1,108,663
Bearer plants	15	1,360,012	1,138,186	1,360,012	1,138,186
Biological assets - consumable	16.1	2,250,472	2,047,687	2,250,472	2,047,687
Investment in subsidiary	17	-	-	556,141	466,405
Equity investments at fair value through other comprehensive income	18	27,403	18,428	27,403	18,428
Total non-current assets		5,421,819	4,917,063	5,628,127	5,009,445
Current assets					
Biological assets - produce crops on bearer plants	16.2	20,038	23,656	20,038	23,656
Inventories	21	632,889	832,524	631,718	831,353
Trade and other receivables	22	244,663	369,150	239,837	276,125
Amounts due from related companies	23	957	313,469	957	317,711
Short term investment	19.1	600,489	463,386	600,489	463,386
Cash and cash equivalents	24	504,453	186,283	447,339	184,003
Total current assets		2,003,489	2,188,468	1,940,378	2,096,234
Total assets		7,425,308	7,105,531	7,568,505	7,105,679
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		16,640	7,665	113,845	15,134
Retained earnings		2,838,275	2,695,890	3,026,904	2,767,941
Equity attributable to equity holders of the parent		4,658,315	4,506,955	4,944,149	4,586,475
Non-controlling interests	26	16,082	18,536		
Total equity		4,674,397	4,525,491	4,944,149	4,586,475

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
		As at 31 March	As at 31 March	As at 31 March	As at 31 March
		2024	2023	2024	2023
Non-current liabilities					
Borrowings	27	115,762	175,393	115,762	175,393
Lease liability	28	364,097	246,734	364,097	246,734
Retirement benefit obligation	29	884,131	824,909	876,592	818,381
Deferred capital grants	30	102,490	110,638	102,490	110,638
Deferred tax liability	31	518,721	350,269	416,392	305,751
Total non-current liabilities		1,985,201	1,707,943	1,875,333	1,656,897
Current liabilities					
Borrowings	27	59,631	133,944	59,631	133,944
Lease liability	28	4,424	2,817	4,424	2,817
Trade and other payables	32	658,458	593,177	656,903	591,182
Current income tax liability	33	43,197	37,498	28,065	29,703
Bank overdraft	27	-	104,661	-	104,661
Total current liabilities		765,710	872,097	749,023	862,307
Total liabilities		2,750,911	2,580,040	2,624,356	2,519,204
Total equity and liabilities		7,425,308	7,105,531	7,568,505	7,105,679
Net assets per share (LKR)		19.68	19.04	20.89	19.38

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 signed on behalf of the board of Hatton Plantations PLC.



Menaka Athukorala
Managing Director/CEO



Indrajith Fernando
Director

23rd August 2024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lankan Rupees thousands)

	Attributable to equity holders of the parent				Non-controlling interest	Total equity	
	Notes	Stated capital	Reserve on equity instruments at FVOCI	Accumulated profits/(losses)			Total
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 in their capacity as owners:

Dividend	34	-	-	(355,000)	(355,000)	(3,400)	(358,400)
Balance at 31 March 2023		1,803,400	7,665	2,695,890	4,506,955	18,536	4,525,491
Balance at 1 April 2023		1,803,400	7,665	2,695,890	4,506,955	18,536	4,525,491
Profit for the period		-	-	893,487	893,487	1,141	894,628
Other comprehensive income		-	8,975	(41,102)	(32,127)	5	(32,122)
Total comprehensive income for the period		-	8,975	852,385	861,360	1,146	862,506

Transactions with owners of the company

Dividend	34	-	-	(710,000)	(710,000)	(3,600)	(713,600)
Balance as at 31 March 2024		1,803,400	16,640	2,838,275	4,658,315	16,082	4,674,397

COMPANY STATEMENT OF CHANGES IN EQUITY

(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 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	34	-	-	(355,000)	(355,000)
Balance as at 31 March 2023		1,803,400	15,134	2,767,941	4,586,475
Balance at 1 April 2023		1,803,400	15,134	2,767,941	4,586,475
Profit for the period		-	-	1,010,168	1,010,168
Other comprehensive income		-	98,711	(41,205)	57,506
Total comprehensive income for the period		-	98,711	968,963	1,067,674
Transactions with owners of the company					
Dividend	34	-	-	(710,000)	(710,000)
Balance as at 31 March 2024		1,803,400	113,845	3,026,904	4,944,149

STATEMENT OF CASH FLOWS

(all amounts in Sri Lankan Rupees thousands)

	Notes	Group		Company	
		Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
Cash flows from operating activities					
Cash generated from operations	37	2,022,524	1,457,195	1,880,061	1,385,290
Interest paid	9	(83,711)	(135,134)	(83,711)	(135,134)
Payment of Income tax	33	(44,417)	(77,450)	(22,281)	(68,906)
Retirement benefit obligations paid	29	(182,656)	(173,497)	(182,656)	(173,204)
Interest received	9	70,113	74,034	67,971	72,285
Net cash generated from operating activities		1,781,853	1,145,148	1,659,384	1,080,331
Cash flows from investing activities					
Additions to bearer plants	15	(248,701)	(358,268)	(248,701)	(358,268)
Additions and transfer to consumable biological assets	16.1	(11,853)	(28,393)	(11,853)	(28,393)
Additions to property, plant and equipment	14	(103,647)	(167,119)	(103,575)	(166,669)
Proceeds from sale of property, plant and equipment		-	230	-	230
Proceeds from sale of consumable biological assets		20,478	21,333	20,478	21,333
Dividends received from subsidiary and associate		3,047	-	67,010	60,070
Proceed from the long term investments		290,153	-	290,153	-
Additions to the short term investments		(371,260)	-	(371,260)	-
Net cash used in investing activities		(421,783)	(532,217)	(357,748)	(471,697)
Cash flows from financing activities					
Dividend paid	34	(710,000)	(355,000)	(710,000)	(355,000)
Dividends paid to NCI		(3,600)	(3,400)	-	-
Proceeds from borrowings	27	-	62,077	-	62,077
Repayment of borrowings	27	(133,944)	(208,838)	(133,944)	(208,838)
Payment of government lease principal	28.1	(84,467)	(56,762)	(84,467)	(56,762)
Payment of other lease principal	28.2 & 28.3	(5,754)	(3,234)	(5,754)	(3,234)
Grant received		526	4,029	526	4,029
Net cash used in financing activities		(937,239)	(561,128)	(933,639)	(557,728)
Increase in cash and cash equivalents		422,831	51,803	367,997	50,906
At the beginning of period		81,622	29,819	79,342	28,436
Increase for the period		422,831	51,803	367,997	50,906
At end of period		504,453	81,622	447,339	79,342

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 01 Reporting entity

Hatton Plantations PLC ("the Company") is a public limited liability company incorporated on 14 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 regions 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 a 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 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 incorporated in Sri Lanka and its ultimate parent is Lotus Renewables (Singapore) Pte Limited incorporated in Singapore.

1.3 Date of authorization for issue

The Consolidated Financial Statements consist of the Statement of profit or loss, the Statement of comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements for the period ended 31 March 2024.

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 23rd August 2024.

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 02 Basis of preparation

2.1 Statement of compliance

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial

Reporting Standards (SLFRS's), Sri Lanka Accounting Standards (LKAS's) further comprises of Statements of Recommended Practices (SORPs), Statements of Alternative Treatments (SOATs) and Financial Reporting guidelines

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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 - mature plantations 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 and amended Accounting Standards that are effective for the current year.

The Group has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 April 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- i. Amendments to LKAS 1 Presentation of Financial Statements
- ii. Amendments to LKAS 12 Income Taxes
- iii. Amendments to LKAS 8 Accounting Policies

i. Amendments to LKAS 1 Presentation of Financial Statements

The amendments change the requirements in LKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in LKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

ii. Amendments to LKAS 12 Income Taxes

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to LKAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12. The Group did not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

iii. Amendments to LKAS 8 Accounting Policies

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

2.5 New and revised IFRS Accounting Standards in issue but not yet effective

The following standards and interpretations had been issued but not mandatory for annual reporting period ended 31 March 2024.

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. Amendments to LKAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting

date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.

2.6 Use of estimates and judgements

The preparation of the Group's Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

revision affects only that period and any future periods affected. Information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the 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.

Note 03 Material 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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.

Investment in Subsidiaries are measured in accordance with SLFRS 9 at fair value through other comprehensive income.

ii. 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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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 Statement of Profit or Loss during the financial period in which they are incurred.

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,

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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 Statement of Profit or Loss 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 Statement of Profit or Loss 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 Statement of Profit or Loss 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 of each part of an item of Property, Plant & Equipment and Bearer plants. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The Company is desirous of renewing the lease agreement and will be

applying to renew the lease agreement before 10 years of expiring of the above lease period as required by the Indenture of Lease Agreement, Section 7(g).

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
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

Group/Company	Years
Transformers	17
Penstocks	17
Grid construction	17
Power house	17
Civil construction	17
Bearer plants	
- Tea	30
- Caliandra	10
- Cinnamon	20
- Coffee	20

Immovable estate assets (remaining useful lifetime)

Improvements to land	Nil
Vested other assets	Nil
Roads and bridges	8

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Bearer plants	
- Tea	2

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 plantations that are managed by the company are classified as consumable biological assets. Trees younger than 5 years are included under nurseries and immature plantations. Since the fair value of such trees cannot be reliably estimated they are carried at cost less accumulated impairment and for nurseries a provision for overgrown plants is deducted. Costs includes direct material, direct labour and appropriate proportion of directly attributable overheads. Trees older than 5 years are included under mature plantations and are measured at fair value less costs to sell at the end of each reporting period. Cost to sell include all costs that would be necessary to sell the assets, including transportation costs if any.

The fair value of mature plantations are measured using DCF method by an independent professional valuer taking in to consideration the current market prices of timber, applied to expected timber content of a tree at maturity less costs to sell.

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 to sell at each reporting date are included in the statement of profit or loss in the period in which they arise. All costs incurred in maintaining the assets are included in the statement of profit or loss in the period in which they arise.

Proceeds from sale of consumable biological assets are credited to the statement of profit or loss when the control

of the timber are transferred to the buyer, at the time of accepting the tender.

3.4.2 Produce growing on bearer plants

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).

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 profit or loss or OCI.

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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 profit or loss.

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 profit or loss 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 profit or loss.

- 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 profit or loss.
- 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 profit or loss following the derecognition of the

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investment. Dividends from such investments continue to be recognised in statement of profit or loss 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 profit or loss 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.

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

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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 profit or loss 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 profit or loss 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 profit or loss 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

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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
- ▣ 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 (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), 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

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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 post-employment 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 Statement of Profit or Loss as and when they are due.

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.

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 profit or loss, 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

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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 deferred and recognised in the statement of profit or loss 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 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 at the point of accepting the highest bidder whose offer is accepted, 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.

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.

Private sales are recognised when control of the products are transferred when the products are delivered to the buyers and there are no unfulfilled obligations that could affect the customers' acceptance of the products.

In respect of direct/local sales and bulk sales, revenue is recognised at the point products are collected by the customer/buyer.

Revenue is only recognized 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, generated by the subsidiary, is recognized, upon delivery of Energy to Ceylon Electricity Board and Delivery of Electrical Energy shall be completed

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when Electrical Energy meeting the specifications as set out in Power Purchase Agreement is received at the metering point.

3.21.2 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 consists of sales of foods, beverages and tea powder. Tea Club income is recognised when the products are delivered to the customers and there are no unfulfilled obligations that could affect the customers' acceptance of products.

Gains or losses on disposal

Gains and losses from the sale of property, plant and equipment are recognised in the period in which the sale occurs, which is the point at which customer acknowledges receipt of the goods.

Dividend income

Dividend income is recognized in the Statement of Profit or Loss when the Company's right to receive the dividend is established.

Bungalow Income

Bungalow income mainly consists of Reservation, Foods and Beverages income. Bungalow rental income is recognised when the services are delivered to the customers and there are no unfulfilled obligations that could affect the customers' acceptance of services.

Sales of trees

Income from sale of trees is recognised at the time of accepting the tender in the period in which the sale occurs.

3.21.3 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

3.21.3.1 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

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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 04 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 exempted from income tax for a period of 5

years effective from 1 April 2019 and Agro processing is liable at 30%. Accordingly, where applicable, the Group has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates. This exemption ended on 31.03.2024 through the Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No.45 of 2022 and all agro processing and agro farming taxable profits are liable at 30% thereafter.

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

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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.

Investment in subsidiary / Equity Investment

Investment in subsidiary / Equity Investment measured at fair value through other comprehensive income includes interests in Companies that operate Mini Hydro Power Plants. The fair valuation involved significant management judgement and estimates including adjusted average price to book value ratio of listed comparable peer company data.

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).

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 05 Revenue

5.1 Revenue

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
	- Tea	7,633,209	7,619,812	7,633,209
- Hydro power	91,662	88,207	-	-
	7,724,871	7,708,019	7,633,209	7,619,812

5.2 Segment information

a) Segment revenue

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
	Tea			
Revenue	7,633,209	7,619,812	7,633,209	7,619,812
Revenue expenditure*	(6,201,332)	(5,185,362)	(6,201,332)	(5,185,362)
Depreciation	(146,290)	(128,433)	(146,290)	(128,433)
Other non cash expenditure**	(182,003)	(441,147)	(182,003)	(441,147)
	1,103,584	1,864,870	1,103,584	1,864,870
Mini Hydro Power				
Revenue	91,662	88,207	-	-
Revenue expenditure*	(21,634)	(18,221)	-	-
Depreciation	(24,263)	(24,242)	-	-
Other non cash expenditure**	(1,165)	(1,537)	-	-
	44,600	44,207	-	-

NOTES TO THE FINANCIAL STATEMENTS

(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
	2024	2023	2024	2023
Total				
Revenue	7,724,871	7,708,019	7,633,209	7,619,812
Revenue expenditure*	(6,222,956)	(5,204,954)	(6,201,332)	(5,185,362)
Depreciation	(170,553)	(152,675)	(146,290)	(128,433)
Other non cash expenditure**	(183,168)	(441,304)	(182,003)	(441,147)
	1,148,194	1,909,086	1,103,584	1,864,870

*Cost of sales less depreciation and gratuity

**Provision for retirement benefit obligations

	Group		Company	
	Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2024	2023	2024	2023
Other income	120,578	76,881	183,889	147,607
Gain on change in fair value of biological assets	187,314	397,981	187,314	397,981
Administrative expenses	(287,701)	(294,155)	(275,958)	(283,412)
Finance income	126,109	121,600	123,967	119,844
Finance expenses	(77,852)	(112,490)	(77,852)	(112,490)
Interest paid to government and other on lease	(85,833)	(57,631)	(85,833)	(57,631)
Profit before income tax	1,130,809	2,041,272	1,159,111	2,076,769

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

b) Segment assets

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
	Non current assets			
Tea	2,821,514	2,495,353	3,377,655	2,961,758
Mini Hydro Power	349,833	374,023	-	-
Biological assets	2,250,472	2,047,687	2,250,472	2,047,687
	5,421,819	4,917,063	5,628,127	5,009,445
Current assets				
Tea	1,940,378	2,085,234	1,940,378	2,096,234
Mini Hydro Power	63,111	103,234	-	-
	2,003,489	2,188,468	1,940,378	2,096,234
Total assets	7,425,308	7,105,531	7,568,505	7,105,679

c) Segment liabilities

Non current liabilities and deferred income				
Tea	1,875,306	1,591,626	1,875,333	1,656,897
Mini Hydro Power	109,895	116,317	-	-
	1,985,201	1,707,943	1,875,333	1,656,897
Current Liabilities				
Tea	749,015	851,298	749,023	862,307
Mini Hydro Power	16,695	20,799	-	-
	765,710	872,097	749,023	862,307
Total liabilities	2,750,911	2,580,040	2,624,356	2,519,204

d) Segment Capital Expenditure

Tea	364,129	553,330	364,129	553,330
Mini Hydro Power	72	449	-	-
	364,201	553,779	364,129	553,330

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **06** Other income

	Notes	Group		Company	
		Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
		2024	2023	2024	2023
Amortisation of capital grants	29	6,648	6,269	6,648	6,269
Rental income from Hydro Power Plant		68,496	45,205	68,496	45,205
Dividends		3,047	-	67,010	71,070
Net bungalow rental	6.1	(4,890)	(5,134)	(5,542)	(5,478)
Sales of trees		20,478	21,333	20,478	21,333
Tower/building rent		11,191	11,037	11,191	11,037
Profit on sale of property, plant and equipment		-	76	-	76
Sale of scrap items		-	1,982	-	1,982
Profit from Tea Club	6.2	11,216	2,944	11,216	2,944
Cinnamon project net income		-	(1,066)	-	(1,066)
Others		4,392	(5,765)	4,392	(5,765)
		120,578	76,881	183,889	147,607

6.1 Mandira bungalow income included within net bungalow rental

Year ended 31 March	Company					
	2024			2023		
	Rental Income	Bungalow Expenditure	Net Income	Rental Income	Bungalow Expenditure	Net Income
Mandira Bungalow - Strathdon	3,839	(6,025)	(2,186)	3,850	(5,905)	(2,055)
Mandira Bungalow - Dickoya	7,009	(8,878)	(1,869)	1,849	(1,836)	13
Mandira Bungalow - Creige Appin	6,046	(7,976)	(1,930)	1,512	(4,863)	(3,351)
Mandira Bungalow - Agraoya	1,229	(786)	443	174	(259)	(85)
	18,123	(23,665)	(5,542)	7,385	(12,863)	(5,478)

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

6.2 Tea Club restaurant income

Year ended 31 March	Group/Company					
	2024			2023		
	Income	Expenditure	Net Income	Income	Expenditure	Net Income
Segment analysis - Tea Club						
Restaurant	48,974	(32,830)	16,144	28,268	(25,909)	2,359
Tea powder	15,018	(19,937)	(4,919)	6,871	(6,319)	552
Cinnamon	33	(42)	(9)	184	(151)	33
	64,025	(52,809)	11,216	35,323	(32,379)	2,944
Finance cost	-	(617)	(617)	-	(674)	(674)
Profit after finance cost			10,599			2,270

Note 07 Gain on change in fair value of biological assets

	Notes	Group		Company	
		Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
		2024	2023	2024	2023
Gain on fair valuation - consumable biological assets	16.1	190,932	391,707	190,932	391,707
(Loss) / gain on fair valuation - growing crops on bearer plants	16.2	(3,618)	6,274	(3,618)	6,274
		187,314	397,981	187,314	397,981

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **08** Profit before taxation

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

	Notes	Group		Company	
		Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
Auditors' remuneration					
- Audit		4,336	3,400	4,200	3,400
- Non audit		-	-	-	-
Depreciation and amortisation					
- Right to use of land	12	18,017	11,517	18,017	11,517
- Immovable leased assets	13	5,110	5,110	5,110	5,110
- Property, plant and equipment	14	132,619	121,244	108,356	97,002
- Biological assets - bearer	15	32,824	32,677	32,824	32,677
Directors' emoluments		29,363	14,345	29,363	14,345
Staff costs					
- Wages and salaries		2,986,000	2,581,820	2,972,718	2,569,820
- Defined contribution plan		278,535	233,277	276,954	231,983
- Defined benefit plan	29	183,168	159,181	182,003	157,644
- Associates' profit share bonus		45,833	64,567	45,833	64,567
Cost of inventories sold		3,047,962	2,658,710	3,047,962	2,658,710
Other expenses		100,611	207,240	82,243	191,759
Total cost of sales and administrative expenses		6,864,378	6,093,088	6,805,583	6,038,534

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 09 Finance income and costs - net

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
Finance income:				
- Interest income on short-term bank deposits	126,109	121,600	123,967	119,844
Finance income	126,109	121,600	123,967	119,844
Finance costs:				
Interest expense for borrowings				
- Interest on term loans	(46,121)	(90,004)	(46,121)	(90,004)
- Interest on bank overdrafts	(37,680)	(45,130)	(37,680)	(45,130)
	(83,801)	(135,134)	(83,801)	(135,134)
Less - amount capitalised (a)	5,949	22,644	5,949	22,644
Interest cost for borrowings expensed	(77,852)	(112,490)	(77,852)	(112,490)
Interest and finance charges paid/payable for lease liabilities	(85,833)	(57,631)	(85,833)	(57,631)
Total finance costs	(163,685)	(170,121)	(163,685)	(170,121)
Net finance costs	(37,576)	(48,521)	(39,718)	(50,277)

(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 18.24% (AWPLR+2.25)(2023 - 26.25%).

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 10 Income tax expense

This note provides an analysis of the company and group income tax expense.

	Notes	Group		Company	
		Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
		2024	2023	2024	2023
Current tax					
- Current income tax on profits for the year	33	38,825	100,234	20,643	88,875
- Adjustments for current tax of prior periods	33	2	-	-	-
Withholding tax on dividends paid		11,288	-	-	-
Total current tax expense		50,115	100,234	20,643	88,875
Deferred income tax					
- (Decrease)/increase in deferred tax liability	31	256,732	466,162	198,617	475,137
- Increase/(decrease) in deferred tax assets	31	(88,280)	(215,922)	(87,976)	(214,935)
Total deferred tax expense		168,452	250,240	110,641	260,202
		218,567	350,474	131,284	349,077

Income tax expense is attributable to:

	Notes	Group		Company	
		Year ended 31 March	Year ended 31 March	Year ended 31 March	Year ended 31 March
		2024	2023	2024	2023
Income tax expense (released)/charged:					
To profit or loss					
- Deferred tax attributable to profit or loss	31	186,065	271,485	128,300	281,943
- Current income tax on profits for the year.		50,115	100,234	20,643	88,875
		236,180	371,719	148,943	370,818
To other comprehensive income					
- Deferred tax attributable to other comprehensive income	31	(17,613)	(21,245)	(17,659)	(21,741)
Income tax expense		218,567	350,474	131,284	349,077

The standard rate of income tax is 30% applicable for the current year. According to the Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, agro farming is exempted from income tax for a period of 5 years effective from 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

During the year of assessment 22/23, as per the rebate given by the Inland Revenue Department for tea manufacturing, the company was 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 (Amendment) Act no 45 of 2022 was certified by the speaker on 19 December 2022. The standard rate of income tax was increased 30% from 24% w.e.f 1 October 2022. The increase in income tax rate to 30% in mid year 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 30% in the current year. For the year of assessment 22/23, tax was calculated using tax rate 14% and the profit from other activities were taxed at 24% from 1 April to 30 September 2022. And next half of year using tax rate 30% and the profit from other activities were taxed at 30%.

Reconciliation between current tax expenses and the accounting profit:

	Group		Company	
	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2023
Accounting profit before tax	1,130,809	2,041,272	1,159,111	2,076,769
Aggregate expenses not deductible for tax purposes	461,993	505,543	349,123	479,663
Aggregate expenses deductible for tax purposes	(465,018)	(679,028)	(464,462)	(678,198)
Aggregate disallowable income	(279,800)	(389,730)	(254,299)	(387,615)
Aggregate taxable income	2,812	2,944	715	2,944
Total statutory income	850,796	1,481,001	790,188	1,493,563
Tax exempt income from agro farming	745,910	944,700	745,910	944,700
Taxable (loss) / income from agro processing	(24,531)	423,461	(24,531)	423,461
Taxable income from subsidiaries	60,608	58,506	-	-
Dividend income	-	-	-	71,070
Other sources of income	68,809	54,334	68,809	54,332
Total statutory income	850,796	1,481,001	790,188	1,493,563
Taxable income from subsidiaries	60,608	58,506	-	-
Dividend income	-	71,070	-	71,070
Tax losses claimed during the year	-	423,461	-	423,461
Other sources of income	68,809	54,334	68,809	54,332
Total taxable income	129,417	607,371	68,809	548,863
Income tax @ 14%	-	43,176	-	37,280
Income tax @ 24%	-	6,758	-	6,431
Income tax @ 30%	38,825	40,350	20,643	35,214
Dividend tax @ 14%	-	9,950	-	9,950
Income tax expense	38,825	100,234	20,643	88,875

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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	Year ended 31 March	Year ended 31 March	Year ended 31 March
	2024	2023	2024	2023
Net profit attributable to shareholders	893,488	1,667,968	1,010,168	1,705,951
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667	236,667	236,667
Basic earnings per share (LKR)	3.78	7.05	4.27	7.21

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

	Notes	Group		Company	
		As at 31 March	As at 31 March	As at 31 March	As at 31 March
		2024	2023	2024	2023
Right-of-use asset - land	12.1	306,064	204,464	306,064	204,464
Right-of-use asset - building	12.2	12,356	10,205	12,356	10,205
Closing Balance		318,420	214,669	318,420	214,669

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

12.1 Right-of-use asset - Land

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
Cost				
As at 1 April	238,916	221,463	238,916	221,463
Remeasurement of lease liabilities	116,174	17,453	116,174	17,453
Closing balance	355,090	238,916	355,090	238,916
Accumulated amortisation				
As at 1 April	34,452	25,158	34,452	25,158
Amortisation for the year	14,574	9,294	14,574	9,294
Closing balance	49,026	34,452	49,026	34,452
Carrying value as at 31 March	306,064	204,464	306,064	204,464

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. The leasehold rights to the land 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.

"Right-of-use asset-land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 applicable with effect from 1 January 2019, and above "Right of-use asset-land" has accounted in accordance with standard with effect from 1 April 2019 together with the Application Guidance issued by CA Sri Lanka on 12 March 2020 and right-of-use assets are measured based on the Modified Retrospective Approach.

The Company remeasured the lease liability to reflect changes to the subsequently lease payments and recognized the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset and this right-of-use asset is amortized over the remaining lease term or useful life of the right which ever is shorter on a straight-line basis.

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

12.2 Right-of-use asset - Building

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

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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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 2024 are as follows:

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Cost				
As at 1 April	15,974	15,974	15,974	15,974
Additions	5,594	-	5,594	-
Closing balance	21,568	15,974	21,568	15,974
Accumulated depreciation				
As at 1 April	5,769	3,546	5,769	3,546
Charge for the year	3,443	2,223	3,443	2,223
Closing balance	9,212	5,769	9,212	5,769
Carrying value as at 31 March	12,356	10,205	12,356	10,205

Note 13 Immovable estate assets

Group	Improvements to lands	Other vested assets	Bearer plants	Roads and bridges	Total
Cost					
As at 1 April 2023	354	1,319	64,755	187	66,615
As at 31 March 2024	354	1,319	64,755	187	66,615
Accumulated amortisation					
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
As at 1 April 2023	354	1,319	49,465	70	51,208
Amortisation for the period	-	-	5,097	13	5,110
As at 31 March 2024	354	1,319	54,562	83	56,318
As at 31 March 2023	-	-	15,290	117	15,407
As at 31 March 2024	-	-	10,193	104	10,297

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Company	Improvements to lands	Other vested assets	Bearer plants	Roads and bridges	Total
Cost					
As at 1 April 2023	354	1,319	64,755	187	66,615
As at 31 March 2024	354	1,319	64,755	187	66,615
Accumulated amortisation					
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
As at 1 April 2023	354	1,319	49,465	70	51,208
Amortisation for the year	-	-	5,097	13	5,110
As at 31 March 2024	354	1,319	54,562	83	56,318
As at 31 March 2023	-	-	15,290	117	15,407
As at 31 March 2024	-	-	10,193	104	10,297

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 located on the estates, which were transferred from JEDB / SLSPC on 18 June 1992, 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 14 Property, plant and equipment

Group

In LKR '000s	Buildings	Capital work in progress	Civil Works & Construction	Electrical equipment & power plant	Motor vehicles	Plant and machinery	Equipment	Computer and fittings	Furniture and fittings	Road and bridges	Sanitation, water and electricity	Mini hydro plants	Others	Total
Cost														
As at 1 April 2022	608,385	119,865	63,790	345,160	101,302	559,952	38,005	9,498	14,415	51,839	8,296	37,104	1,096	1,958,707
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	50,188	19,962	16,074	51,839	8,296	37,104	1,096	2,125,606
Cost														
As at 1 April 2023	702,307	44,897	64,077	345,160	111,745	672,861	50,188	19,962	16,074	51,839	8,296	37,104	1,096	2,125,606
Additions	5,396	14,253	37	-	33,083	14,646	29,413	2,304	1,806	2,484	-	725	1,000	105,147
Capitalized during the year	8,362	(29,212)	-	-	724	16,626	-	-	-	-	-	3,500	-	-
As at 31 March 2024	716,065	29,938	64,114	345,160	145,552	704,133	79,601	22,266	17,880	54,323	8,296	41,329	2,096	2,230,753
Accumulated depreciation														
As at 1 April 2022	83,053	-	1,845	10,134	66,943	289,294	20,092	5,092	7,152	6,926	4,060	27,084	68	521,743
Charge for the year	18,225	-	3,704	20,304	14,140	53,837	4,332	1,260	1,497	2,079	333	1,488	44	121,243
Disposals	-	-	-	-	-	-	-	(66)	-	-	-	-	-	(66)
As at 31 March 2023	101,278	-	5,549	30,438	81,083	343,131	24,424	6,286	8,649	9,005	4,393	28,572	112	642,920
Accumulated depreciation														
As at 1 April 2023	101,278	-	5,549	30,438	81,083	343,131	24,424	6,286	8,649	9,005	4,393	28,572	112	642,920
Charge for the year	24,640	-	3,707	20,304	12,701	54,553	4,464	5,457	1,532	1,267	1,068	2,246	679	132,618
As at 31 March 2024	125,918	-	9,256	50,742	93,784	397,684	28,888	11,743	10,181	10,272	5,461	30,818	791	775,538
Carrying value														
As at 31 March 2023	601,029	44,897	58,528	314,722	30,662	329,730	25,764	13,676	7,425	42,834	3,903	8,532	984	1,482,686
As at 31 March 2024	590,147	29,938	54,858	294,418	51,768	306,449	50,713	10,523	7,699	44,051	2,895	10,511	1,305	1,455,215

(a) Cost of fully depreciated assets still in use as at 31 March 2024 amounts to LKR 783,056,019 (2023 - LKR 715,268,359).

(b) Depreciation expense of LKR 124,423,411 (2023 - LKR 112,541,805) has been charged in cost of goods sold and LKR 8,194,801 (2023 - LKR 8,702,195) in administrative expenses.

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Company

In LKR '000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer fittings	Furniture and fittings	Road and bridges	Sanitation, water and electricity	Mini hydro plants	Others	Total
Cost												
As at 1 April 2022	608,885	119,865	101,302	559,952	37,589	9,498	12,696	51,839	8,296	37,104	1,097	1,547,823
Additions	93,922	(74,968)	10,443	112,909	12,183	10,684	1,496	-	-	-	-	166,669
Capitalized during the year	-	-	-	-	-	-	-	-	-	-	-	-
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
Cost												
As at 1 April 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
Additions	5,396	14,253	33,083	14,646	29,413	2,304	1,770	2,484	-	725	1,001	105,075
Capitalized during the year	8,362	(29,212)	724	16,626	-	-	-	-	-	3,500	-	-
As at 31 March 2024	716,065	29,938	145,552	704,133	79,185	22,266	15,962	54,323	8,296	41,329	2,098	1,819,147
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	6,286	7,410	9,005	4,393	28,572	112	605,409
Accumulated depreciation												
As at 1 April 2023	101,278	-	81,083	343,131	24,139	6,286	7,410	9,005	4,393	28,572	112	605,409
Charge for the year	24,640	-	12,701	54,553	4,383	5,457	1,362	1,267	1,068	2,246	679	108,356
As at 31 March 2024	125,918	-	93,784	397,684	28,522	11,743	8,772	10,272	5,461	30,818	791	713,765
Carrying value												
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
As at 31 March 2024	590,147	29,938	51,768	306,449	50,663	10,523	7,190	44,051	2,835	10,511	1,307	1,105,382

(a) Cost of fully depreciated assets still in use as at 31 March 2024 amounts to LKR 562,039,929 (2023 - LKR 494,252,263).

(b) Depreciation expense of LKR 100,160,199 (2023 - LKR 88,299,805) has been charged in cost of goods sold and LKR 8,194,801 (2023 - LKR 8,702,195) in administrative expenses.

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(all amounts in Sri Lankan Rupees thousands)

Note 15 Bearer plants

Group/Company	Nurseries		Immature plants			Mature plants		Total
	Tea	Other	Tea	Coffee	Other	Tea	Other	
Cost								
As at 1 April 2022	18,838	117	241,808	34,437	9,936	598,466	101,793	1,005,395
Additions	21,559	1,707	273,120	60,570	1,312	-	-	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	23,660	1,824	475,869	95,007	2,692	676,907	101,793	1,377,752
As at 1 April 2023	23,660	1,824	475,869	95,007	2,692	676,907	101,793	1,377,752
Additions	16,960	28	206,829	24,572	312	-	-	248,701
Borrowing costs capitalisation	-	-	5,949	-	-	-	-	5,949
Transfers from nursery to immature plants	(21,631)	(1,825)	21,631	-	1,825	-	-	-
Transfers from immature plants to mature plants	-	-	(175,002)	-	-	175,002	-	-
As at 31 March 2024	18,989	27	535,276	119,579	4,829	851,909	101,793	1,632,402
Accumulated depreciation								
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
As at 1 April 2023	-	-	-	-	-	150,436	89,130	239,566
Charge for the year	-	-	-	-	-	31,676	1,148	32,824
As at 31 March 2024	-	-	-	-	-	182,112	90,278	272,390
Carrying value								
As at 31 March 2023	23,660	1,824	475,869	95,007	2,692	526,471	12,663	1,138,186
As at 31 March 2024	18,989	27	535,276	119,579	4,829	669,797	11,515	1,360,012

- (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

(all amounts in Sri Lankan Rupees thousands)

- (c) Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs of LKR 5,949,062, were capitalized during the period under Immature Plantations (2022/23 - LKR 22,645,240).
- (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 18.24% (2022/23 - 26.25%).

Note 16 Biological Assets

16.1 Consumable biological assets

Group/Company	Nurseries	Immature plantations	Mature plantations	Total
At fair value				
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
As at 1 April 2023	1,699	72,672	1,973,316	2,047,687
Additions	770	11,083	-	11,853
Transfers from nursery to immature plants	(1,094)	1,094	-	-
Transfers from immature plants to mature plants	-	(5,228)	5,228	-
Gain arising from changes in fair value less cost to sell	-	-	190,932	190,932
As at 31 March 2024	1,375	79,621	2,169,476	2,250,472

- (a) The mature consumable biological assets are stated at fair value determined based on an independent valuation of timber / trees performed by Messrs W M Chandrasena, Chartered Valuation Surveyor, FIV(SL), MRICS(UK).

	Group/Company	
	As at 31 March 2024	As at 31 March 2023
- Discount rate	16% p.a	20.5% p.a
- Maturity for harvesting	25 years	25 years
- Number of trees valued	166,981	166,796

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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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)

	Group/Company	
	As at 31 March 2024	As at 31 March 2023
Sale price - increase by 5%	2,277,950	2,071,982
Sale price - value as stands	2,169,476	1,973,316
Sale price - decrease by 5%	2,061,002	1,874,650

(b) Sensitivity variation discount rate (using 1% 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:

	Group/Company	
	As at 31 March 2024	As at 31 March 2023
Discount rate - increase by 1%	2,164,288	1,969,111
Discount rate - value as stands	2,169,476	1,973,316
Discount rate - decrease by 1%	2,175,043	1,977,774

These rate differences are only affecting to the 24% of the trees due to the 76% of the trees are more than 25 years old.

16.2 Produce crops on bearer plants

	Group/Company	
	As at 31 March 2024	As at 31 March 2023
As at 1 April	23,656	17,382
Movement of fair value	(3,618)	6,274
Closing balance	20,038	23,656

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

(all amounts in Sri Lankan Rupees thousands)

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:

	Group/Company	
	As at 31 March 2024	As at 31 March 2023
Total gain / (loss) for the period recognised in profit or loss		
Biological assets – consumable	190,932	391,707
Biological assets – produce crops on bearer plants	(3,618)	6,274
	187,314	397,981

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.

Group/Company	Notes	Level 1	Level 2	Level 3	Total
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
31 March 2024					
Biological assets – consumable	16.1	-	-	2,169,476	2,169,476
Biological assets – produce crops on bearer plants	16.2	-	-	20,038	20,038
		-	-	2,189,514	2,189,514

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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).

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 biological assets.

Description	Fair value of mature plants / growing crop as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2024	2023		2024	2023	
Biological assets - Consumable	2,169,476	1,973,316	Discount rate	(16%)	20% - 21% (20.5%)	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.
			Price per cubic meter	Rs.3,000/- to Rs.27,500/-	Rs.3,000/- to Rs.27,500/-	The higher the price per cu. meter, the higher the fair value.
Biological assets - produce crops on bearer plants	20,038	23,656	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.

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(all amounts in Sri Lankan Rupees thousands)

Note **17** Investment in subsidiary

Hatton Plantations PLC holds 4,180,599 (95.43%) ordinary shares of Mark Marine Services (Private) Limited.

	Company	
	As at 31 March	As at 31 March
	2024	2023
Mark Marine Services (Private) Limited	556,141	466,405
Closing balance	556,141	466,405

	Company	
	As at 31 March	As at 31 March
	2024	2023
Balance as at 1 April	466,405	533,821
Change in fair value of the investments	89,736	(67,416)
Closing balance as at 31 March	556,141	466,405

Amounts recognised other comprehensive income

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

	Company	
	As at 31 March	As at 31 March
	2024	2023
Gain / (loss) recognised in other comprehensive income		
- Related to equity investments in Mark Marine Services (Private) Limited	89,736	(67,416)
	89,736	(67,416)

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.

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(all amounts in Sri Lankan Rupees thousands)

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.

Company	Level 1	Level 2	Level 3	Total
31 March 2023				
Investment in subsidiary at FVOCI	-	-	466,405	466,405
	-	-	466,405	466,405
31 March 2024				
Investment in subsidiary at FVOCI	-	-	556,141	556,141
	-	-	556,141	556,141

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
	2024	2023		2024	2023	
Investment in subsidiary at FVOCI	556,141	466,405	Adjusted average price to book value ratio of listed comparable peer companies.	2.03	1.43	The higher the price to book value ratio, the higher the fair value.

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

	Company	
	As at 31 March	As at 31 March
	2024	2023
unobservable input - increase by 1%	561,702	471,069
unobservable input - value as stands	556,141	466,405
unobservable input - decrease by 1%	550,580	461,741

Note 18 Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following unlisted individual investments:

	Group/Company	
	As at 31 March	As at 31 March
	2024	2023
Unit Energy Lanka (Private) Limited	27,403	18,428
Closing balance	27,403	18,428

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

Group / Company	Unit Energy Lanka (Private) Limited	Total
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
As at 1 April 2023	18,428	18,428
Change in fair value of equity investments	8,975	8,975
As at 31 March 2024	27,403	27,403

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.

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Amounts recognised other comprehensive income

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

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
Gains recognised in other comprehensive income				
- Related to equity investments in Unit Energy Lanka (Private) Limited	8,975	(3,616)	8,975	(3,616)
	8,975	(3,616)	8,975	(3,616)

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.

Group/Company	Level 1	Level 2	Level 3	Total
31 March 2023				
Equity investment at FVOCI	-	-	18,428	18,428
	-	-	18,428	18,428
31 March 2024				
Equity investment at FVOCI	-	-	27,403	27,403
	-	-	27,403	27,403

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.

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b. Valuation techniques used to determine fair values

(i) Price to book value multiple basis of valuation

This valuation method 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
	2024	2023		2024	2023	
	Equity investment at FVOCI	27,403		18,428	Adjusted average price to book value ratio of listed comparable peer companies.	

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

	Group		Company	
	As at 31 March		As at 31 March	
	2024	2023	2024	2023
unobservable input - increase by 1%	27,677	18,244	27,677	18,244
unobservable input - value as stands	27,403	18,428	27,403	18,428
unobservable input - decrease by 1%	27,129	18,612	27,129	18,612

Note 19 Investment in financial assets

19.1 Short term investment

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Fixed deposits	600,489	463,386	600,489	463,386
	600,489	463,386	600,489	463,386

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Note 20 Financial assets and financial liabilities

The Company holds the following financial instruments:

Financial assets	Notes	Group		Company	
		As at 31 March	As at 31 March	As at 31 March	As at 31 March
		2024	2023	2024	2023
Financial assets at amortised cost					
- Trade and other receivable excluding pre-payments	22	143,500	311,615	138,674	218,590
- Amount due from related party	23	957	313,469	957	317,711
- Short term investment in financial assets	19.1	600,489	463,386	600,489	463,386
- Cash and cash equivalents	24	504,453	186,283	447,339	184,003
Financial assets at fair value through other comprehensive income (FVOCI)	17	-	-	556,141	466,405
Equity investments at fair value through other comprehensive income	18	27,403	18,428	27,403	18,428
		1,276,802	1,293,181	1,771,003	1,668,523

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	Notes	Group		Company	
		As at 31 March	As at 31 March	As at 31 March	As at 31 March
		2024	2023	2024	2023
Liabilities at amortised cost					
- Borrowings (excluding finance lease liability)	27	175,393	413,998	175,393	413,998
- Finance lease liabilities	28	368,521	249,551	368,521	249,551
- Trade and other payables excluding non-financial liabilities	32	270,521	237,264	268,966	236,734
		814,435	900,813	812,880	900,283

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.

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(all amounts in Sri Lankan Rupees thousands)

Note **21** Inventories

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Produce stock	379,871	588,032	379,871	588,032
Input materials, spares and consumables	253,018	244,492	251,847	243,321
Closing balance	632,889	832,524	631,718	831,353

Note **22** Trade and other receivables

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Trade receivables (a)	89,341	256,120	85,989	163,095
Other receivables (b)	54,159	55,495	52,685	55,495
Financial assets at amortised cost	143,500	311,615	138,674	218,590
Tax receivables	23,883	9,221	23,883	9,221
Employee advances	63,814	50,991	63,814	50,991
Prepayments	13,465	2,332	13,465	2,332
Advance paid to creditors	-	(5,009)	-	(5,009)
Closing balance	244,663	369,150	239,837	276,125

(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).

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **23** Amounts due from related companies

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Lotus Renewable Energy (Private) Limited	-	312,720	-	305,962
Lotus Hydropower PLC	113	148	113	148
Origin Tea Exports (Private) Limited	10	520	10	520
Mark Marine Services (Private) Limited	-	-	-	11,000
Sri Bio Tech Lanka (Private) Limited	834	81	834	81
Closing balance	957	313,469	957	317,711

Note **24** Cash and cash equivalents

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Cash at bank	175,834	43,642	167,686	41,363
Cash in hand	2,258	1,378	2,203	1,377
Short term bank deposit	326,361	141,263	277,450	141,263
Closing balance	504,453	186,283	447,339	184,003

(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	As at 31 March	As at 31 March
	2024	2023	2024	2023
Balances as above	504,453	186,283	447,339	184,003
Bank overdraft	-	(104,661)	-	(104,661)
Balance as per cash flow statement	504,453	81,622	447,339	79,342

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **25** Stated capital

	Number of shares	Value (LKR)
As at 31 March 2023	236,666,671	1,803,400
As at 31 March 2024	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

(all amounts in Sri Lankan Rupees thousands)

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 2024	As at 31 March 2023
Current assets	63,111	103,234
Current liabilities	16,695	20,799
Current net assets	46,416	82,435
Non-current assets	349,867	374,067
Non-current liabilities	109,895	116,317
Non-current net assets	239,972	257,750
Net assets	286,388	340,185
Accumulated NCI	16,082	18,536

Summarised Statement of Comprehensive Income	Mark Marine Services (Private) Limited	
	As at 31 March 2024	As at 31 March 2023
Revenue	91,662	88,207
Profit for the period	24,946	34,671
Other comprehensive income	-	1,157
Total comprehensive income	24,946	35,828
Profit allocated to NCI	1,146	1,638
Dividends paid to NCI	3,600	3,400
Summarised cash flows		
Cash flows from operating activities	131,634	63,075
Cash flows from investing activities	(76,781)	(62,164)
Cash flows from financing activities	(17)	(15)
Net increase in cash and cash equivalents	54,836	896

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 27 Borrowings

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
Repayable after one year				
Term loan	115,762	175,393	115,762	175,393
	115,762	175,393	115,762	175,393
Repayable within one year				
Term loan	59,631	133,944	59,631	133,944
Bank overdrafts	-	104,661	-	104,661
	59,631	238,605	59,631	238,605
Closing balance	175,393	413,998	175,393	413,998

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

Group / Company	Term loan	Total
As at 1 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
As at 1 April 2023	309,337	309,337
Repaid during the period	(133,944)	(133,944)
As at 31 March 2024	175,393	175,393

Total borrowings at 31 March can be analysed as follows:

Group / Company	Analysis of borrowings based on the repayment schedule			
	Within one years	2-3 years	4-5 years	Total
Term loan	133,944	111,080	64,313	309,337
Bank overdrafts	104,661	-	-	104,661
As at 31 March 2023	238,605	111,080	64,313	413,998
Term loan	59,631	102,898	12,864	175,393
As at 31 March 2024	59,631	102,898	12,864	175,393

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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	Outstanding liability 2023 / 2024					
	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2024	Repayment term
2021/22	67,500	AWPLR + 0.25%	8,182	-	8,182	33 equal Monthly instalments
As at 31 March 2024			8,182	-	8,182	commencing from November 2021

Security - Machinery has been pledged as security for loan amounting to 675 Mn.

(II) DFCC BANK

Purpose : Acquisition of Mark Marine Services (Private) Limited

Year	Outstanding liability 2023 / 2024					
	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2024	Repayment term
2021/22	387,000	AWPLR+0.75%	51,449	115,762	167,211	72 equal Monthly instalments
As at 31 March 2024			51,449	115,762	167,211	commencing from July 2021

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **28** Lease liability

	Notes	Group		Company	
		As at 31 March	As at 31 March	As at 31 March	As at 31 March
		2024	2023	2024	2023
Lease liability on Right-of-Use asset- Land	28.1	353,654	238,062	353,654	238,062
Lease liability on Right-of-Use asset- Building	28.2	13,961	11,489	13,961	11,489
Lease liability on Motor Vehicle	28.3	906	-	906	-
Closing balance		368,521	249,551	368,521	249,551

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

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
As at 1 April	238,062	220,921	238,062	220,921
Remeasurement of lease liabilities	116,174	17,453	116,174	17,453
Interest charges for the year	83,885	56,450	83,885	56,450
Settlement of liability	(84,467)	(56,762)	(84,467)	(56,762)
Closing balance	353,654	238,062	353,654	238,062

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

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
As at 1 April	11,489	13,544	11,489	13,544
Additions	5,594	-	5,594	-
Interest charges for the year	1,948	1,179	1,948	1,179
Settlement of liability	(5,070)	(3,234)	(5,070)	(3,234)
Closing balance	13,961	11,489	13,961	11,489

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

28.3 Lease liability on Motor Vehicle

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Additions	1,500	-	1,500	-
Interest charges for the year	90	-	90	-
Settlement of liability	(684)	-	(684)	-
	906	-	906	-

The asset is reflected in the property plant Equipment under Note 14 (total cost of the asset is LKR 8.35 Mn).

28.4 Detailed analysis of lease liability

Group / Company	Balance as at 31 March 2024			Balance as at 31 March 2023		
	Non-current	Current	Total	Non-current	Current	Total
Lease liability on Right-of-Use asset - Land	352,919	735	353,654	237,670	392	238,062
Lease liability on Right-of-Use asset - Building	11,178	2,783	13,961	9,064	2,425	11,489
Lease liability on Motor Vehicle	-	906	906	-	-	-
Net liability to lessor	364,097	4,424	368,521	246,734	2,817	249,551

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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

Group / Company

	0-1 years	2-3 years	4-5 years	More than 5 years	Total
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
As at 31 March 2024					
a) Lease liability on Right-of-Use asset - Land					
Interest on lease liability	(83,729)	(166,839)	(165,618)	(1,003,887)	(1,420,073)
Settlement of liability	84,463	168,926	168,926	1,351,412	1,773,727
Net liability	734	2,087	3,308	347,525	353,654
b) Lease liability on Right-of-Use asset - Building					
Interest on lease liability	(1,477)	(1,916)	(640)	(256)	(4,289)
Settlement of liability	4,259	6,815	3,936	3,240	18,250
Net liability	2,782	4,899	3,296	2,984	13,961
c) Lease liability on Motor vehicle					
Interest on lease liability	(52)	-	-	-	(52)
Settlement of liability	958	-	-	-	958
Net liability	906	-	-	-	906

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **29** Retirement benefit obligation

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Post-employment benefits (gratuity)	884,131	824,909	876,592	818,381
	884,131	824,909	876,592	818,381

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	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Opening balance as at 1 April 2023	824,909	768,409	818,381	761,472
Current service cost	47,507	43,771	47,125	43,424
Interest cost	135,661	115,410	134,878	114,220
Total amount recognised in profit or loss	183,168	159,181	182,003	157,644
Remeasurements				
- Gain from change in actuarial assumptions	58,710	70,816	58,864	72,469
Total amount recognised in other comprehensive income	58,710	70,816	58,864	72,469
Benefits paid	(182,656)	(173,497)	(182,656)	(173,204)
Closing balance	884,131	824,909	876,592	818,381

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2024 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 2024, the actuarial present value of promised retirement benefits amounted to LKR 876,591,692/-. 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 1,049,207,291/-.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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

	2024	2023
(i) Rate of interest	12.5%p.a.	16.5%p.a.
(ii) Rate of salary increase		
- Tea estate associates	10% every year	13% every year
- Estate staff	25% every three years and 5% per annum	25% every three years and 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	408	409
No of workers	3991	4989

The weighted average durations of the defined benefit obligation at end of the reporting period are 10 years and 9 years for staff and associates respectively (2023 – 7.2 years and 8.7 years for staff and associates respectively).

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

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
Staff				
Within the next 12 months	9,065	4,975	8,989	4,899
Between 2 and 5 years	20,996	20,342	14,837	15,196
Beyond 5 years	63,533	26,807	62,227	25,501
	93,594	52,124	86,053	45,596
Associates				
Within the next 12 months	87,230	84,296	87,230	84,296
Between 2 and 5 years	198,571	208,975	198,571	208,975
Beyond 5 years	504,737	479,514	504,737	479,514
	790,538	772,785	790,538	772,785

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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 2024, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

Discount rate	Salary / wage escalation rate	Present value of defined benefit obligation					
		Group			Company		
		Staff	Associates	Total	Staff	Associates	Total
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
As at 31 March 2024							
Increase by 1%	As given above	78,911	731,515	810,426	78,876	731,515	810,391
Decrease by 1%	As given above	94,289	858,036	952,325	94,324	858,036	952,360
As given above	Increase by 1%	94,428	862,691	957,119	94,393	862,691	957,084
As given above	Decrease by 1%	78,657	726,602	805,259	78,692	726,602	805,294
Staff turnover rate							
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
As at 31 March 2024							
Increase by 1%		86,003	801,689	887,692	86,003	801,689	887,692
Staff turnover rate - value as stands		93,593	790,539	884,132	86,053	790,539	876,592
Decrease by 1%		86,091	778,244	864,335	86,091	778,244	864,335

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 30 Deferred capital grants

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Capital grants				
As at 1 April	110,638	112,878	110,638	112,878
Additions	526	4,029	526	4,029
Amortisation	(8,674)	(6,269)	(8,674)	(6,269)
Closing balance	102,490	110,638	102,490	110,638

Funds have been received from the Plantation Human Development Trust (PHDT), Ministry of Estate Infrastructure for associates' 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 immature 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	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Deferred tax assets (i)	(406,583)	(318,303)	(404,321)	(316,345)
Deferred tax liabilities (ii)	925,304	668,572	820,713	622,096
Net deferred income tax liability *	518,721	350,269	416,392	305,751

*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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
Opening balance at 1 April 2023	350,269	100,029	305,751	45,549
Income statement charged / (released)				
- to profit or loss	186,065	271,485	128,300	281,943
- to other comprehensive income	(17,613)	(21,245)	(17,659)	(21,741)
Closing balance 31 March 2024	518,721	350,269	416,392	305,751

(i) Deferred tax assets

The analysis of each type of deductible temporary differences as at 31 March 2023 and 31 March 2024 are as follows:

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
The balance comprises temporary differences attributable to:				
Lease liabilities	(110,556)	(74,251)	(110,556)	(74,251)
Retirement benefit obligation	(265,280)	(212,139)	(263,018)	(210,181)
Capital grants	(30,747)	(31,913)	(30,747)	(31,913)
	(406,583)	(318,303)	(404,321)	(316,345)

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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

	Lease liabilities	Capital grants	Retirement benefit obligations	Total
Group				
At 1 April 2022	(24,252)	(10,957)	(67,172)	(102,381)
Income statement (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)
At 1 April 2023	(74,251)	(31,913)	(212,139)	(318,303)
Income statement (release) / charge				
- to profit or loss	(36,305)	1,166	(35,528)	(70,667)
- to other comprehensive income	-	-	(17,613)	(17,613)
Closing balance at 31 March 2024	(110,556)	(30,747)	(265,280)	(406,583)
Company				
At 1 April 2022	(24,252)	(10,957)	(66,201)	(101,410)
Income statement (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)
At 1 April 2023	(74,251)	(31,913)	(210,181)	(316,345)
Income statement (release) / charge				
- to profit or loss	(36,305)	1,166	(35,178)	(70,317)
- to other comprehensive income	-	-	(17,659)	(17,659)
Closing balance at 31 March 2024	(110,556)	(30,747)	(263,018)	(404,321)

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

(ii) Deferred tax liabilities

The analysis of each type of taxable temporary differences as at 31 March 2024 and 31 March 2023 are as follows:

	Group		Company	
	As at 31 March 2024	As at 31 March 2023	As at 31 March 2024	As at 31 March 2023
The balance comprises temporary differences attributable to:				
Right-of-use assets	95,526	60,974	95,526	60,974
Property plant and equipment	312,135	164,662	207,544	118,186
Bearers plants	408,004	331,649	408,004	331,649
Consumable biological assets	109,639	111,287	109,639	111,287
	925,304	668,572	820,713	622,096

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

	Right-of-use assets	Property plant and equipment	Bearers biological assets	Consumable biological assets	Total
Group					
At 1 April 2022	20,381	97,788	75,399	8,842	202,410
Income statement charge					
- 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
At 1 April 2023	60,974	164,662	331,649	111,287	668,572
Income statement charge / (release)					
- to profit or loss	34,552	147,473	76,355	(1,648)	256,732
Closing balance at 31 March 2024	95,526	312,135	408,004	109,639	925,304
Company					
At 1 April 2022	20,381	42,337	75,399	8,842	146,959
Income statement charge					
- 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
At 1 April 2023	60,974	118,186	331,649	111,287	622,096
Income statement charge / (release)					
- to profit or loss	34,552	89,358	76,355	(1,648)	198,617
Closing balance at 31 March 2024	95,526	207,544	408,004	109,639	820,713

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 32 Trade and other payables

	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Trade payables	222,311	212,350	220,776	212,350
Employee related dues	151,921	174,231	151,921	174,231
Provisions and accruals	195,437	181,105	195,437	179,640
Other payables	48,190	24,914	48,190	24,384
Taxes	40,579	577	40,579	577
Amount due to inter company-Zyrex Power co.Ltd	20	-	-	-
	658,458	593,177	656,903	591,182

Trade payables are unsecured and are usually paid within 30 days of recognition 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	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
As at 1 April	37,498	14,714	29,703	9,734
Charged for the period	38,827	100,234	20,643	88,875
Payment of income tax	(33,128)	(77,450)	(22,281)	(68,906)
	43,197	37,498	28,065	29,703

Note 34 Dividend per share

Calculation of dividend per share;	Group		Company	
	As at 31 March	As at 31 March	As at 31 March	As at 31 March
	2024	2023	2024	2023
Dividends	710,000	355,000	710,000	355,000
	710,000	355,000	710,000	355,000
Number of ordinary shares	236,667	236,667	236,667	236,667
Dividend paid per share (LKR)	3.00	1.50	3.00	1.50

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **35** Assets pledged 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.

Group/Company

Name of the financial institution	Nature of the facility	Facility granted	Balance as at 31 March 2024	Securities pledged	Carrying value of the pledged securities as at the pledged date
Nations Trust Bank PLC	Overdraft	550,000	-	Mortgage over fixed deposits and tea stock	Fixed Deposits - 256,000 Stocks - 295,000
Nations Trust Bank PLC	Term loan	67,500	8,182	Mortgage over machinery	Machinery - 75,000
DFCC Bank PLC	Term loan	387,000	167,211	Mortgage 4,180,599 shares of Mark Marine Services Pvt Ltd	Investment value - 458,936

(a) Financial commitments

Bank guarantees	Group/Company	
	As at 31 March 2024	As at 31 March 2023
Elkaduwa Plantations LTD	-	5,000
Janatha Estate Development Board	4,320	29,940
Sri Lanka Estate Plantation Corporation	-	8,000
	4,320	42,940

(b) Capital commitments

There are no material capital commitments as at the reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **37** Cash generated from operations

Reconciliation of profit before tax to cash generated from operations.

	Notes	Group		Company	
		Year ended 31 March	Year ended 31st March	Year ended 31 March	Year ended 31st March
		2024	2023	2024	2023
Net profit / (loss) before taxation		1,130,809	2,041,272	1,159,111	2,076,769
Adjustments for:					
Depreciation charge	13,14 & 15	170,552	159,031	146,290	134,789
Profit on sale of property, plant and equipment	6	-	(76)	-	(76)
Profit on sale of trees	6	(20,478)	(21,333)	(20,478)	(21,333)
Assets write-off - Rubber Immature plants		-	8,556	-	8,556
Timber fair valuation gain	7	(190,932)	(391,707)	(190,932)	(391,707)
Biological assets-produce crop valuation loss	7	3,618	(6,274)	3,618	(6,274)
Provision for retirement benefit obligations	29	183,168	159,181	182,003	157,644
Amortisation of leasehold right to assets	12	18,017	11,517	18,017	11,517
Amortisation of capital grants	30	(8,674)	(6,269)	(8,674)	(6,269)
Dividend income	6	(3,047)	-	(67,010)	(71,070)
Finance income	9	(126,109)	(121,600)	(123,967)	(119,844)
Finance expenses	9	77,852	112,490	77,852	112,490
Interest paid to government and other on lease	9	85,833	57,631	85,833	57,631
Changes in working capital					
Inventories		199,635	(379,599)	199,635	(378,428)
Trade and other receivables		436,999	(382,257)	353,042	(395,498)
Trade and other payables		65,281	216,632	65,721	216,393
Cash generated from operations		2,022,524	1,457,195	1,880,061	1,385,290

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note 38 Related party transactions

(a) Parent entities

The Company is a subsidiary of Lotus Renewable Energy (Private) Limited which owns 75.65% (2022/2023-75.65%) 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 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.
- (vi) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of Good Earth Fertilizer Pvt Ltd.
- (vii) Messrs. G.D. Seaton and A.U.A.M. Athukorala, who are Directors of the Company are also Directors of Sri Bio Tech Lanka (Private) Limited.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

(d) Recurrent transactions with other related companies

The following transactions occurred with related parties;

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

Nature of the company	Relationship	Nature of transaction	As at 31 March 2024		As at 31 March 2023	
			Value of transactions	% of net revenue / income	Value of transactions	% of net revenue / income
Lotus Renewable Energy (Private) Limited	Parent	Interest income	44,364	0.01	35,508	0.66%
		Sales				
Mark Marine Services (Private) Limited	Subsidiary	Ordinary shares dividends	63,963	0.84%	71,070	1.33%
		Rental income	15	0.00%	15	0.00%
Lotus Hydropower PLC	Affiliate	Sales	546	0.01%	591	0.01%
		Reimbursement of expenses	2,243	0.03%	1,816	0.03%
Origin Tea Exports Pvt Ltd	Affiliate	Sales	119	0.00%	249	0.00%
G&G Agro Commodities (Private) Limited	Affiliate	Sales	-	0.00%	246	0.00%

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

Nature of the company	Relationship	Nature of transaction	As at 31 March 2024		As at 31 March 2023	
			Value of transactions	% of net revenue / income	Value of transactions	% of net revenue / income
Lotus Renewable Energy (Private) Limited	Parent	Fuel expenses	-	0.00%	72	0.00%
		Accommodation charges	240	0.00%	-	0.00%
Lotus Hydropower PLC	Affiliate	Service Cost	803	0.01%	838	0.02%
Origin Tea Exports (Private) Limited	Affiliate	Reimbursement of expenses	-	0.00%	2,297	0.04%
		Service Cost	368	0.00%	-	0.00%
		Fuel expenses	106	0.00%	-	0.00%
		Gratuity	207	0.00%	-	0.00%
Zyrex Power Company Limited	Affiliate	Reimbursement of expenses	580	0.01%	297	0.01%
Sri Bio Tech Lanka (Private) Limited	Affiliate	Purchase of goods	17,648	0.23%	57,698	1.08%
		Reimbursement of expenses	1,977	0.03%	2,334	0.04%
Good Earth Fertilizer Pvt Ltd	Affiliate	Purchase of goods	24,555	0.32%	-	0.00%
		Reimbursement of expenses	78	0.00%	-	0.00%

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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

Nature of the company	Relationship	Nature of transaction	As at 31 March 2024		As at 31 March 2023	
			Value of transactions	% of net revenue / income	Value of transactions	% of net revenue / income
Lotus Renewable Energy (Private) Limited	Parent	Short term lending	290,000	3.80%	368,000	6.87%
		Short term loan recovery	290,000	3.80%	175,250	3.27%
		Recovery of loan interest	44,364	0.58%	13,210	0.25%

(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 at Company level. Amounts due to related companies to the Group are set out in note 32.

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	
	2024	2023
Salaries and other short term employee benefits	29,363	14,345
	29,363	14,345

(g) Terms and conditions

The loans to parent company is generally for periods of 6 months, repayable in monthly instalments at interest rates of AWPLR+1%. (2023- 27%) 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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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:

	2024	% of total loans	2023	% of total loans
Group				
Variable rate borrowings	175,393	100.00%	309,337	100.00%
	175,393	100.00%	309,337	100.00%
Company				
Variable rate borrowings	175,393	100.00%	309,337	100.00%
	175,393	100.00%	309,337	100.00%

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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			
	2024	2023	2024	2023
Interest rate - increase by 5%	25,812	26,805	25,812	26,805
Interest rate - decrease by 5%	(25,812)	(26,805)	(25,812)	(26,805)

(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.

	Group	
	Increase / (decrease) on post tax profit	
	2024	2023
Auction price - increase by 1%	64,785	76,198
Auction price - decrease by 1%	(64,785)	(76,198)

(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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

(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.

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 3,352,037/- (2023 - LKR 91,841,050/-).

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.

	Rating	Group		Company	
		As at 31 March		As at 31 March	
		2024	2023	2024	2023
Cash at bank and short-term bank deposits.					
Cash at bank					
- Hatton National Bank PLC	A (lka)	139,702	17,027	139,652	16,977
- Commercial Bank of Ceylon PLC	A (lka)	1,226	8,047	1,226	8,047
- Nations Trust Bank PLC	A- (lka)	394,988	325,629	394,988	325,629
- Seylan Bank PLC	A- (lka)	47	48	47	48
- State Bank of India	BBB- (lka)	37	12,953	37	12,953
- Peoples Bank PLC	A (lka)	61	152	61	152
- DFCC Bank PLC	A- (lka)	20,536	2,605	1	377
- National Development Bank PLC	A- (lka)	546,087	281,830	509,613	281,829
		1,102,684	648,291	1,045,625	646,012
Unrated					
- Cash in hand		2,258	1,378	2,203	1,377
Cash and cash equivalents		1,104,942	649,669	1,047,828	647,389

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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.

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 3,352,037/- (2023 - LKR 91,841,050/-).

The aging analysis of trade receivable as follows.

(LKR'000)	Total	0-60 days
Ceylon Electricity Board	3,352	3,352

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.

	Notes	Group		Company	
		2024	2023	2024	2023
Existing customers with no default history	22	89,341	256,120	85,989	163,095
Related parties	23	937	313,469	957	317,711
Other third parties	22	54,159	55,495	52,685	55,495
		144,437	625,084	139,631	536,301

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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

On that basis, the loss allowance as at 31 March 2024 and 31 March 2023 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 2023						
Expected loss rate	-	-	-	-	-	-
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	-	-	-	-	-	-
31 March 2024						
Expected loss rate	-	-	-	-	-	-
Gross carrying amount – trade receivables	85,989	3,352	89,341	85,989	-	85,989
Related parties	937	-	937	957	-	957
Other third parties	54,159	-	54,159	52,685	-	52,685
Loss allowance	-	-	-	-	-	-

(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.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Contractual maturities of financial liabilities.

	Within one year	2-3 years	4-5 years	More than 5 years	Total contractual cash flows	Carrying amount liabilities
Group						
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
31 March 2024						
Lease Liability	89,680	175,741	172,862	1,354,650	1,792,933	368,521
Borrowings	59,631	102,898	12,864	-	175,393	175,393
Trade and other payables (excluding statutory liabilities)	270,521	-	-	-	270,521	270,521
	419,832	278,639	185,726	1,354,650	2,238,847	814,435
Company						
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
31 March 2024						
Lease Liability	89,680	175,741	172,862	1,354,650	1,792,933	368,521
Borrowings	59,631	102,898	12,864	-	175,393	175,393
Trade and other payables (excluding statutory liabilities)	268,966	-	-	-	268,966	268,966
	418,277	278,639	185,726	1,354,650	2,237,292	812,880

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

(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:

	Notes	Group		Company	
		As at 31 March		As at 31 March	
		2024	2023	2024	2023
Total borrowings	27	175,393	413,998	175,393	413,998
Less:					
Cash and cash equivalents	24	504,453	186,283	447,339	184,003
Net debt		(329,060)	227,715	(271,946)	229,995
Total equity		4,674,397	4,525,491	4,944,149	4,586,475
Total capital		4,674,397	4,525,491	4,944,149	4,586,475
Net debt to equity ratio		-7.04%	5.03%	-5.50%	5.01%

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Note **40** Events after the reporting date

The Commissioner General of Labour, by way of Government Gazette No. 2381/35 and No. 2382 / 04 dated 25th April 2024 and 30th April 2024 respectively, issued a notification to determine the minimum payment in respect of the workers engaged in Tea Growing and Manufacturing Trade [and Rubber Growing and Raw Rubber Manufacturing Trade] under section 33 of the Wages Boards Ordinance. On 21st May 2024, determination relating to the minimum payment was approved by the Hon. Minister of Labour and Foreign Employment by way of Government Gazette No. 2385/ 14.

Subsequently, the Company and Regional Plantation Companies have submitted their objections and appeal to the Court of Appeal and then to the Supreme Court. The Supreme Court issued an Interim order on 4 July 2024 staying the operation of the impugned Gazettes until the final determination of the Court of Appeal. The Court of Appeal was directed to conclude the matter before the end of August 2024.

By the Extraordinary Gazette No. 2392/37 dated 10th of July 2024, the Minister of Labour and Foreign Employment cancelled the notification published in the Gazette

Extraordinary No. 2381/35 dated 25th April 2024.

On 13th August 2024 by the Gazette No. 2397/27, a proposal was notified by the Chairman of the Wage Board for daily wage of Rs. 1,350/= and a productivity-based incentive of Rs. 350/- per day for time work of Tea growing and manufacturing trade. The proposal is open for objections until 28th August 2024.

At the time these financial statements were authorized, a conclusion has not been reached as at the reporting date. The basis of payment of productivity incentives of the proposal opened for objections is not clearly explained to determine any financial impact. As a result, the Company is unable to ascertain the potential impact of this matter. There is no impact to the financial statements for the year ended 31st March 2024 and no adjustments was made in the Financial Statements for the year ended 31st March 2024.

There have been no other material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

Supplementary Information and Annexures



ESTATE HECTARAGE STATEMENT

Area (Ha)	2023/ 2024	2022/ 2023	2021/ 2022	2020/ 2021	2019/ 2020	2018/ 2019	2017/ 2018	2016/ 2017	2015/ 2016	2014/ 2015	2013/ 2014
Tea Mature	3,346.06	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	61.95	88.42	98.26	29.95	34.29	51.29	64.74	45.29	82.69	82.65	60.05
Tea	3,408.01	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	751.58	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	12.08	10.67	12.08	13.08	12.08	12.08	12.08	12.08	14.58	14.58
Other Cultivated Area	977.21	915.57	111.74	123.69	56.69	61.19	45.74	45.74	62.66	59.66	59.66
Roads/ Buildings/ Gardens/ Water Shed Management etc	2,057.50	2,077.34	2,038.84	2,022.05	1,955.23	1,944.63	1,939.53	1,947.13	2,166.04	1,850.96	1,767.50
Other	3,798.37	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	7,206.38	7,627.09	7,627.09	7,629.59

CROPS AND YIELDS

Production (Kg'000)

Region	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea											
Watawala	1,662	1,354	2,102	2,900	2,122	1,797	2,073	1,893	2,489	2,754	2,563
Hatton	3,504	3,153	4,501	4,910	4,011	3,335	3,749	3,459	4,297	4,402	4,388
Lindula	2,023	1,599	2,103	2,151	1,996	1,925	2,088	1,835	2,323	2,881	2,682
Tea	7,189	6,106	8,706	9,960	8,128	7,057	7,909	7,187	9,110	10,036	9,632

Yield per hectare (kg)

Region	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea											
Watawala	1,285	956	1,292	1,448	1,220	1,221	1,329	1,269	1,373	1,533	1,420
Hatton	1,786	1,477	1,693	1,514	1,414	1,469	1,480	1,224	1,441	1,624	1,570
Lindula	1,332	1,065	1,290	1,207	1,229	1,217	1,305	1,152	1,444	1,523	1,415
Tea	1,471	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	1471
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
Other Buildings														
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	268	202	668	311	511	176	398	286	270	397	4,192

SHAREHOLDERS' AND INVESTORS' INFORMATION

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 Profit or Loss for the period ended 31 March 2024 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 2024 – 15,895 (as at 31 March 2023 – 16,040)

Public Share Holding

The Percentage of shares held by the public: 11.99% (2023/2024 – 11.99%) held by 15,892 ordinary shareholders (2022/2023-16,037).

	Option	Float adjusted market capitalization	Public holding Percentage	No of public shareholders
Listing rule 7.13.1 (i) b	2	Less than LKR 1Bn	10.00%	200
Compliance by HPL		LKR 0.729 Bn	11.99%	15,892

A). Resident/Non Resident Holders - (Manual) & (CDS)

Shareholdings	Residents			Non Residents			Total		
	No of Shareholders	No of Shares	Percentage (%)	No of Shareholders	No of Shares	Percentage (%)	No of Shareholders	No of Shares	Percentage (%)
1 to 1,000	8,587	3,787,975	1.60	3	615	0.00	8,590	3,788,590	1.60
1,001 to 10,000	7,180	14,344,685	6.06	2	7,600	0.00	7,182	14,352,285	6.06
10,001 to 100,000	100	2,871,037	1.21	3	158,472	0.07	103	3,029,509	1.28
100,001 to 1,000,000	15	2,844,310	1.20	1	825,216	0.35	16	3,669,526	1.55
Over 1,000,000	3	209,896,587	88.69	1	1,930,174	0.82	4	211,826,761	89.51
Total	15,885	233,744,594	98.76	10	2,922,077	1.24	15,895	236,666,671	100.00

B). Institutional/Non Institutional Holders - (Manual) & (CDS)

Shareholdings	Residents			Non Residents			Total		
	No of Shareholders	No of Shares	Percentage (%)	No of Shareholders	No of Shares	Percentage (%)	No of Shareholders	No of Shares	Percentage (%)
Individual	15,825	24,605,459	10.40	8	166,687	0.07	15,833	24,772,146	10.47
Institutional	60	209,139,135	88.37	2	2,755,390	1.16	62	211,894,525	89.53
Total	15,885	233,744,594	98.77	10	2,922,077	1.23	15,895	236,666,671	100.00

Share Trading Information from 1 April 2023 to 31 March 2024

	2024	2023
Highest during the period	33.00	43.20
Lowest during the period	17.80	7.90
Closing price	25.70	18.70
No. of transactions	4,448	11,317
No. of Shares traded	5,214,034	10,396,808
Value of Shares traded (LKR)	142,454,309	284,851,269

Twenty (20) largest shareholders

	31st March 2024		31st March 2023	
	No of Shares held	% of the holding	No of Shares held	% of the holding
01 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 EMFI Capital Ltd	1,930,174	0.82	-	-
04 Mr. K.C. Vignarajah	1,796,294	0.76	2,020,769	0.85
05 Deutsche Bank Ag Singapore A/C 2	825,216	0.35	1,318,551	0.56
06 Mrs. N. Muljie	552,900	0.23	552,900	0.23
07 Mr. M.I. Abdul Hameed	350,000	0.15	350,000	0.15
08 Union Investments Private Ltd	262,000	0.11	262,000	0.11
09 Mr. H.D.A.D. Perera	200,100	0.08	200,100	0.09
10 MR. B.L.S. Peiris	200,000	0.08	200,000	0.09
11 C M Holdings Plc	170,000	0.07	170,000	0.07
12 Mr. M.M. Hashim	151,900	0.06	151,900	0.06
13 Mr.H A R Peiris	135,000	0.05	-	-
14 Mr. D.W.G. Ponweera	134,810	0.06	128,700	0.05
15 Mrs. K.G.M. Pieris	125,900	0.05	125,900	0.05
16 Merchant Bank of Sri Lanka & Finance Plc/R.M.N.C.	125,820	0.05	-	-
17 Mr. D.C.D.L.S.D. Perera	115,000	0.05	115,000	0.05
18 MR. M.R. Laffir	110,000	0.05	110,000	0.05
19 Mr.S J Ranasinghe	108,880	0.05	-	-
20 Mr M N M Rifkan	102,000	0.04	-	-
Sub total	215,496,287	91.04	213,806,113	90.34
Others	21,170,384	8.96	22,860,558	9.66
Grand total	236,666,671	100.00	236,666,671	100.00

Share trading information-last four years

	2024	2023	2022	2021
Highest during the year	33.00	26.20	15.00	12.30
Lowest during the year	17.80	18.50	8.00	3.50
As at 31 March	25.70	18.70	8.40	8.70
No. of shares	236,666,671	236,666,671	236,666,671	236,666,671

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 equity investments.

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.

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 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 Institute 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

Chartered 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 environmentally sustainable.

EWHCS

Estate Worker Housing Cooperative Societies.

EXTENT IN BEARING

The extent of land from which crop is being harvested. Also see "Mature Plantation".

FIELD

A unit extent of land. Estates are divided into fields in order to facilitate management.

GDP

Gross Domestic Product

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.

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 Labour 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 Labour 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

RAINFORREST 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 environmental 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 SEVENTH(7TH) ANNUAL GENERAL MEETING OF HATTON PLANTATIONS PLC WILL BE HELD ON THURSDAY, 26TH SEPTEMBER 2024 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 2024 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 81 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 81 years prior to this Annual General Meeting and that he be re-appointed"

3. To propose the following resolution as an ordinary resolution for the appointment of Mr. W L P Wijewardena who has reached the age of 71 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. W L P Wijewardena who has reached the age of 71 years prior to this Annual General Meeting and that he be re-appointed"

4. To re-elect Mr. W M A I Fernando as per Article 30(1) of the Articles of Association.
5. To re-elect Mr. H D A D Perera as per Article 30(1) of the Articles of Association.
6. To re-appoint Messrs. Deloitte Partners (Chartered Accountants) and authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine contributions to Charities.
8. Any other Matters.

Amendments to Articles of Association

- To consider and if thought fit to pass the following Special Resolutions to amend the Articles of Association of the Company in line with and to comply with the Listing Rules of the Colombo Stock Exchange.

Special Resolution 1:

IT IS HEREBY RESOLVED THAT the existing Article 28 (1) be deleted and be substituted with the following new Article 28 (1):

28. Appointment and Removal of Directors

- (1) Unless otherwise determined by ordinary resolution of the shareholders the number of Directors shall not be less than Five (05) and not more than twelve (12).

Special Resolution 2:

IT IS HEREBY RESOLVED THAT the existing Article 8 be deleted and be substituted with the following new Article 8 (a), (b), (c), (d):

8. (a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.
- (b) An Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity.
- (c) An Alternate Director is appointed by an Independent

Director, the person so appointed should meet the criteria of independence specified in these Rules and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made.

- (d) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.

By order of the Board



Corporate Advisory Services (Pvt) Ltd

Secretaries, Hatton Plantations PLC

Colombo

23rd August 2024

Notes:

1. The Annual Report of the Company for 2023/24 is available on the Corporate Website - <https://hattonplantations.lk/financial-data/AnnualReports/Annual-Report-2023-2024.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 Seventh (07th) Annual General Meeting of the Company, to be held on 26th September 2024 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 2024 with the report of the Auditors thereon.	<input type="radio"/>	<input type="radio"/>
2. To pass an ordinary resolution to re-appoint Mr. U H Palihakkara who has reached the age of 81 years, as a Director.	<input type="radio"/>	<input type="radio"/>
3. To pass an ordinary resolution to re-appoint Mr. W L P Wijewardena who has reached the age of 71 years, as a Director.	<input type="radio"/>	<input type="radio"/>
4. To re-elect Mr. W M A I Fernando as per Article 30(1) of the Articles of Association.	<input type="radio"/>	<input type="radio"/>
5. To re-elect Mr. H D A D Perera as per Article 30(1) of the Articles of Association.	<input type="radio"/>	<input type="radio"/>
6. To re-appoint Messrs. Deloitte Partners (Chartered Accountants) as Auditors of the company authorize the Directors to determine their remuneration.	<input type="radio"/>	<input type="radio"/>
7. To authorize the Directors to determine contributions to Charities.	<input type="radio"/>	<input type="radio"/>
8. Any other matters		
<input type="checkbox"/> Special Resolution 1:	<input type="radio"/>	<input type="radio"/>
<input type="checkbox"/> Special Resolution 2:	<input type="radio"/>	<input type="radio"/>

Dated thisday of2024

.....
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 24th September 2024.
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

(Appointed as a Director on 17th July 2019, as the Managing Director on 23rd Jul 2019 and as 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

S S P Corporate Services (Pvt) Ltd

No. 101, Inner Flower Road, Colombo 03

Tel : +94 11 2576871

Email : sspsec@sltnet.lk

AUDITORS

Deloitte Partners (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 – 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

DFCC Bank PLC

People's Bank PLC

Commercial Bank PLC

Seylan Bank PLC

