KAHAWATTE PLANTATIONS PLC

ANNUAL REPORT 2021

Our Vision

Enjoy leading the way in creating the best
value agribusiness enterprise

Our Mission

Enhance stakeholder value, Surpass customer expectations,
Empower people in a learning organization, Be an employer of choice,
Respect and nurture planet earth.

Our Core Values

We treat our **People** with **respect** as they are our most Valuable **asset** in driving value creation processes We hold ourselves to the highest standards of **honesty** and **integrity**

Learning and **continuous improvement** demonstrate our passion for **excellence** in everything we do, **Opportunities** and **rewards** will be on the merits of **performance** and achievement of **results**.

Cover Page Story

"Committed to producing quality Tea, Rubber and Cinnamon while driving agricultural innovation that helps conserve the environment and empowers workers"

Financial Highlights

Year Ended 31st December	2021 Rs.'000	2020 Rs.'000	% Increase/ (Decrease)
Revenue	4,267,216	2,979,643	43%
Profit/(Loss) from Operating Activities	89,340	(274)	(32706%)
Net Loss	(106,198)	(245,767)	(57%)
Total Comprehensive Income/ (Expense)	11,348	(294,593)	(104%)
Non-Current Assets	4,512,714	4,432,874	2%
Shareholder's Funds	1,146,109	1,134,761	1%
Stated Capital	1,698,952	1,698,952	0%
Basic Loss per Share - (Rs.)	(1.07)	(3.07)	(65%)
Net Asset per Share - (Rs.)	11.53	11.42	1%

Contents

Financial Calendar

1st Quarter interim Financial Report	13th May 2021
2nd Quarter interim Financial Report	13th August 2021
3rd Quarter interim Financial Report	08th November 2021
4th Quarter interim Financial Report	28th February 2022
Annual Report - 2021	25th May 2022
29th Annual General Meeting	27th June 2022


Recommissioning of the Hunuwella Tea Factory, other Tea Factories recommissioned are Poronuwa & Wellandura


Founder, Merrill J. Fernando with son, Dilhan C. Fernando at an event to felicitate retired members of the KWPL


One Earth Climate Change Centre, Queensberry Estate, Nawalapitiya


The Coffee Nursery at Barcaple Estate


Aerial View of the Mega Hydro Project at Barcaple Estate


Recommissioning of Pelmadulla Rubber Factory

Estate Information

Kahawatte Region						
Regional General Manager - Low Country - Mr. Tony Bertus - Appointed w.e.f. 01.08.2021						
Estate	**Manager In Charge**	**Crop**	**Total Extent (Ha)**	**Postal Address**	**No. of Buildings**	
					Factory	*** Other Buildings**
Ekkerella	Mr. Sampath Fernando	Tea cum Rubber	751.03	Ekkerella Estate, Opanaike	1	276
Endane	Mr. Sugath Galgamuwa (W.e.f 01.10.2021)	Tea	650.56	Endane Estate, Kahawatte	2	944
Houpe	Mr. Indika Prabath	Tea cum Rubber	747.82	Houpe Estate, Kahawatte	1	889
Hunuwella	Mr. Lakshman Premathilake	Tea cum Rubber	992.50	Hunuwella Estate, Opanayake	3	733
Opata	Mr. Vajira Hewage	Tea cum Rubber	829.00	Opata Estate, Kaha-watte	2	944
Pelmadulla	Mr. Lakkhana Perera	Tea cum Rubber	856.45	Pelmadulla Estate, Kahawatte	2	944
Poronuwa	Mr. Suneth Hewagama (w.e.f. 12.10.2021)	Tea cum Rubber	813.03	Poronuwa Estate, Kahawatte	2	567
Rilhena	Mr. Chanaka Gunathilake (w.e.f. 01.10.2021)	Tea cum Rubber	811.84	Rilhena Estate, Pelmadulla	1	737
Wellandura	Mr. Kusal Siriwardhana	Tea cum Rubber	751.86	Wellandura Estate, Kahawatte	2	589

Nawalapitiya Region						
Director Plantations - Up Country Mr. Chaminda Gunarathna						
Estate	**Manager In Charge**	**Crop**	**Total Extent (Ha)**	**Postal Address**	**No. of Buildings**	
					Factory	*** Other Buildings**
Barcaple	Mr.M.S.L.Madhushanka (w.e.f.10.12.2021)	Tea	624.00	Barcaple Estate, Kataboola	-	444
Craighead	Mr. Abhisheka Samarakoon	Tea	679.09	Craighead Estate, Udahentenne	1	888
Galamuduna	Mr. Muditha Rajasekara	Tea	639.65	Galamuduna Estate, Dolosbage	1	516
Imboolpittia	Mr. Kasun Kariyawasam	Tea	861.00	Imboolpittia Estate, Nawalapitiya	1	750
Kataboola	Mr. Shaminda De Silva	Tea	988.12	Kataboola Estate, Kataboola	1	1,309
Queensberry	Mr. Prageeth Wanigasekara (w.e.f. 26.08.2020)	Tea	415.00	Queensberry Estate, Kataboola	1	592
Westhall	Mr. Akila Gunaratne (w.e.f. 10.12.2021)	Tea	945.00	Westhall Estate, Kataboola	1	504
					22	11626

* Other buildings includes of offices, bungalows, workers quarters and child development centers.

Chairman's Review

I have the pleasure of presenting your company's Audited Financial Statements, Auditor's Report and Director's report for the financial year ended 31st December 2021.

GLOBAL ECONOMY

After two years of the COVID19 crisis, economic developments were both encouraging and troubling, with many risks and considerable uncertainty. The resurgence of COVID from time to time and the economic impact of COVID resulted in a very challenging year. On the brighter side, output in many countries rebounded in 2021 after a sharp decline in 2020. International trade picked up, and high commodity prices are benefiting many developing countries.

Yet, for many developing countries, the progress towards recovery has been hampered by daunting challenges; Macroeconomic imbalances have reached unprecedented proportions, the growing income inequality across and within countries is compounding this rising tension as the world is undergoing a phase of exceptional uncertainty.

After many years of increases in global tea production, the drop in 2020 was followed by a recovery in 2021. Global tea production in 2021 was 6.47 million metric tons, in comparison to 6.01million metric tons in 2020, whilst world wide tea exports in 2021 reaching 1.88 million metric tons.

Natural rubber production worldwide in 2021 amounted to 13.8 million metric tons, whilst consumption was recorded at 14.06 million metric tons. This is a notable increase from 2000, when only a total of around 6.8 million metric tons of natural rubber was produced globally.

SRI LANKA ECONOMY

The Sri Lankan economy showed a recovery in 2021, compared to 2020. Real GDP which contracted by 3.6 percent in 2020, is projected to have recovered to 3.7 percent in 2021. As per the Annual Report of the Central Bank, all sectors of the economy registered growth during the year (agriculture, forestry and fishing by 2.0 per cent; industry by 5.3 per cent; and services by 3.0 per cent). Nonetheless, higher annual fiscal deficits due to pre pandemic tax changes and weak revenue collection, balance of payments pressures and drop in official reserves, debt servicing obligations and the need to finance essential imports impacted the economy negatively. This resulted in import restrictions, cost escalations and political unrest. With Tourism and Worker remittances affected directly by the pandemic, Exports became the main source of foreign exchange.

The outlook for 2022, is subject to many uncertainties and needs the tightening of monetary policy. High inflation, scarcity of essentials, poor agricultural yields, the impact of the Russia-Ukraine conflict and the high interest rates are likely to impact the local economy.

PLANTATION INDUSTRY

Tea

The economic problems of the country resulted in 2021 becoming a challenging year for Ceylon Tea. The continuing effect of Covid-19 with the discovery of Delta and other COVID variants, the impact of the withdrawal of chemical fertilizer by Sri Lanka government, which would have a lag effect on the supply of agricultural produce including tea in 2022 as well, the increased cost of fertilizer and other inputs affected the recovery of the tea sector.

However, tea production in 2021 improved in comparison to the COVID hit 2020, with the 1st 3 quarters showing growth. Improved weather conditions, and the easing of the COVID related lockdowns with the successful vaccination program, can be attributed to this performance. Tea Production increased in volume in 2021 to 295 Mn kg. from 268Mn kg in 2020.

Sri Lanka's Tea industry faces longer term challenges arising from climate change, and increasing price competition in the global tea category. The potential for quality tea is undisputed although more strategic direction, and promotion of Ceylon Tea to secure the image of Sri Lankan Tea amongst younger consumers who now dominate the tea category, as well as access to affordable funding for soil rehabilitation, replanting, social and environmental sustainability as well as innovation in the industry are critical requirements. Continuing the dependance on traditional markets, traditional agricultural methods and the reputation of Ceylon Tea amongst an ageing generation, do not bode well for the future of Ceylon Tea.

Rubber

Sri Lanka Rubber production in 2021 was 76.8 millon tonnes and the consumption was 133.8 millon tonnes , whilst comparatively in 2020 production was 78.2 million tonnes and consumption was 112.8 million tonnes . This performance was in the backdrop of wet weather experienced during the year and impact of the pandemic and Pestalotopsis (Pesta) disease. The National yield per hectare has come down from 823 kilos in 2015 to below 650 kilos per hectare by 2021.

The Natural Rubber (NR) prices have also improved and averaged around US$1.68 per kg for TSR-20 grades and US$2.17 per kg for RSS-grades during 2021 inspite of numerous uncertainties such as outbreak of new variant of Covid-19, global supply chain disruption caused by global shortage of chipset and high shipping costs. The global market dynamics had a positive impact on the overall Rubber performance.

COMPANY PERFORMANCE

Tea

Your Company produced 5.57 million kg of tea during the year under review, as against the 4.20 million kg in 2020. The low country segment continues to rely heavily on bought leaf to utilize optimum factory capacity and had to overcome significant challenges when operating in an environment without a level playing field and competing for the same limited supply of leaf. and produced 32.5% more in 2021 in comparison to 2020.

More often than not, those Company owned factories that regulate themselves within strict ethical protocols in contrast to those that operate with greater latitude are at a disadvantage.

Chairman's Review *(Contd...)*

Your Company will nevertheless continue to maintain those standards of quality and product integrity while continuing to advocate greater responsibility on the part of the Sri Lanka Tea Board, and the adoption of a national Sri Lanka Tea Standard for Quality, Ethics & Sustainability. The implementation of a harmonized standard for tea alongside the implementation of the necessary quality infrastructure will align Ceylon Tea more closely with the regulatory requirements of importing countries, while also addressing critical agricultural, manufacturing, social and environmental priorities. This will strengthen trust in Ceylon Tea and prospects for the revitalization of the Ceylon Tea brand.

We are pleased to report that in 2021, your Company was the largest producer of low grown tea among the RPCs. The Company GSA for 2021 was Rs 609.51 per kg, as against Rs.638.37 per kg in 2020, which is a drop of 4.5%. The low grown GSA of the Company dropped to Rs. 613.28 per kg in 2021 from Rs. 658.64 per kg in 2020 whilst the mid grown GSA of the Company dropped to Rs. 608.04 from Rs. 618.98 per kg in 2020.

Rubber

Natural rubber Prices improved during the year along in spite of rising crude oil prices and more wet weather experienced throughout the period under review. National Average Latex Crepe 1X increased from Rs. 357.90 per kg to Rs. 635.16 per kg, from 2020 to 2021. Further, National Average RSS1 prices increased by a range of Rs. 50/- to 70/- compared to the average RSS1 price of 2020.

In addition to this benefit, your Company was able to maintain the rubber harvest at 1.11 Mn kgs, 0.04 Mn Kgs marginally less than the previous season inspite of unfavorable weather conditions.

Cinnamon

In 2021, Sri Lanka Cinnamon marked a significant milestone by achieving "GI status for Ceylon Cinnamon . The highest level for branding, visibility and protection in the international market.
The Company's Cinnamon production in 2021 increased by 94.6% over 2020 to 78,885Kgs in 2021.

Awards and Achievements

Nine of the Company's tea processing centers secured 381 top prices during 2021 including 2 All-time record prices at the Colombo auctions.

Human Resource Development and Social Responsibility

Plantation community development, which has been an integral component of the overall strategy of your Company, continues to receive support from the MJF Charitable Foundation. The nutritional support programs covered all 61 Child Development Centers in the Company and benefited all children under the age of five years. The MJF Foundation Scholarship Program provided support to 5 students from KWPL estates during the year under review, taking the total of such beneficiaries from the inception of the program to 100. The MJF Foundation continues to provide singular support in the area of community development in general and child development specifically.

Most of the programs initiated by the MJF Charitable Foundation in the previous years continued through 2021. E.g. Programs aimed at addressing issues such as prevention of Dengue, awareness of both contagious and non-communicable diseases, "Well Women Clinics" for female residents, Dental Hygiene Clinics, Sight Evaluation Clinics and distribution of spectacles, Alcoholism and substance abuse awareness & prevention, Domestic Finance Management, Child Care and Child Nutrition, basic educational aid to children at school entry level, were carried out during the year under review, across all plantations of the Company.

The MJF Charitable Foundation in a spontaneous response to the impact of Covid 19 on the workers of your Company, distributed dry rations and food packs to plantation worker families during 2021.

During the year MJF Charitable Foundation provided 1273 ergonomic plucking baskets to Pluckers, 16 no's of field restrooms, 400 no's of worker toilets, 1 no's of up-gradation to consumer outlets and 3 no's of upgrading of child development centers.

INDUSTRY OVERVIEW AND FUTURE STRATEGIES

Tea

The challenges faced by the tea industry are envisaged to worsen during 2022 due to the rapidly changing macro economic landscape. Declining land productivity, over-reliance on a steadily diminishing work force and absence of a broad-based national initiative for mechanization and automation as a counter strategy continues unaddressed. Regular wage increases without any link to productivity improvements, and the absence of a national policy, for the development of the sector which provides a livelihood for over 10-15% of the country's population, adds to the deterioration of the sector.

The depreciation of the rupee should convert positively to a higher level of Tea auction prices in the medium-term inspite of the sharp increase in freight rates and other input costs.

As emphasized in previous reviews, Sri Lanka is yet to see a concerted effort by most exporters to add value to Sri Lankan tea at source. Adherence to an outdated business model creates vulnerability connected with servitude to foreign brands which are driven solely by profit and it therefore forces Sri Lankan exporters into a spiral of declining prices, compromising social, environmental and commercial aspects of the Ceylon Tea industry. The opportunity for change has never been greater with heightened appreciation of health & wellness in tea, also in the provenance and purity of traditional, orthodox tea. Sri Lanka has the opportunity to connect with this trend that is being fuelled by younger, more adventurous consumers although that demands a more proactive approach by industry, overseeing and facilitating agencies.

Chairman's Review *(Contd...)*

Rubber

On the consumption side of natural rubber, demand is driven by the healthcare sector and positive automotive growth in some major economies. However, other global events such as geopolitical crises, rising crude oil prices as well as supply-chain disruptions caused by delayed shipping schedules could impact growth. The post-pandemic economy recovery, may also be supported by some countries' decisions to reopen their borders to boost their economies. Furthermore, a price rally in crude oil prices, driven mainly by the war in Ukraine, could also influence the NR market. The Association of Natural Rubber Producing Countries (ANRPC) estimates the production and consumption for 2022 to be at around 14.11 million metric tons and 14.23 million metric tons respectivel

Further, if a permanent and a practical solution is not found sooner rather than later, the continuous loss of crop due to Pestalotopsis (Pesta) decease may cause a shortage during months to come.

Diversification Initiatives

Despite continued uncertainty of state policies & inducement regarding ancillary crops, your Company will continue to pursue opportunities for supplementing core crops with other cultivations, in both regions and particularly in the low-country segment without compromise of core revenue crops.

Capital Development

It is pertinent to note that since 2012, your Company has spent over Rs 2,058 Mn on Tea(40%), Rubber (39%), Cinnomon(14%) and 7% in Other crops replanting. Expansion and further investment will continue in coming years.

Strategies

After careful consideration and taking a medium to long term view, your Company has adopted strategies to consolidate core crop development & replanting; rebuilding manufacturing capacity by recommissioning tea and rubber factories; unlocking potential of biological assets to diversify the income streams and reduce the reliance on the traditional crops; diversification of crops; consolidation of micro and small entrepreneur programs with the involvement of MJF Foundation and Dilmah Conservation. These changes are being done in harmony with workers, their families and retired workers with the support of Dilmah and the MJF Foundation, to involve estate communities, and support their livelihoods through agroforestry, entrepreneurship, environmental and related initiatives.

Outlook and Challenges

The worker wage increase gazetted on 5th March 2021 with no link to productivity, has had its inevitable impact on bottom lines of RPCs and could impede global competitiveness of our national brand "Ceylon Tea". The greater aspirations of workers are natural, and must be facilitated, although the social, environmental and economic sustainability of the industry critically requires fresh consideration of the agricultural development, sustainability, quality, marketing aspects discussed above. Brands, consumers, retailers and other buyers and exporters are as responsible for the concept of a fair price for Ceylon Tea, and therefore a fair wage, as the smallholders and regional plantation companies, and that fair price depends on offering the finest tea, with the assurance of sustainability, and effective marketing communication.

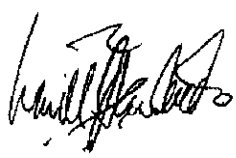
The impact of the ban on agro chemicals and the high cost of fertilizer, would affect the output of the Company in 2022. Many macroeconomic ground realities that currently exist, the foreign currency crisis, high inflation and shortage of essentials resulting in worker unrest, higher prices for inputs including fuel and utilities, high cost of fertilizer, supplier chain disruptions, the Russia-Ukraine conflict, political uncertainty are likely to have a negative impact on the plantation sector in 2022. The weakening of the Sri Lanka Rupee and its impact on tea prices may counter these effects to some extent.

As a leading Plantation Company, we believe in creating sustainable value to all our stakeholders as the only way to achieving long lasting success. We are committed to adopting sustainable agricultural practices in our daily operations where all aspects of environmental health, economic profitability and social responsibility are deemed equally important.

APPRECIATION

I wish to place on record my appreciation to all stakeholders, especially our Employees, Trade Unions, Buyers, Brokers, Suppliers and Banks, for their cooperation and support during the period under review.

I also extend my sincere thanks to my colleagues on the Board of Directors and the senior managers of the Company for their contribution to the progress of the Company.



Merrill J. Fernando
Chairman

25th May 2022

Management Discussion

The redefined strategies of the last few years were expected to deliver a positive result and signal the first stage of the recovery of your Company. That journey was somewhat affected by the disruptions and wide-ranging implications of the COVID-19 pandemic, the withdrawal of chemical fertilizer by Sri Lanka government and the inclement weather in the 4th quarter of the year.

Overall revenue of the Company at Rs. 4.267 billion was 43% above the revenue of 2020. The Gross profit of the Company increased by Rs. 79 million in comparison to last year. The gross profit of tea segment reduced by Rs. 155 million. The gross profit of the rubber segment increased by Rs. 127 million and that of other products by Rs. 107 million.

Tea - Your Company did well in terms of increasing manufactured tea output by 33% vs 2020, with increases both estate leaf and bought leaf. Manufacturing capacity was rebuilt with recommissioning tea factories at Wellandura, Hunuwella & Poranuwa.

The Company GSA for 2021 was Rs 609.51 per kg, Rs.5.93 per kg below the National Auction Average, and Rs.28.86 per kg below GSA of 2020. The low grown segment of the Company averaged Rs.613.28 per kg in 2021, Rs. 42.63 per kg below the National low grown elevation average whilst the mid grown segment of the Company averaged Rs. 608.04 per kg in 2021, Rs. 72.58 per kg above the National mid grown average.

Revenue from tea increased by 36% in 2021 when compared with 2020. However, the impact of the worker wage increase with no link to productivity and increases in fertilizer and other input costs affected the margins.

Rubber - The negative trend of natural rubber prices turned positive in 2021, with the company securing a GSA of Rs.632.88 per kg during the year, a 77% increase over 2020. The reduction in supply due to the pandemic also drove the prices up. By implementing rain guard covering, the impact of wet weather that prevailed throughout the year causing the rubber production to decrease, was limited to 3% in comparison to 2020. Further, the increase in rubber prices resulted in total rubber revenue increasing by 65% in 2021 vs 2020.

Other crops - Your Company continued to generate nearly 4% of its revenue from other crops, mainly Cinnamon and Timber Tree Sales. Cinnamon prices saw an increase of 12% and Crop increased by 95% as a result of which revenue increased by 124% against 2020.

Company Performance in 2021

After many years of Operating losses, your Company recorded an Operating Profit in the year 2021. As a result of the successful private placement of shares in late 2020, the low interest rates during the year and the COVID related moratoriums granted by the Government, the Finance Cost of 2021 decreased by Rs. 54 million during the year in comparison to 2020. The loss for the year 2021, has been contained at Rs. 106.2 million.

Company Strategies – The company strategies as detailed in the Chairman's review in terms of consolidation of core business segments with complementary diversification will continue to be focused upon, while consolidating on the manufacturing capacity & enhancing quality process improvements. Your Company plans to use the available cultivatable land and strong labour force to explore new areas for Agri product development as well as for reforestation & environmental sustainability. The consolidation of both in-house and outsourced hydro power projects are continuing with solar power projects also being planned out in a phased approach.

Technology & Capacity Improvement - Continuous investment in technology is crucial to sustain and maximize process and production efficiencies. Though investments in CAPEX is a strain on the cashflow, the management believes that doing so is essential for long term survival. Your company was able to invest in four new color sorters and reopen manufacturing capacity of three tea factories and one rubber factory during the year as described in the Chairman's review.

Sustainability - Your Company recognizes that the environmental sustainability of its plantations depends on the health of the ecosystem at large. Therefore, KWPL is committed to protect and enhance biodiversity in the water bodies, catchment areas,
life below land in the plantations. The company is collaborating with Dilmah Conservation, who have the expertise, to initiate, climate- smart agricultural projects, biodiversity conservation projects, and climate educational programs.

- One Earth Center for Climate Research & Adaptation - Sri Lanka's 1st Climate Change Research Station is located over 1500m above sea level at Queensberry Estate, Nawalapitiya. The Company supports the Dilmah Conservation's efforts in the value addition the One Earth Centre brings by knowledge dissemination to multiple stakeholders, most importantly to plantation workers and associated communities.

- Climate-Smart Agricultural Projects – The objective of the adaptive research programme is to introduce a crop management package to increase the resilience of tea crops to climate change and other biotic and abiotic stress factors for tea. The Company works together with Dilmah Conservation in research which is at present effective in tea fields at the seven estates managed by the company in the Nawalapitiya region.

- Endana Nature Corridor Project – Continues to create an ecological wealth through the Endana Nature Corridor & the company is honored to facilitate this flagship project to reconnect the isolated Walang Kanda with Delwala Forest which is connected to the Sinharaja Forest Reserve, which will be a pioneering effort in regaining biological connectivity among the fragmented forests around the Sinharaja World Heritage Site. As pragmatic conservationists we believe in human-wildlife co-existence and our Community Beekeeping in Endana " Helping Bees be Buzzin" not only helps conserve dwindling honeybee populations but also motivates the community to preserve their surroundings, while empowering economically disadvantaged communities.

Community Service and Employee Welfare – recognizing the need to support plantation communities, the Company in collaboration with the MJF Charitable Foundation (MJFCF) in engaging in community development work. We believe that business is a matter of human service, kindness to people and nature forms the heart of all that we do. This is pursued with

Management Discussion *(Contd...)*

MJFCF, which focuses on directly, efficiently and effectively. delivering transformational impact to less fortunate communities, differently abled children and youth, while empowering women, youth and men with dignity through free education, vocational training, entrepreneurship, nutrition, provision of medical infrastructure, caring for the elderly and advocacy.

- Dilmah and Kahawatte Plantations donated a High Dependency Care Unit to Nawalapitiya Hospital in 2021
- Dry rations to plantation communities were distributed to worker and families of the plantations during the COVID-19 pandemic.
- Supported 916 worker-non worker Covid 19 Pandemic quarantined families
- Early Childhood education, Nutritional enhancement for children below 5 years through daily Mid day meals and distribution of School Bags and accessories to Kids leaving the CDCs at age 6 to enter the mainstream schools
- New infrastructure facilities to improve the work and home life of Plantation workers such as Ergonomic Plucking Baskets, Worker toilets, Field / Factory restrooms were done

Future outlook - 2022 has so far been a challenging year with impact of rapid change in macroeconomic factors as outlined under note 35 of the financial statements (page 65) . The impact of rapid depreciation of rupee and demand exceeding the supply resulting from relatively lower tea crop in first quarter in 2022 has resulted in high prices for tea. The restrictions on imports of inputs due to dollar shortage is assessed by the Company and plans formulated to mitigate the disruption to day to day operations.

The repercussions of the Russian-Ukraine conflict and the post-COVID global supply chain constraints may impact the markets effecting the global demand and supply equilibrium.

Your Company along with other Regional Plantations Companies have made a writ application to the Court of appeal to stay and/or suspend the decision made by the Waged Board setting a minimum daily wage of Rs. 1000/- as gazetted on 5th March 2021, since the proposed wage has no link to productivity parameters. Unless a positive outcome is received, the cost would be a major challenge to the already overstretched financial resources of the Industry.

With all factories managed by your Company now being certified for ISO 22000 Food safety management system, we are confident of getting improved prices.

Overall, the first quarter of 2022 recorded commendable achievements exceeding targets set by the Company. However, the lag effect of the ban on agro chemicals, the implications of the increased interest rates and the many macro-economic ground realities as mentioned in the Chairman's review pose major challenges in 2022. The weakening of the Sri Lanka Rupee and its impact on tea prices may counter these effects to some extent and we are confident that the Company Strategies being implemented will have a positive impact on the future of your Company.

Corporate Governance

The Company aspires to conform to best practices in Corporate Governance by ensuring greater transparency, business integrity, professionalism and ethical values in the best interests of all stakeholders.

Building on regulatory requirements, this statement describes the application of the good governance principles and practices within the Company.

Board of Directors

The Company's business and operations are managed under the supervision of the Board which consists of members with experience and knowledge in the area of business in which the Company is engaged, with specific acumen in terms of commercial, financial and industrial expertise.

The Board is responsible for formulation of overall business policy and strategy and for monitoring the effective implementation thereof.

Composition of the Board

The Board consisted of seven (7) Directors. Based on the declarations submitted by them the Board has determined that three of such Non Executive Directors namely, Messrs. Daya Pabath Wickramatunga, Nimal Maxwell Amerasekera and Ms. Minette D. A. Perera were 'independent' as per the Listing Rules of the Colombo Stock Exchange.

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board, based on annual declarations submitted by Directors and having considered the possibility of any impairment in independence due to extended board tenures, where applicable. Considering that Ms. Minette D. A. Perera expresses uncompromised independent judgement and impartiality in discharging her functions as a Director, and Mr. Wickramatunge freely shares his expertise in agricultural best practices and maintains his independence by voicing his unbiased opinions and advice to the Board, the Board has determined that both Ms. Minette D. A. Perera and Mr. Daya Wickramatunga as "independent" irrespective of their long tenure of service on the Board.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate with a clear distinction of responsibilities, which ensures balance of power and authority.

Mr. Merrill J. Fernando is the non-executive Chairman of the Board of Directors. In the absence of a Chief Executive Officer the affairs of the Company are overseen by the Board appointed Sub Committee consisting of Mr. Dilhan C. Fernando and Mr. Himendra Ranaweera. They have been able to successfully share their experiences in tea and operational activities to help navigate the Company during the year under review. The Board appointed Doctor Dan Seevarathnam, a veteran in the industry as a consultant, he is designated as the Chief Operational Officer to advise the Board on day to day operational related matters. Dr. Seevarathnam chair meetings of the Management Committee that periodically report to the Board Sub Committee.

Board Meetings and Attendance

Board meetings are held on quarterly basis with the flexibility to arrange additional meetings when required. The Board met four times during the year. The Board's functions include the assessment of the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations review of management and operational information, adoption of annual and interim accounts before they are published, review of exposure to key business risks, strategic direction of operational and management units, approval of annual budgets, monitoring progress towards achieving the budgets, approvals relating to key appointments, sanctioning major capital expenditure etc.

Attendance at Meetings

Director	Status	Board	RPT	RC	AC
Merrill J. Fernando	NED	01	-	-	-
Himendra S. Ranaweera	NED	04	-	01	-
Dilhan C .Fernando	NED	04	-	-	-
Malik J. Fernando	NED	02	-	-	-
Minette D.A. Perera	NEID	04	04	01	07
Daya P. Wickramatunga	NEID	03	04	01	07
Nimal M. Amerasekera	NEID	03	-	-	-
Total number of meetings		04	04	01	07

NED : Non-Executive Director/NEID: Non-Executive Independent Director

Appointment of Directors

The Board collectively decides on the appointment of Directors. The Company's Articles of Association requires any Director appointed during the year to hold office until the next Annual General Meeting, at which he retires and seeks re-election by the shareholders. One third of Directors retire by rotation and if eligible seek re-election by the shareholders.

Board Sub Committees

In addition to the Board Sub Committee appointed to oversee operational matters, to facilitate focused attention on specific areas of review and in pursuance of the Listing Rules of the Colombo Stock Exchange on Corporate Governance, the Board of Kahawatte Plantations PLC has appointed Three Sub Committees, the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee.

Audit Committee

The Audit Committee consists of two (2) Independent Non Executive Directors.

Ms. Minette D. A. Perera, who is a member of three recognized professional accounting bodies, is the Chairperson of the Committee. Mr. Daya P. Wickramatunga is the other member of the Committee.

The Report of the Audit Committee appears on page 17.

Remuneration Committee

The Remuneration Committee consists of three (3) Non-Executive Directors two (2) of whom are Independent Non-Executive Directors. Mr. Malik J. Fernando was the Chairman of the Remuneration Committee until 25.10.2021 and Mr. Himendra S. Ranaweera was appointed thereafter. Ms. Minette D. A. Perera and Mr. Daya P. Wickramatunga are the remaining members.

The Report of the Remuneration Committee is given on page 17 of this Annual Report.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of Ms. Minette D. A. Perera and Mr. Daya P. Wickramatunga.

The Report of the Related Party Transactions Review Committee is given on page 18 of this Annual Report.

Corporate Governance (Contd...)

Financial Reporting

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the Sri Lanka Accounting Standards (LKAS / SLFRS) and the relevant Statutes and has established formal and transparent processes for financial reporting and internal controls.

The Statement of Directors' Responsibilities for Financial Reporting is given on page 16 of this Report.

Internal Controls

The Board is responsible for the Company's internal controls. In this respect controls are established for safeguarding the Company's assets, making available accurate and timely information and imposing greater discipline on decision making. The process is strengthened by regular internal audits. The internal audit specifically focuses on internal controls and procedures in the areas of finance, operations, human resources, payroll management and relevant legal and regulatory compliance.

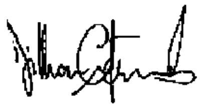
Corporate Disclosure and Shareholder Relationship

The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public.

Shareholders are provided with Annual Report and, the Company disseminates to the market, Interim Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange.

The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company.

By Order of the Board
Kahawatte Plantations PLC



Dilhan C Fernando
Director

25th May 2022
Colombo

Rule No.	Requirement	Disclosure	Compliant
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Annual Report of the Board of Directors	Yes
7.10.1(a)	Non-Executive Directors (NED) composition At least two or one third of total Directors, whichever is higher,	Composition of the Board	Yes
7.10.2(a)	Independent Directors composition Two or one-third of Non-Executive Directors, whichever is higher,	Composition of the Board	Yes
7.10.2(b)	Independence of Directors Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Composition of the Board	Yes
7.10.3(a)	Disclosure relating to Directors The names of Independent Directors should be disclosed in the Annual Report	Members of the Board	Yes
7.10.3 (a)/(b)	Independence of Directors The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Composition of the Board	Yes
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director including the Director's areas of expertise.	Board profiles	Yes
7.10.3(d)	Appointment of new Directors Provide a brief resume of any new Director appointed to the Board	Appointment of Directors	Yes
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee	Remuneration Committee Report	Yes
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	Yes
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors to the Board, for approval	Remuneration Committee Report	Yes.
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out; - Names of the Directors comprising the Remuneration Committee - Statement of Remuneration policy - Aggregate remuneration paid to Executive and Non-Executive Directors	Remuneration Committee Report	Yes
7.10.6	Audit Committee A listed company shall have an Audit Committee	Audit Committee Report	Yes
7.10.6(a)	Composition of Audit Committee Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Audit Committee Report	Yes

Corporate Governance *(Contd...)*

Rule No.	Requirement	Disclosure	Compliant
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10 6 (b)	Audit Committee Report	Yes
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee • Names of the Directors comprising the Audit Committee • Basis for determining the independence of the Auditors • Report of the Audit Committee in the prescribed manner	Audit Committee Report	Yes
9.3.2	Related Party Transactions Review Committee a) Details pertaining to Non-Recurrent Related Party Transactions b) Details pertaining to Recurrent Related Party Transactions c) Report of the Related Party Transactions Review Committee d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Related Party Transactions Review Committee Report	Yes
7.6	Contents of the Annual Report		
i)	Names of directors of the entity	Members of the Board	Yes
ii)	Principal activities of the entity during the year under review	Principal activities of the Company and review of performance during the year	Yes
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Information to shareholders and investors	Yes
iv)	The Public Holding percentage etc	Information to shareholders and investors	Yes
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Directors Shareholding	Yes
vi)	Information pertaining to material foreseeable risk factors	Risk Management	Yes
vii)	Details of material issues pertaining to employees and industrial relations	Number of Employees	Yes
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings	Page 03 & Note 14 to the Financial Statements – Property, Plant and Equipment	Yes
ix)	Number of shares representing the stated capital	Information to shareholders and investors	Yes
x)	Distribution schedule of the number of shareholders and the percentage of their total holding	Information to shareholders and investors	Yes
xi)	Ratios and market price information	Information to shareholders and investors	Yes
xii)	Significant changes in the entity's fixed assets	Note 14 to the Financial Statements - Property, plant and Equipment	Yes
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	N/A	N/A
xiv)	Employee share option/purchase schemes	N/A	N/A
xv)	Corporate Governance Disclosures	Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5c and 7.10.6c of the Listing Rules	Yes
xvi)	Related Party Transactions	Note 29 to the Financial Statements - Related Party Transactions	Yes

Board of Directors

Mr. Merrill J. Fernando
Chairman

Appointed to the Board in 2015 as a Non Executive Director. Merrill J. Fernando is the Chairman of MJF Holdings Limited and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea . DILMAH is now, a much respected global name, renowned for its quality and the philosophy of caring and sharing behind the brand. Having established the brand on the unique philosophy of making business a matter of human service, Mr. Merrill J Fernando's 'MJF Charitable Foundation' and Dilmah Conservation fulfil this pledge by diverting a minimum of 15% of pre-tax profits from the sale of Dilmah Tea towards direct humanitarian and environmental interventions.

He was honored for his service towards humanity with the Oslo Business for Peace Award in 2015 by a committee of Nobel Peace laureates. He received the First Award for Responsible Capitalism in 2016 and an Honorary Doctorate from New Zealand's Massey University in 2019. He also holds the title of Deshamanya awarded to him at the 2019 Sri Lanka National Honours ceremony.

Mr. Malik J. Fernando
Director

Mr. Malik J. Fernando was appointed to the Board of Kahawatte Plantations PLC in January 2001 as a Non-Executive Director.

Mr. Malik J. Fernando is a Director of Dilmah Ceylon Tea Company PLC and MJF Holdings Limited, which owns several tea growing and tea packing/exporting companies, supplying the "Dilmah Tea" brand around the world. He is also the CEO of MJF Leisure (Private) Limited, the tourism arm of MJF Group and the Managing Director of Resplendent Ceylon (Private) Limited, the Hotel Management Company of MJF Group. Mr. Malik J Fernando is also a Trustee Board Member of MJF Charitable Foundation and is committed to the exemplary philosophy of making Business a matter of Human Service.

Mr. Fernando also holds several other directorships in Public Listed and Private Companies.

Mr. Fernando holds a Bachelor of Science Degree in Management from Babson College, USA.

Ms. Minette D. A. Perera
Director

Ms. Minette D. A. Perera was the former Group Finance Director of the MJF Group and was appointed to the Board of Kahawatte Plantations PLC in January 2001.

Ms. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a Finance Professional having worked in leading local and international companies as an Executive Director.

Mr. Perera currently serves on the Board of a number of Public Quoted Companies including First Capital Holdings Plc. Orient Finance Plc and Dilmah Ceylon Tea Company Plc.

Mr. Dilhan C. Fernando
Director

Mr. Dilhan C Fernando was appointed, to the Board of Kahawatte Plantations PLC in September 2008 as a Non-Executive Director.

Dilhan C. Fernando is the CEO of Dilmah Tea. His efforts have focused on bringing tea to a new generation with innovations like tea gastronomy, t- Lounges and by enhancing knowledge in tea through the Dilmah School of Tea. Dilhan also nurtures his father's pledge to make business a matter of human service through the work of the MJF Charitable Foundation and Dilmah Conservation. Dilhan currently chairs the Biodiversity Sri Lanka Platform which was pioneered by Dilmah Conservation together with the Ceylon Chamber of Commerce and IUCN (International Union for Conservation of Nature). Dilhan is the Chairman of the United Nations Global Compact in Sri Lanka, a corporate sustainability initiative by the UN.

Mr. Himendra S. Ranaweera
Director

Mr. Himendra S. Ranaweera was appointed to the Board of Kahawatte Plantations PLC in September 2008 as a Non-Executive Director.

Mr. Ranaweera is the Deputy Chairman of Dilmah Ceylon Tea Company PLC and has been with the group for over 30 years. He also serves as a Director in a number of Companies of the MJF Group. He counts over 50 years of experience and expertise in Operations Management both in Sri Lanka and overseas.

Mr. Daya P. Wickramatunga
Director

Mr. Daya P Wickramatunga was appointed to the Board of Kahawatte Plantations PLC in September 2008 as an Independent Non -Executive Director.

He is a graduate of the University of Ceylon, Science Faculty. He won an FAO scholarship awarded to Science Graduates in the Food Industry, and successfully completed his postgraduate degree from the FAO run 'Central Technological Research Institute, Mysore, India'.

He counts over 50 years working experience both in Sri Lanka and overseas with wide exposure to Research and Development in the Food Industry.

Mr. Nimal Maxwell Amerasekera
Director

Mr. Nimal M. Amerasekera is a Fellow of the Institute of Plantation Management and counts over 55 years of experience in both the private and public sectors in the plantation industry.

Mr. Amerasekera commenced his career as a trainee Plantation Executive at James Finlay & Co Ltd in 1963.

He served as a Director of the Janatha Estates Development Board from 1985 to 1990 and held the position of Director/ General Manager of DPL Plantations Ltd under the Hayleys Group of Companies from 1992 to 2004.

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

The Directors of Kahawatte Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2021.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act, No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

General
Kahawatte Plantations PLC is a Public Limited Liability Company which was incorporated under the Companies Act No.17 of 1982 on 15 June 1992, listed on the Colombo Stock Exchange in the year 1998 and re-registered as per the Companies Act, No. 07 of 2007 on 26th December 2007 under Company Registration No PQ 109.

Principal activities of the Company and review of performance during the year
The Company's principal activities, which remained unchanged during the year were: cultivation, manufacture and marketing of tea, rubber, cinnamon, forestry products and other crops.

A review of the affairs of the Company and its performance during the year with comments on financial results, future strategies and prospects are contained in the Chairman's review (pages 4 to 6) and the Management Discussion (pages 7 to 8).

This Report together with the Financial Statements, reflect the state of affairs of the Company.

Financial Statements
The Financial Statements of the Company are given on pages 23 to 66.

Summarized Financial Results

	31st Dec. 2021 Rs.000	31st Dec. 2020 Rs.000
Revenue	4,267,216	2,979,643
Net Loss Year	(106,198)	(245,767)
Total Comprehensive Income/ (Expense)	11,348	(294,593)
Carried forward Loss	(832,120)	(832,547)

Auditors Report
The Report of the Auditors on the Financial Statements of the Company is given on pages 19 to 22.

Accounting Policies
The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 27 to 38 are consistent with those of the previous period.

Directors
The names of the Directors who held office as at the end of the accounting period are given herewith and their brief profiles appear on pages 12.

Members of the Board
Directors

Mr. Merrill J. Fernando - Chairman
Mr. Dilhan C. Fernando - Director
Mr. Malik J. Fernando - Director
Mr. Himendra S. Ranaweera - Director
Ms. Minette D.A. Perera - Director *
Mr. Daya P. Wickramatunga - Director *
Mr. Nimal Maxwell Amerasekera - Director *

* Independent Non Executive Directors

The Board appointed a Board Sub Committee comprising of Mr. Dilhan C. Fernando and Mr. Himendra Ranaweera oversee the operational matters of the Company. The Management Committee is entrusted with the day to day running of the Company and reports to the Board Sub Committee.

The Board recommends that Messrs. Merrill J Fernando, Mr. Himendra S. Ranaweera, Mr. Daya P Wickramatunga, Mr. Nimal Maxwell Amerasekera who are over 70 years of age be re-appointed Directors at the forthcoming Annual General Meeting, in terms of section 211 of the Companies Act.

Mr. Malik J Fernando retires by rotation at the Annual General Meeting in terms of Article 25(1) of the Articles of Association and being eligible, offers himself for re-election.

Interests Register
The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007. The names of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review are given in Note 29 to the Financial Statements on pages 58 to 59.

Directors' Remuneration
The aggregate remuneration paid to the Directors all Non-Executive during the year was Rs.900,000/- paid as short term employee benefits.

Board Sub-Committees
The Board delegates functions warranting greater attention to a Board Sub Committee comprising of Mr. Dilhan C. Fernando and Mr. Himendra Ranaweera to oversee the functions of the Management Committee.

The Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee are the mandatory Sub- Committees constituted by the Board in compliance with the Listing Rules of the CSE.

Related Party Transactions
Relevant disclosures made by the Directors on contracts and proposed contracts with the Company or any of the subsidiaries within the Group appear under note No. 29 in Related Party Disclosure to the Financial Statements on pages 58 to 59 of the Report. These interests have been declared at Directors' meetings in compliance with the requirements on Related Party Transactions of the Listing Rules of the CSE and Section 192(1) of the Companies Act No 7 of 2007.

The Related Party Transaction Review Committee is responsible for reviewing the Related Party Transactions of the Company. Committee Report is given on page 18.

Auditors
Messrs. KPMG, Chartered Accountants served as the Auditors during the year under review. The Auditors, do not have any interest in the Company other than as Auditors and consultants on tax compliance and other non audit services.

The audit fee payable to the Auditors for the year under review is Rs. 3,050,000/- (2020- Rs. 2,772,000/-)

The fee payable to the Auditors for non audit services provided during the year under review is Rs. 228,000/- (2020 - Rs. Rs.257,000 /-)

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

Annual Report of the Board of Directors on the Affairs of the Company *(Contd...)*

Donations
The Company did not make any donations during the year under review. (2020 -Nil)

Stated Capital
The Stated Capital of the Company is Rs. 1,698,952,641/- represented by 99,406,691 Ordinary Shares and One (01) Golden Share.

Golden Share
The Secretary to the Treasury has been issued with one Golden Share on behalf of the Government of Sri Lanka, carrying special rights as per the Articles of Association of the Company.

Directors' Shareholding
The shareholdings of the Directors of the Company are as follows.

	As at 31/12/2021	As at 31/12/2020
Mr. Merrill J Fernando	-	-
Mr. Malik J Fernando	-	-
Ms. M D A Perera	4,000	4,000
Mr. Daya P Wickramatunga	-	-
Mr. Dilhan C Fernando	-	-
Mr. Himendra S Ranaweera	-	-
Mr. Nimal M Amerasekera	-	-

Mr. Merrill J Fernando, Mr. Malik J Fernando, Mr. Dilhan C Fernando and Mr. Himendra S Ranaweera are Directors of Forbes Plantations (Pvt) Ltd, which held 50,955,581 shares equivalent to 51.260% of the shares constituting the Stated Capital of the Company.

Mr. Merrill J Fernando, Mr. Malik J Fernando, Mr. Dilhan C Fernando and Mr. Himendra S Ranaweera are Directors of MJF Teas (Pvt) Ltd, which held 19,516,886 shares equivalent to 19.63% of the shares constituting the Stated Capital of the Company.

Mr. Merrill J Fernando, Mr. Malik J Fernando, Ms. Minette D A Perera, Mr. Dilhan C Fernando and Mr. Himendra S Ranaweera are Directors of Dilmah Ceylon Tea Company PLC, which held 12,571,800 shares equivalent to 12.65% of the shares constituting the Stated Capital of the Company.

Major Shareholders, Distribution Schedule and other information
Information on the twenty largest shareholders of the Company, the distribution schedule of the number of shareholders and percentage of their total holdings, percentage of shares held by the public, the number of shareholders who held the Public holding and market values per share as per the Listing Rules of the Colombo Stock Exchange are given on pages 67 to 68 under Investor Information.

Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5c and 7.10.6c of the Listing Rules
The Board confirms that the Company is in compliance with Corporate Governance Practices as per the Listing Rules, which are set out in this Report of the Directors on Pages 13 - 14, the Report on Corporate Governance on page 09 - 11 and the Report of the Audit Committee on page 17.

Declaration in terms of Rule 9.3.2(d) of the Listing Rules the Board confirms that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions, during the financial year.

Reserves
The movements of reserves during the year are given under the Statement of Changes in Equity on page 25.

Property, Plant and Equipment
The Details of property plant and equipment and changes during the year are given in Note 14 to the Financial Statements.

Land Holdings
The Company does not own any freehold land.

Events occurring after the Reporting date
No material circumstances have arisen since the reporting date, which would require adjustment to, or disclosure in the Financial Statements.

Statutory Payments
The Directors confirm that, to the best of their knowledge all statutory payments in relation to taxes and duties and in relation to employees have been made promptly on the due dates.

Compliance with Laws & Regulations
To the best of the knowledge and belief of the Directors, the Company has not engaged in any activities contravening the laws & regulations of the country.

Going Concern
On the basis of current financial projections and facilities available, the Directors are confident that the Company has adequate resources to continue business operations. Accordingly the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Annual General Meeting
The Annual General Meeting will be held at 11.00 a.m. on 27th day of June 2022 at the Board Room of MJF Group, No. 111, Negombo Rd, Peliyagoda via Microsoft Virtual Platform. The Notice of the Annual General Meeting appears on page 71.

By Order of the Board
Kahawatte Plantations PLC

Ms. Minette D A Perera
Director

Mr. Dilhan C Fernando
Director

Ms. Jayanga Wegodapola
Secretary

25th May 2022
Colombo

Risk Management

By the nature of its business, the plantation sector is exposed to varying degrees of risks associated with the cultivation and processing of tea , rubber and cinnamon and the economic environment has so far been challenging in the year under review with the impact of rapid changes in macroeconomic factors as outlined under note 35 of the financial statements (page 65)

Creating an awareness of risks associated with the tea & rubber industry, a uniform interpretation of risks and identifying the types of risks are imperative to success of an overall risk management system.

The Board of Directors places special emphasis on the management of business risks and together with the Management Committee, ensures that a sound system of controls including financial, operational and compliances are in place, to safeguard the shareholders investment and the assets and reviews regularly the effectiveness of such controls.

Operational Risk

The Company practices adequate internal control systems to mitigate operational risk. Periodic reviews are carried out at Estates level to ensure the quality and cost effectiveness of the system of internal controls in place. Adequate insurance covers are in place to safeguard the Company's assets and minimise any financial losses.

Interest Rate Risk

The Company has taken advantage of relative low interest rates that prevailed during 2021 compared to previous years whilst obtaining low interest facilities to settle high interest borrowings whilst the private placement also helped to reduce the borrowing costs. The Company regularly monitoring all receivables, checking invoices & adopting a periodic follow up through our ERP system.

Legal Risk

Being a listed Company, a taxpayer and an employer who has to fulfil various legal as well as statutory requirements, the Board of Directors of the Company has set in place an effective compliance system so that no legal, banking, company, stock market and other regulations are violated.

Trade Union

The Company manages a highly unionised work force within the Company. In order to mitigate industrial disputes and work stoppages, a collective agreement is signed between the Union and the Employer's Federation of which your Company is a member.

Climatic Changes

The Company adopts best agricultural practices in order to mitigate loss of crop due to unfavorable climatic changes. The management is also very selective on planting improved clones of tea, rubber and other crops, which withstands adverse climatic conditions.

Statement of Directors' Responsibilities

The following statement sets out responsibilities of the Directors in relation to the financial statements of the Company prepared in accordance with the provisions of the Companies Act No. 7 of 2007.

The responsibility of the Independent Auditor in relation to the financial statements is set out in the Report of the Auditors given on page 21 of the Annual Report.

As per the provisions of sections 150 (1) and 151 of the Companies Act No. 7 of 2007, the Directors are required to prepare financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company as at the reporting date and its profit or loss for the financial year then ended, and such financial statements of the Company shall comply with any regulations made under the Companies Act, which specifies the form and content of financial statements and any requirements which apply to the Company's financial statements under any other written law.

In preparing the financial statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with accuracy, the financial position of the Company.

Financial Statements prepared and presented in this Report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of account and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Directors have also implemented effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year.

The financial statements of the Company have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by the Section 150 (1) (b) and they have also been signed by two Directors of the Company as required by Section 150(1)(c) of the Companies Act.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the reporting date have been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board
Kahawatte Plantations PLC

Mr. Dilhan C Fernando
Director

25th May 2022
Colombo

Report of the Audit Committee

The Audit Committee appointed by the Board of Directors of Kahawatte Plantations PLC comprises of two (2) Non- Executive Directors both of whom are deemed 'Independent' as per the listing rules of the Colombo Stock Exchange. The members of the Audit Committee are Ms. Minette D A Perera (Chairperson) and Mr. Daya P Wickramatunga. The Chief Financial Officer and other Senior Managers, including the Internal Audit Executives attend the meetings of the Audit Committee by invitation.

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing the Company's financial reporting process and systems of internal accounting and financial controls, monitoring the independence and performance of the Company's External Auditors and providing an avenue of communication among the External Auditors, Management and the Board.

The Audit Committee is empowered, amongst other functions, to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures, audit programmes, disclosure of accounting policies, compliance with statutory and Corporate Governance requirements, etc. The Audit Committee is also empowered to review and monitor the financial reporting process of the Company, so as to provide an additional assurance on the reliability of the financial statements through a process of independent and objective reviews. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging its responsibilities of ensuring the quality of financial reporting and related communications to the shareholders and the public.

The Committee convened seven times during the year to review operational matters and the Quarterly Financial Statements to ensure compliance with the mandatory statutory requirements. The Audited Financial Statements for the year ended 31st December 2021 has been reviewed by the Committee.

The Audit Committee is of the view that the internal controls prevalent within the Company are satisfactory and provide a reasonable assurance that the financial position of the Company is well monitored and the assets safeguarded. The Committee regularly reviews the scope of the internal audit function and the audit programmes proposed, together with any intermediate or long term audit plans.

The Committee reviewed the non-audit services provided by the External Auditors to ensure that their independence of Auditors has not been compromised. The Committee has recommended to the Board of Directors that KPMG, Chartered Accountants be re-appointed the Auditors for the year ending 31st December 2022 subject to the approval of the shareholders at the Annual General Meeting. The Audit Committee will be making its recommendations to the Board of Directors on the fees payable to the Auditors for approval by the Board.

Ms. Minette D A Perera
Chairperson
Audit Committee

25th May 2022
Colombo

Report of the Remuneration Committee

The Committee is responsible for setting the Company's policy on compensation and benefits, overseeing its implementation. It is also mandated to review significant Human Resource policies that influence the Company's performance. The Committee specifically reviews remuneration of the Chief Executive Officer, Executive Directors and Senior Members of the management as it is designated to consider.

Committee Composition

The Committee, appointed by and responsible to the Board comprises of three Non-Executive Directors Two of whom are Independent Non-Executive Directors. Mr. Malik J Fernando was the Chairman of the Committee till 25.10.2021, and Mr. Himendra Ranaweera was appointed as the Chairman with effect from 25.10.2021 by the Board. The other members of the Committee during the year under review were Ms. Minette D. A. Perera and Mr. Daya P. Wickramatunga.

Committee Meetings

The Committee held one meeting during the year under review and all committee members attended the meeting. Chief Financial Officer attended the meeting of the Committee by invitation.

Policy

The remuneration policy of the company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimize long term shareholder value creation.

The Committee is responsible for determining the compensation of the senior management and to lay down guidelines and parameters for the compensation structure of all management staff of the Company.

The remuneration packages of the Company are aligned to individual performance and to strategic priorities.

Mr. Himendra S Ranaweera
Chairman
Remuneration Committee

25th May 2022
Colombo

Report of the Related Party Transactions Review Committee

Purpose of the Committee

Objectives of the RPTRC is to review all Related Party Transactions (RPTs) of the Company, prior to transactions being entered into or if the transaction is expressed conditional on such review prior to the completion of the transaction.

The members of the RPTRC are as follows:

Ms. Minette D. A. Perera	- Chairperson - Non Executive, Independent Director
Mr. Daya P. Wickramatunga	- Non Executive, Independent Director

Policies and Procedures

- The RPTRC reviews the RPTs of the Company in terms of the Listing Rules and during the year under review, all RPTs the Company entered into being Recurrent RPTs, which were carried out on an arm's length basis in accordance with regulations issued by Regulators and/or determined by market forces such review did not necessitate committee's approval for such transactions and/or seeking approval of the Directors.

- In its review of RPTs, RPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year, in order to determine whether they are carried out on an arm's length basis, the disclosure requirements as per the Listing Rules and the level of approval required for the respective RPTs.

- The RPTRC ensures that all transactions with Related Parties are in the best interests of all shareholders, adequate transparency is maintained and is in compliance with the Listing Rules.

- The Committee has established guidelines in respect of Recurrent RPTs to be followed by the Management of the Company, in the Company's dealings with Related Parties.

Related Party Transactions during the year under review

Details of the Recurrent RPTs entered into by the Company during the year is disclosed in Note 29 to the Financial Statements.

RPTRC has reviewed the RPT's of the Company in quarterly basis and communicated its comments and observations to the Board Directors.

During the year 2021, there were no non-recurrent related party transactions and there were no recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange. Recurrent related party transactions that require disclosure in the Annual Report are given in Note 29 of the Financial Statements.

Meetings

The Committee met four times during the year once every quarter.

Declarations

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 12 of the Annual Report.

Ms. Minette D. A. Perera
Chairperson
Related Party Transaction Review Committee

25th May 2022
Colombo

Independent Auditor's Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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+94 - 11 244 6058
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAHAWATTE PLANTATIONS PLC

Report on the Financial Statements

Opinion

We have audited the financial statements of Kahawatte Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 23 to 66.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31st December 2021, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

1) Carrying Value of Consumable Biological Assets

Refer note 3.1.3 (significant accounting policy) & note 15.1 (notes to the financial statements)

Risk Description	Our Response
The Company has reported consumable biological assets carried at fair value, amounting to Rs. 1,033 Million as at 31st December 2021. The timber trees on estates managed by the Company are classified as consumable biological assets and are measured at fair value less estimated cost to sell at each reporting date. The trees younger than 5 years are carried at cost less impairment as the fair value cannot be reliably measured. The market for timber trees is impacted by factors such as topographical characteristics of the land, age and condition of timber trees and the economic conditions that drives the supply and demand. Management engaged an external valuation expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka, to perform an independent valuation of the consumable biological assets of the Company as at reporting date. Following key judgments and assumptions are used by the independent valuer in the following areas; - Discount rate - Expected timber content at harvest - Value per Cubic feet We identified measurement of consumable biological assets as a key audit matter, because the valuation of consumable biological assets involved significant assumptions and judgments exercised by the Company and external valuation expert which could be subjected to significant level of estimation uncertainty and management biases.	Our audit procedures included, - Evaluating the competence, independence and objectivity of the external valuation expert. - Obtaining estate wise census books of timber trees and compared the number of timber trees with the valuation report to ensure the completeness and accuracy of the data. We also evaluated the mathematical accuracy of valuation formulae contained in the valuation report. - On sample basis, physically verify trees during estate visits to assess the girth and height of the respective trees. - Assessing the key assumptions and methodology used in the valuation, in particular the discount rate, market price and expected timber content at harvest and harvesting plan. - Assessing the adequacy of the disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.

Independent Auditor's Report *(Contd...)*

KPMG

2) Recoverability of Deferred Tax Assets

Refer note 3.6.3.2 (significant accounting policy) & note 23 (notes to the financial statements)

Risk Description	Our Response
The Company has recognized deferred tax asset of Rs. 193 Million on temporary differences which includes accumulated tax losses of Rs. 1,837 Million as at 31st December 2021. The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences. The Company has considered the ability to utilize accumulated tax losses in the future based on forecasted taxable profits for a period of next six years from the reporting date. We identified the recognition of deferred tax assets as a key audit matter, because determining the recoverability of deferred tax asset involve forecasting the quantum of the future taxable profits likely to be generated by the Company to offset with accumulated unutilized tax losses as at 31st December 2021.	Our audit procedures included, - Assessing the accuracy of the forecasted future taxable profit by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectation of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit, including where applicable their consistency with business plans. - Reconciling tax losses and expiry dates to tax statements. - Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

3) Valuation of Retirement Benefit Obligation

Refer note 3.5.1 (significant accounting policy) & note 25 (notes to the financial statements)

Risk Description	Our Response
The Company has recognized retirement benefit obligation of Rs. 518 million as at 31st December 2021. The retirement benefit obligation of the Company is significant in the context of the total liabilities of the Company. The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the estimation of the Retirement benefit obligation. We considered the estimation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.	Our audit procedures included, - Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company. - Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist. - Assessing the other key assumptions used in the valuation, in particular the discount rate, mortality rate and future salary increment rate. - Assessing the adequacy of the disclosures made in the financial statements including sensitivity analysis.

Independent Auditor's Report *(Contd...)*

KPMG

4) Management's Assessment of Going Concern
Refer note 36 (notes to the financial statements)

Risk Description	Our Response
The Company has recorded a loss of Rs. 106 Million during the year ended 31st December 2021 and as of that date, accumulated losses amounted to Rs. 832 Million. Further, the Company's current liabilities exceeded its current assets by Rs. 1,709 Million as at the reporting date. The Company has loans and borrowings of Rs. 766 Million due within 12 months from 31st December 2021. However, the directors of the Company are of the opinion that the going concern assumption is valid in preparation of financial statements, due to future growth potential of the Company and continuous financial support from ultimate parent company. We identified the assessment of the Company's ability to continue as a going concern as a key audit matter because the assessment of going concern is dependent upon certain management assumptions and judgements, in particular in relation to future cash flow forecast and the ability of the Company to obtain external financing, which may be inherently uncertain and could be subject to management bias.	Our audit procedures included, - Evaluating the performance of the Company and assessing the significant going concern indications. - Assessing the appropriateness of key assumptions used in the cash flow projections and assessing the timing and mathematical accuracy of the projections. - Assessing the adequacy of disclosures in the financial statements (Note 36) in relation to going concern. - Inspecting the letter of support received from the parent company after evaluating their ability to provide the financial support in order to meet the liabilities of the company as and when they fall due & payable

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to report that fact.

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Independent Auditor's Report *(Contd...)*

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

CHARTERED ACCOUNTANTS
Colombo

25th May 2022

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December

	Notes	2021 Rs.'000	2020 Rs.'000
Revenue	5	4,267,216	2,979,643
Cost of Sales		(4,210,913)	(3,002,350)
Gross Profit/ (Loss)		56,303	(22,707)
Other Income	6	75,399	52,581
Fair Value Gain on Biological Assets	15.4	92,290	75,208
Administrative Expenses		(134,652)	(105,356)
Profit /(Loss) from Operating Activities	7	89,340	(274)
Finance Income	8	550	768
Finance Cost	9	(184,356)	(238,312)
Loss before Taxation		(94,466)	(237,818)
Income Tax Expense	10	(11,732)	(7,949)
Loss for the Year		(106,198)	(245,767)
Other Comprehensive Income			
- Items that will not be Reclassified to Profit or Loss;			
Actuarial Gain/(Loss) on Retirement Benefit Obligation	25	119,134	(56,775)
Deferred Tax (Charge)/Reversal on Retirement Benefit Obligation	10.3	(12,509)	7,949
Reversal from Deferred Tax Effective Rate Change on Gross Revaluation Reserve		10,921	-
Other Comprehensive Income/ (Expense) for the Year, Net of Tax		117,546	(48,826)
Total Comprehensive Income/ (Expense) for the Year		11,348	(294,593)
Basic Loss per Share	11	(1.07)	(3.07)

The Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 to 66 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st December	Notes	2021 Rs.'000	2020 Rs.'000
ASSETS			
Non Current Assets			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	12	148,501	150,300
Immovable Leased Assets of JEDB/SLSPC Estates (Other than Bare Land & Biological Assets)	13	36,198	44,990
Property, Plant & Equipment	14	1,011,135	952,501
Biological Assets	15	3,316,880	3,285,083
		4,512,714	4,432,874
Current Assets			
Produce On Bearer Biological Assets	15.3	8,475	8,376
Inventories	16	416,319	442,201
Trade and Other Receivables	17	113,511	120,745
Amounts due from Related Parties	18	4,591	7,610
Cash and Bank Balances	19	29,065	24,915
		571,961	603,847
Total Assets		5,084,675	5,036,721
EQUITY AND LIABILITIES			
Equity			
Stated Capital	20	1,698,952	1,698,952
Revaluation Reserve	21	279,277	268,356
Accumulated Losses		(832,120)	(832,547)
		1,146,109	1,134,761
Non Current Liabilities			
Deferred Income	22	288,448	284,211
Deferred Tax Liability	23	140,795	140,795
Interest Bearing Loans and Borrowings	24	576,049	585,373
Retirement Benefit Obligations	25	518,467	604,139
Net Liability to Lessor of JEDB/SLSPC Estates	26	133,491	129,887
		1,657,250	1,744,405
Current Liabilities			
Interest Bearing Loans and Borrowings	24	765,777	713,582
Net Liability to Lessor of JEDB/SLSPC Estates	26	813	685
Trade and Other Payables	27	621,600	595,828
Amounts due to Related Parties	28	98,274	44,131
Bank Overdraft	19	794,852	803,329
		2,281,316	2,157,555
Total Liabilities		3,938,566	3,901,960
Total Equity and Liabilities		5,084,675	5,036,721
Net Asset per Share		11.53	11.42

The Figures in brackets indicate deductions.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

Vinesh Athukorala
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Kahawatte Plantations PLC

Minette D A Perera
Director

Dilhan C Fernando
Director

25th May 2022
Colombo

The Accounting Policies and Notes on pages 27 to 66 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Accumulated Losses Rs.'000	Total Rs.'000
Balance as at 01 January 2020	898,760	268,356	(537,954)	629,162
Shares Issued by way of Private Placement (Note 20.2)	800,192			800,192
Total Comprehensive Income for the Year				
Loss for the Year	-	-	(245,767)	(245,767)
Other Comprehensive Income				
Actuarial Loss on Defined Benefit Obligation, Net of Tax	-	-	(48,826)	(48,826)
Balance as at 31 December 2020	1,698,952	268,356	(832,547)	1,134,761
Balance as at 01 January 2021	1,698,952	268,356	(832,547)	1,134,761
Total Comprehensive Income for the Year				
Loss for the Year	-	-	(106,198)	(106,198)
Other Comprehensive Income				
Actuarial Gain on Defined Benefit Obligation, Net of Tax	-	-	106,625	106,625
Reversal from Deferred Tax Effective Rate Change on Gross Revaluation Reserve	-	10,921	-	10,921
Balance as at 31 December 2021	1,698,952	279,277	(832,120)	1,146,109

The Figures in brackets indicate deductions.

The Accounting policies and notes on pages 27 to 66 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st December	Note	2021 Rs.'000	2020 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net Loss before Taxation		(94,466)	(237,818)
Adjustments for:-			
Depreciation/Amortisation	7	220,791	200,194
Write-offs/Provisions (Inventory/Other Receivables)	16 / 17	262	13,930
Write-offs/Provisions (CWIP / Immature Plantations)	14 / 15	1,599	22,370
ESC Write-offs	7	12,955	19,254
Profit from disposal of property plant and equipment	6	(2,494)	(2,920)
Net Interest expense	9	183,806	237,544
Provision for Retirement Benefit Obligations	25.3	95,799	95,256
Fair value gain on Biological Assets	15.4	(92,290)	(75,208)
Change in consumable biological assets due to harvest	15.1	11,242	-
Amortisation of Deferred Income	6	(15,763)	(17,249)
Write back of other Payables	6	-	(10,906)
Operating Profit before Working Capital Changes		321,441	244,447
(Increase)/Decrease in Inventories	16	26,320	(105,284)
(Increase)/Decrease in Trade and Other Receivables	17	(6,421)	8,252
(Increase)/Decrease in Amounts due from Related Companies	18	3,019	(2,204)
Increase/(Decrease) in Trade and Other Payables	27	33,679	(29,170)
Increase/ (Decrease) in Amounts due to Related Companies	28	(14,940)	37,007
		363,098	153,048
Net Interest Paid		(163,807)	(84,449)
Payment of Retirement Benefit Obligations	25 & 27	(85,642)	(59,509)
Grants/ Deferred Income Received	22	20,000	500
Economic Service Charge paid		-	(3,527)
Net Cash flow generated from Operating Activities		133,649	6,063
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Immature Bearer Biological Assets	15.2	(61,152)	(71,743)
Investment in Immature Consumable Biological Assets	15.1	(19)	(213)
Purchase of Property Plant & Equipment	14	(155,681)	(11,904)
Proceeds from disposal of property plant and equipment	6	2,494	2,920
Net Cash used in Investing Activities		(214,358)	(80,940)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans Received		226,026	188,000
Loan Repayments		(114,072)	(81,898)
Lease Rentals Paid to JEDB/SLSPC	26.3	(18,618)	(13,619)
Net Cash generated from Financing Activities		93,336	92,483
Net Decrease in Cash & Cash Equivalents		12,627	17,603
Cash & Cash Equivalents at the beginning of the year		(778,414)	(796,017)
Cash & Cash Equivalents at the end of the year	19	(765,787)	(778,414)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 to 66 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Kahawatte Plantations PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No 17 of 1982 (The Company re-registered under the Companies Act No.7 of 2007) in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings in to Public Companies Act No 23 of 1987. The registered office of the Company is located at No 111, Negombo Road, Peliyagoda, and Plantations are situated in the planting regions of Kahawatte and Nawalapitiya.

1.2 Principal Activities and Nature of Operation

The company is involved in the cultivation, manufacture and sale of Tea and Rubber and other agricultural crops.

1.3 Parent and Ultimate Parent Company

The Company's parent undertaking is Forbes Plantations (Private) Limited and the ultimate parent company is MJF Holdings Limited which are incorporated in Sri Lanka.

1.4 Management Contract

The Company is presently managed by Forbes Plantations (Private.) Limited. The Management Agreement which came into effect from 17 August 1997 is initially for a period of five years and with a provision for extension by a further period by mutual consent of both parties.

Consequent to the agreement reached by the company with the Ministry of Plantation Industries JEDB and SLSPC on 4 August 2003 the basis of Management Fees was restructured to base on Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA).

1.5 Number of Employees

The number of employees at the end of the year was 5,175 (2020-4,589) in relation to Note - 25. There were no material issues pertaining to employees and industrial relations for the year ended 31st December 2021.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Company comprise the statement of financial position, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow together with the notes to the financial statements

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka and with the requirements of the Companies Act No.07 of 2007. Financial Statements, except information on Cash Flows, have been prepared following the accrual basis of accounting.

The financial statements were authorized for issue by the Board of Directors on 25th May 2022.

2.2 Basis of Measurement

Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

1. Biological assets are measured at fair value less costs to sell
2. Retirement benefit obligation recognized at present value based on actuarial valuation.
3. Plant and Machineries recognized based on Fair value.
4. Financial instrument measured at fair value through other comprehensive income on fair value

2.3 Functional and Presentation Currency

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

There was no change in the Company's presentation and functional currency during the year under review.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standard requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates & judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of revision and future periods, if the revision affects both current and future periods and if any future periods affected.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes

- Note 2.4.1 - Fair value of plant & machinery
- Note 2.4.2 - Useful lifetime of the property, plant, and equipment
- Note 3.2- Impairment on non-financial assets.
- Note 2.4.3 - Measurement of defined benefit obligation: key actuarial assumptions
- Note 2.4.4 - Provisions for liabilities, commitments, and contingencies
- Note 36 - Going concern basis
- Note 15.1 - Consumable Biological Assets
- Note 15.3 - Produce on Bearer Biological Assets
- Note 23 - Deferred tax assets

2.4.1. Fair value of plant & machinery

The Company measures plant & machinery at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive

Notes to the Financial Statements *(Contd...)*

Income (OCI). Valuations are performed every three years to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. The Company engages independent professional valuer Mr. Chandrasena Chartered Valuation Surveyor to assess fair value of plant and machinery in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, plant & machinery was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the plant & machinery, and sensitivity analysis are provided in Note 14.

2.4.2. Useful lifetime of the property, plant, and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant, and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.1.1.6 for more details.

2.4.3. Measurement of defined benefit obligation: key actuarial assumptions

The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 25.4 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 25.5.

2.4.4. Provisions for liabilities and contingencies

Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions. Refer Note 34.

2.5 Materiality and Aggregate

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1- Presentation of Financial Statements Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 Assets and Bases of Their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and those which are expected to realize in cash, during the normal operation cycle of the Company's business, or within one year from the Reporting date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the date of Statement of financial Position.

3.1.1 Property, Plant and Equipment

3.1.1.1 Recognition and measurement

Property, Plant, and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be reliably measured.

The Property, Plant and Equipment except plant and machinery are recorded at cost less accumulated depreciation and impairment losses.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

The cost of property, plant and equipment is the cost of purchase or construction together with any other expenses directly attributable to bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the businesses or to increase the earning capacity of the business has been treated as capital expenditure.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

A revaluation of plant and machinery is done when there is a substantial difference between the fair value and the carrying amount of the plant and machinery, and is undertaken by professionally qualified valuers every 3 years.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are expensed in profit and loss.

Notes to the Financial Statements *(Contd...)*

3.1.1.2 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The carrying amount of those parts that are replaced is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Permanent Land Development Costs

Permanent land development costs are those costs incurred to make major changes to land contours to build new access roads and other major infrastructure development. Such expenditure on leasehold land has been capitalised and amortised over the remaining lease period.

Permanent impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.1.1.3 Infilling Cost on Bearer Biological Assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the useful life or unexpired lease period whichever is lower applicable to mature plantations.

Infilling costs that are not capitalised have been charged to the Income Statement in the year in which they are incurred.

3.1.1.4 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the specific asset.

The amount of borrowing costs which are eligible for capitalisation is determined in accordance with LKAS 23- "Borrowing Costs". Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant Immature Plantation. The capitalisation will cease when the crops are ready for commercial harvest. The amounts so capitalised and the capitalisation rates are disclosed in the notes to the Financial Statements.

3.1.1.5 Capital work-in-progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in- progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

3.1.1.6 Depreciation and Amortization

3.1.1.6.1 Depreciation

Depreciation is calculated by using a straight-line method on the cost or revalued amounts of all property, plant and equipment, in order to write off such amounts over the estimated useful economic life of such assets. The leased assets are depreciated over the shorter of the lease term and their useful lives.

Improvement to land	Over 10-40 Years
Water Links/ Roads	Over 20 Years
Plant and Machinery	Over 13 1/3 -20 Years
Motor Vehicles	Over 05 Years
Equipment	Over 08 Years
Furniture and Fittings	Over 10 Years
Mature Plantations	
-Tea	Over 33 1/3 Years
-Rubber	Over 20 Years
-Minor Crop	Over 3-25 Years

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 derecognized. Leased assets are depreciated over the shorter of the leased term and their useful lives.

The useful life, residual values and depreciation methods of assets are reviewed, and adjusted if required, at the end of each financial year.

3.1.1.6.2 Amortisation

The leasehold rights of assets taken over from JEDB / SLSPC are being amortized in equal amounts, over the shorter of lease period and economic useful lives as follows.

Bare Land	Over 53 Years
Land Development Cost	Over 30 Years
Buildings	Over 25 Years
Improvement to Land	Over 30 Years
Water Supply Scheme	Over 33 Years
Mature Plantations	
-Tea	Over 30 Years
-Rubber	Over 20 Years
-Minor Crop	Over 3-25 Years

3.1.2 Produce on Bearer Biological assets

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered for the valuation of the produce, the Company uses bought leaf rate (current month) less cost of harvesting and transport

3.1.3 Biological Assets

Biological Assets are classified as mature biological asset and immature biological assets. Mature

Notes to the Financial Statements (Contd...)

biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber and other plantations are treated as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets includes Tea, Rubber trees and minor crops those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce or sold as biological assets.

The company recognizes the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the asset can be measured reliably.

The cost of new planting, replanting, interplanting and crop diversification incurred between the time of field development and being ready for commercial harvesting are classified as immature plantations. Further the general charges incurred on the plantation are apportioned on labour days spent on respective replanting and new planting, and capitalized on immature trees. The remaining portion of the general charges is charged to the statement of comprehensive income in the year in which it is incurred. No depreciation is provided for immature plantation. The total expenditure incurred on bearer biological assets (Tea, Rubber and minor crop) which come into bearing during the year have been transferred to mature plantations and depreciated over its useful lifetime. Expenditure incurred on consumable biological asset is initially recorded at cost thereafter at fair value on each reporting period.

Permanent impairments to biological assets are charged to the statement of Comprehensive Income in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss. The bearer biological assets are recorded at cost less accumulated depreciation and accumulated impairment losses, if any in terms of LKAS 16 - Property Plant and Equipment as per ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timber are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as an approximation to fair value of young plants as the impact on biological transformation of such plants to price during the period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity.

The company recognises its agricultural produce prior to harvest separately from its bearer plants. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognised in the profit or loss at the end of each reporting period.

3.1.4 Right of use of Assets

3.1.4.1 Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3.1.4.2 ROU Asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Company applies the cost model for the subsequent measurement of the ROU asset and accordingly, the right-of use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.1.4.3 Depreciation Expenses

Depreciation expenses has been charged to income statement under other operating and administration expenses.

3.1.4.4 Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external

Notes to the Financial Statements *(Contd...)*

financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to
- terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment

3.1.4.5 Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

3.1.4.6 Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities within 'Loans and borrowings' in the Statement of Financial Position.

3.1.4.7 Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.2 Financial Instruments

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Financial assets - Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those

Notes to the Financial Statements *(Contd...)*

policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated e.g. whether compensation is based on the fair

  value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Company claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Financial Statements *(Contd...)*

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(c) Derecognition Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment policy:

Financial instruments and contract assets
Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 180 days past due.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 365 days past due;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for a security because of financial difficulties.

Notes to the Financial Statements *(Contd...)*

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

3.3 Inventories

3.3.1 Finished Goods Manufactured From Agricultural Produce

These are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

3.3.2 Input Materials, Spares and Consumables

These are valued at actual cost on weighted average basis.

3.3.3. Agricultural Produce Harvested from Biological Assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest.

3.3.4 Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labor and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.4 Impairment of Non-Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3.5 Liabilities and Provisions

3.5.1 Employee Retirement Benefits

a) Short-term employee benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related service. The accruals for employee entitlements to benefits such as salaries, bonuses and annual leave represent the amounts which the Company has a present obligation to pay as a result of the employee's services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the reporting date

b) Defined contribution plans

EPF, ESPS, CPPS & ETF All employees who are eligible for defined Provident Fund Contributions and Employees Trust Fund Contributions are covered by relevant contributory funds in line with respective statutes.

c) Defined Benefit Plans - Gratuity

The Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No 12 of 1983 and the Indian Repatriate Act No. 34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Obligations in the Statement of Financial Position.

Provision for Gratuity on the employees of the Company is on an actuarial basis, using the Projected Unit Credit (PUC) method and in conformity of LKAS - 19 "Employee Benefits".

The Company expects to carry out actuarial valuation once in every year. The Actuarial Valuation was carried out by a professionally qualified firm of actuaries M/s Piyal S. Goonetilleke & Associates.

Notes to the Financial Statements *(Contd...)*

However according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services. The liability is not externally funded. The key assumptions used in determining the retirement benefit obligations are given in Note 25.4.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

3.5.2 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre- tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

3.5.3 Deferred Income

3.5.3.1 Grants and Subsidies

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Company receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the profit or loss over the expected useful life of the relevant asset by equal annual installments.

3.6 a) Statement of Profit or Loss & Other Comprehensive Income

3.6.1 Revenue and Other Income Recognition

The information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are described below.

Revenue principally consists of tea and rubber auction sales. The Company considers sales as one performance obligation and recognizes revenue when it transfers control of goods to the customer via the auction. Revenue is recognized at invoice value net of brokerage, sales expenses and other levies related to revenue.

Gains and losses on disposal of Property Plant and Equipment are determined by comparing the net sales proceed with the carrying amount of Property Plant and Equipment and are recognized within other income in the income statement Other income is recognized on an accrual basis.

3.6.2 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in state of efficiency has been charged to income statement in arriving at the profit/(loss) for the year.

For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expenses method presents fairly the elements of the enterprise's performance and, hence such presentation method is adopted. Interest expenditure on borrowings is recognised on an accrual basis.

3.6.3 Income Tax Expense

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.6.3.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act No 10 of 2021.

3.6.3.2 Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Temporary differences in relation to a right-of-use assets and lease liability are regarded as a net package (Right of Use of the assets) for the purpose of recognising deferred tax.

Deferred tax assets and liabilities are recognised for all temporary differences. Deferred tax assets are

Notes to the Financial Statements *(Contd...)*

recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred taxes to the same taxable entity and the same taxation authority.

3.6.3.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

3.7 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

3.8 Stated Capital

The Stated Capital of the Company is Rs. 1,698,952,641/- divided into No. 99,406,691 Ordinary Shares and One (01) Golden Share

3.9 Revaluation Reserve

Revaluation Reserve of the company consist the revaluation gain recognized from fair valuation of Plant and Machinery owned by the company.

3.10 Statement of CashFlows

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as operating cash flows, interest and dividends received and government grants received are classified as investing cash flows while dividends paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

3.11 Related Party Transactions

Disclosure has been made in respect of the transaction in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged. A detailed Related Party Transaction analysis in presented in Note 29.

3.12 Segmental Reporting

A Segment is a distinguishable component of the Company that is engaged in providing services, which is subject to different risks and rewards.

The Company's core business is manufacturing and sale of Tea and this line of business accounts for the entire operation of the company. The Company's business is located in different geographical locations where the risks and rewards related to each segment could be identified.

Revenue and expenses directly attributable to each segment are allocated intact to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation wherever possible.

Assets and Liabilities directly attributable to each segment are allocated intact to the respective segments. Assets and Liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis whenever possible.

3.13 Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 34 to the Financial Statements. Commitments are disclosed in Note 33 to the Financial Statements.

3.14 Events occurring after the reporting period

Events after the reporting period are those events favorable and unfavorable occurring between the end of the reporting period and the date when the Financial Statements are authorised for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments or disclosures are made in the Financial Statements, where necessary.

3.15 Foreign Currency Translations

Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates prevailing at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in Sri Lankan Rupees at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated

Notes to the Financial Statements *(Contd...)*

at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate at the dates of the transactions. Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

4. NEW STANDARDS AND CHANGES TO ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

4.1 The following new and amended standards are not expected to have a significant impact on the company's financial statements.

Annual Improvements to SLFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to SLFRS Standards 2018–2020. Key Aspects covered is as follows.

- SLFRS 1 First-time Adoption of International Financial Reporting Standards

  This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent. The Company does not anticipate this amended to have a significant impact.

- SLFRS 9 Financial Instruments

  This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company does not anticipate this amended to have a significant impact.

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

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The Company does not anticipate this amended to have a significant impact.

Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting period beginning on or after 1 January 2022

Key amendments are as follow:

- add to SLFRS 3 a requirement that, for transactions and other events within the scope of LKAS 37 or IFRIC 21, an acquirer applies LKAS 37 or IFRIC 21 (instead of them Conceptual Framework) to identify the liabilities it has assumed in a business combination. The Company does not anticipate this amended to have a significant impact.

- add to SLFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The Company does not anticipate this amended to have a significant impact.

Notes to the Financial Statements *(Contd...)*

Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023

The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or\ timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item

The Key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Company does not anticipate this amended to have a significant impact.

Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

requiring companies to disclose their material accounting policies rather than their significant accounting policies.

clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Company does not anticipate this amended to have a significant impact.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SFRS 16).

In May 2020, the International Accounting Standards Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

Notes to the Financial Statements *(Contd...)*

For the year ended 31 December

5. REVENUE	**2021 Rs.'000**	2020 Rs.'000
5.1 Revenue Streams		
Revenue from Contracts with customers		
Tea	3,487,275	2,563,349
Rubber	591,707	358,427
Other Revenue (5.1a)	188,234	57,867
Total Revenue	4,267,216	2,979,643

5.1a Revenue classified as 'other revenue' above, mainly comprise revenue generated from Cinnamon sales and Timber Tree sales.

5.1b Timing of Revenue Recognition	**2021 Rs.'000**	2020 Rs.'000
Products transferred at a point in time	4,267,216	2,979,643

5.2 Performance obligations

Information about the Company's performance obligations is summarised as follows:

Type of products/ services	Nature and timing of satisfaction of performance obligation	Revenue recognition under SLFRS 15
Tea and Rubber	The Company is selling made tea & rubber to customers through brokers at Colombo Tea Auction.	Revenue from tea and rubber is recognised at the time of confirmation of sale at the auction.
Other Revenue	The Company is selling, Cinnamon sales & Timber Tree sales. to the customers at the plantations.	Revenue from sale of other crops is recognised at the point in time when the control of the goods has been transferred to the customer, generally at the Estates.

5.3 Segmental Information

The company has the following three strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies Other operations include Cultivation and sale of diversified crops such as sale of timber trees and cinnamon etc. None of these other operations met the quantitative threshold for reportable segments in 2021 or 2020

Principal Crops	Tea		Rubber		Others		Total	
	2021 Rs.'000	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000
(a) Segment Revenue								
Revenue	3,487,275	2,563,349	591,707	358,427	188,234	57,867	4,267,216	2,979,643
Cost of Sales	(3,589,464)	(2,510,694)	(515,001)	(408,761)	(106,448)	(82,895)	(4,210,913)	(3,002,350)
Segment Results	(102,189)	52,655	76,706	(50,334)	81,786	(25,028)	56,303	(22,707)
Unallocated								
Other Income							75,399	52,581
Administrative Expenses							(134,652)	(105,356)
Gain on fair valuation of biological assets							92,290	75,208
Profit/(Loss) from Operating Activities							89,340	(274)
Net Finance Cost							(183,806)	(237,544)
Loss from Ordinary Activities before Income Tax Expenses							(94,466)	(237,818)
Income Tax Expense							(11,732)	(7,949)
Loss for the Year							(106,198)	(245,767)
Actuarial Gain/(Loss) on Retirement Benefit Obligation							119,134	(56,775)
Deferred Tax (Charge)/Reversal on Retirement Benefit Obligation							(12,509)	7,949
Reversal from Deferred Tax Effective Rate Change on Gross Revaluation Reserve							10,921	-
Other Comprehensive Income for the Year, Net of tax							117,546	(48,826)
Total Comprehensive Income/ (Expense) for the Year							11,348	(294,593)

Notes to the Financial Statements *(Contd...)*

5.3 Segmental Information (Contd...)

	Tea		Rubber		Others		Total	
	2021 Rs.'000	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000	**2021 Rs.'000**	2020 Rs.'000
(b) Segmental Assets								
Non Current Assets	2,157,511	2,157,145	986,776	1,023,292	1,338,824	1,235,511	4,483,111	4,415,948
Current Assets	380,484	423,747	64,177	36,679	7,809	11,455	452,470	471,881
	2,537,995	2,580,892	1,050,953	1,059,971	1,346,633	1,246,966	4,935,581	4,887,829
Unallocated								
Non Current Assets							29,603	16,926
Current Assets							119,491	131,966
Total Assets							5,084,675	5,036,721
Capital Expenditure								
- Allocated	161,585	33,498	17,280	24,363	36,975	25,539	215,840	83,400
- Unallocated	-	-	-	-	-	-	1,012	460
							216,852	83,860
Depreciation / Amortisation								
- Allocated	133,301	128,721	61,307	51,015	12,435	6,677	207,043	186,413
- Unallocated	-	-	-	-	-	-	13,748	13,781
							220,791	200,194
(c) Segmental Liabilities								
Non Current Liabilities								
- Allocated	658,284	712,766	282,122	305,471	-	-	940,406	1,018,237
- Unallocated	-	-	-	-	-	-	716,844	726,168
							1,657,250	1,744,405
Current Liabilities								
- Allocated	429,759	410,305	174,383	157,981	-	-	604,142	568,286
- Unallocated	-	-	-	-	-	-	1,677,174	1,589,269
							2,281,316	2,157,555
Total Liabilities							3,938,566	3,901,960

The Operations under three segments are as follows,

Reportable Segments	Operations
Tea	Cultivation, processing and sale of tea leaves and made tea
Rubber	Cultivation, processing, sale of rubber.
Other	Cultivation and sale of diversified crops such as sale of timber trees and cinnamon

There are varying levels of integration between each segment.

Notes to the Financial Statements *(Contd...)*

For the year ended 31 December

6. OTHER INCOME

	2021 Rs.'000	2020 Rs.'000
Amortisation of Capital Grants	15,323	17,249
Rent Income	7,533	3,222
Annual Income from Mini Hydro Power Project	13,984	3,954
Deferred Income from Mini Hydro Power Project	440	-
Sundry Income	8,681	5,880
Sale of Rubber Trees	26,944	8,450
Profit from disposal of Property Plant and Equipment	2,494	2,920
Write Back of Other Payables	-	10,906
	75,399	52,581

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Is stated after charging all expenses including the following,	**2021 Rs.'000**	2020 Rs.'000
Directors' Emoluments	900	3,620
Auditors' Remuneration - Audit fees	3,050	2,772
- Non - Audit fees & expenses	228	257
Depreciation/Amortisation		
- Leasehold rights to Bare Land	6,227	6,078
- Immovable leased assets	8,793	8,899
- Property, Plant & Equipment	96,846	91,698
- Mature Plantations	108,925	93,519
Personnel cost includes,		
- Defined benefit plan cost - Retiring Gratuity		
Amount Recognised in Statement of Profit ot Loss		
- Current Service Cost	47,468	43,149
- Interest Cost	48,331	52,107
Amount Recognised in Other Comprehensive Income		
- Actuarial Loss/ (Gain)	(119,134)	56,775
- Defined contribution plan cost - EPF, ETF,CPPS & ESPS	155,865	146,823
ESC Write off	12,955	19,254
Inventory Impairment Provision / (Reversal)	(438)	1,031
Inventory Write-offs	-	7,857

8. FINANCE INCOME

	2021 Rs.'000	2020 Rs.'000
Interest Income	550	768
	550	768

9. FINANCE COST

	2021 Rs.'000	2020 Rs.'000
Interest on Government Finance Lease	17,922	17,502
Interest on Bank Overdrafts	54,216	60,968
Interest on Term Loans	109,804	164,053
Interest On Re-invested Management Fees	-	1,584
	181,942	244,107
Less: Borrowing costs capitalised	(1,792)	(5,795)
Exchange Loss	4,206	-
	184,356	238,312
Net Finance Costs	183,806	237,544

Notes to the Financial Statements *(Contd...)*

For the year ended 31 December

10. TAXATION

		2021 Rs.'000	2020 Rs.'000
Current tax expenses/(Reversal)	(Note 10.1)	6,995	-
Previous year tax expenses Under/(Over) Provision)		6,325	-
Deferred tax expense/(Reversal)	(Note 10.3)	(1,588)	7,949
		11,732	7,949

10.1 Current Tax Expenses

	2021 Rs.'000	2020 Rs.'000
Accounting Profit/ (Loss) before Taxation	(94,466)	(237,818)
Aggregate Disallowable expenses	356,726	348,963
Aggregate Allowable Expenses	(254,661)	(278,810)
	7,599	(167,665)
Tax Exempt Income / (loss)	(288,080)	-
Taxable Income / (loss)	266,532	(167,665)
Other Sources of Taxable Income	29,147	-
Total Statutory Income	7,599	(167,665)
- Add back Tax Exempt Loss	288,080	-
Losses set off during the year	(266,532)	-
Taxable Income from Other Income	29,147	(167,665)
Income tax @ 14%(2020-14%)	-	-
Income tax @ 24% (2020-28%)	6,995	
	6,995	-

Applicable Income Tax Rate

Based on the Inland Revenue Amendment Act No. 10 of 2021, the Company is exempted to pay income tax on profit from its business of "Agro Farming" for a period of 5 years with effect from 1st April 2019. This exemption was not applied in the computation of taxable profit/(loss) from business during the year ended 31st December 2020 since the amendment Act was not substantively enacted as at that date.

This amendment act was enacted during the year ended 31st December 2021 and as a result, this exemption has been applied in calculating the taxable income for the year ended 31st December 2021.

Provision for income tax on profits from the business of "Agro processing" for the year ended 31st December 2021 has been calculated using the tax rate of 14% and other income at 24%. (2020: Profits from agriculture at 14% and other income at 28%).

10.2 Accumulated Tax Losses

	2021 Rs.'000	2020 Rs.'000
Tax losses brought forward	(3,361,941)	(3,325,970)
Adjustment in respect of previous years	339,967	131,694
Loss for the year	-	(167,665)
Losses set off during the year	266,532	-
Tax losses carried forward	(2,755,442)	(3,361,941)

10.3 Deferred Tax Expense

	2021 Rs.'000	2020 Rs.'000
Deferred tax charge/(reversal) to income statement (Note 23)	(1,588)	7,949
Deferred tax charge/(reversal) to Other Comprehensive Income (Note 10.3.1 & Note 23)	1,588	(7,949)
	-	-

Notes to the Financial Statements *(Contd...)*

For the year ended 31 December

10.3.1 Deferred tax charge/(reversal) to Other Comprehensive Income (Note 10.3.1 & Note 23)

	2021			2020		
	For the year ended (Rs.'000)					
	Before Tax	Tax (expense)/ benefit	Net of Tax	Before Tax	Tax (expense)/ benefit	Net of Tax
Deferred Tax (Charge)/Reversal on Retirement Benefit Obligation	119,134	(12,509)	106,625	(56,775)	7,949	(48,826)
Reversal from Deferred Tax Effective Rate Change on Gross Revaluation Reserve	-	10,921	-	-	-	-
Total Deferred tax (charge)/reversal to Other Comprehensive Income	119,134	(1,588)	106,625	(56,775)	7,949	(48,826)

11 LOSS PER SHARE

11.1 Basic loss Per Share

The computation of the Basic Loss per share is based on Loss attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year and calculated as follows;

	2021	2020
Amount used as the Numerator		
Loss after income tax expense attributable to Ordinary Shareholders (Rs. 000)	(106,198)	(245,767)
Amount used as the Denominator		
Weighted average number of Ordinary Shares outstanding during the year ('000) - Note 11.2	99,407	79,943
Loss per share (Rs)	(1.07)	(3.07)

11.2 Issued ordinary shares at as at beginning of the year ('000)	99,407	79,890
Shares issued in 31st December 2020 as a Private Placement ('000)	-	19,517
Weighted-average number of ordinary shares as at 31st December ('000)	99,407	79,943

11.3 Diluted Profit/(Loss) Per Share

The calculation of diluted Profit/(loss) per share is based on Profit/(loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjusting for the effect of all dilutive potential ordinary shares.
There were no potentially dilutive shares outstanding at any time during the year/previous year.

12. LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

a) The leasehold right to the land on all seventeen estates have been taken in to the books of the Company as at 15 June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board decided at its meeting held on 8 March 1995 that these bare lands would be revalued, at the value established for these lands, by the valuation specialist Mr. D. R. Wickramasinghe, just prior to the formation of the Company. The value taken into 15 June 1992, Balance Sheet and the written down values are given in note 12.(c) below;

b) Lease agreement have been executed for sixteen estates out of the seventeen estates handed over to company by JEDB/ SLSPC as at 31 December 2021. A memorandum of understanding has been signed for the lease of Westhall estate for which lease agreement remains to be executed.All these leases are /will be retroactive to 15 June 1992, the date of formation of the company.

c) At Carried Value

	Life of the Asset	15/06/1992 Rs'000	2021 Rs.'000	2020 Rs.'000
Leasehold Right to Land of JEDB / SLSPC Estates	53 years	322,427	316,962	314,145
Remeasurement of Leasehold Right as at 1st July			4,428	2,817
			321,390	316,962
Accumulated Amortisation				
As at 1 January			166,662	160,584
Amortisation for the Year			6,227	6,078
As at 31 December			172,889	166,662
Carrying amount			148,501	150,300

The value of the Right of Use Asset has been considered as the deemed cost as at the transition date of SLFRS 16.

Notes to the Financial Statements *(Contd...)*

As at 31 December

13 IMMOVABLE LEASED ASSETS (OTHER THAN BARE LAND)

	Notes	2021 Rs.'000	2020 Rs.'000
Immovable leased bearer biological assets	13.1	35,471	43,886
Immovable leased assets (Other than Lease hold right to bare Land & biological Assets)	13.2	727	1,104
		36,198	44,990

13.1 IMMOVABLE LEASED BEARER BIOLOGICAL ASSETS

As more fully explained in Note 12 although all JEDB/SLSPC estate leases have not been executed to date in terms of the ruling of the UITF all immovable assets in these estates under leases have been taken into the books of the Company retroactive to 15 June 1992. For this purpose the Board decided at its meeting on 08th March 1995 that these assets would be taken into the books at their book values as they appear in the books of the JEDB / SLSPC, as the case may be, on the day immediately preceding the date of formation of the Company. These assets have been taken into the 15 June 1992, Balance Sheet and the written down values are as follows;

	Mature Plantations				
	Tea Rs'000	Rubber Rs'000	Minor Crop Rs'000	2021 Rs.'000	2020 Rs.'000
Capitalised Value 22 June 1992	254,049	79,305	4,094	337,448	337,448
Amortisation					
As at 1 January	210,163	79,305	4,094	293,562	285,041
Amortisation for the year	8,415	-	-	8,415	8,521
As at 31 December	218,578	79,305	4,094	301,977	293,562
Carrying amount	35,471	-	-	35,471	43,886

Investments in Immature Plantations at the time of handing over to the company as at 15 June 1992 by way of estate leases were shown under Immature Plantations. However, since then all such investments in Immature Plantations have been transferred to Mature Plantations . The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation.

13.2 IMMOVABLE LEASED ASSETS (OTHER THAN LEASEHOLD RIGHT TO BARE LAND & BIOLOGICAL ASSETS)

	Improvements to land Rs'000	Buildings Rs'000	Water Supply Rs'000	2021 Rs.'000	2020 Rs.'000
Capitalised Value 22 June 1992	6,448	24,459	5,364	36,271	36,271
Amortisation					
As at 1 January	6,070	24,459	4,637	35,166	34,789
Amortisation for the year	215	-	163	378	378
As at 31 December	6,285	24,459	4,800	35,544	35,167
Carrying amount	163	-	564	727	1,104

Since, there is no future lease liabilities for these assets, the carrying value as at 1st January 2019 has been considered as the remeasured value in accordance with SLFRS 16

Notes to the Financial Statements *(Contd...)*

14 PROPERTY, PLANT & EQUIPMENT

Cost	Life of the Asset	As at 01/01/2020 Rs'000	Additions Rs'000	Transfers Rs'000	Disposal Rs'000	Write offs Rs'000	As at 31/12/2021 Rs'000	As at 31/12/2020 Rs'000
Improvements to Land & Buildings	10-40 years	513,751	18,492	-	-	-	532,243	513,751
Plant & Machinery	13 1/3 - 20 years	584,568	74,330	-	-	-	658,898	584,568
Motor Vehicles	5 years	112,742	20,128	-	(3,534)	-	129,336	112,742
Equipment	8 years	162,476	23,567	-	-	-	186,043	162,476
Furniture & Fittings	10 years	13,830	540	-	-	-	14,370	13,830
Water / Link Roads	20 years	112,032	312	-	-	-	112,344	112,032
Capital Work-in-Progress		5,305	67,231	(48,919)	-	(201)	23,416	5,305
		1,504,704	204,600	(48,919)	(3,534)	(201)	1,656,650	1,504,704

Accumulated Depreciation	As at 01/01/2021 Rs'000	Charge for the year Rs'000	Disposals/ Transfers Rs'000	As at 31/12/2021 Rs'000	Written Down Value As at 31/12/2021 Rs'000	Written Down Value As at 31/12/2020 Rs'000
Improvements to Land & Buildings	172,447	17,521	-	189,968	342,275	341,304
Plant & Machinery	61,127	63,317	-	124,444	534,454	523,441
Motor Vehicles	111,518	3,381	(3,534)	111,365	17,971	1,224
Equipment	140,643	8,050	-	148,693	37,350	21,833
Furniture & Fittings	10,661	562	-	11,223	3,147	3,169
Water / Link Roads	55,807	4,015	-	59,822	52,522	56,225
Capital Work-in-Progress	-	-	-	-	23,416	5,305
	552,203	96,846	(3,534)	645,515	1,011,135	952,501

a) The assets shown above are those movable assets vested in the company by way of Gazette notification on the date of formation of the company (15 June 1992) and all investments in tangible assets of the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12 and 13 to the Financial Statements.

b) No borrowing Cost has been capitalised in respect of Property, Plant & Equipment for the year ended 31 December 2021.

c) The Intial cost of the fully depreciated items of Property, Plant and Equipemnt which are still in use as at 31st December 2021 are as follows,

Assets	2021 Rs'000	2020 Rs'000
Buildings	590	590
Plant & Machinery	10,490	-
Furniture & Fittings	7,653	7,263
Tools & Equipment	120,457	108,882
Motor Vehicles	122,924	108,113
Sanitation/Water Supply	11,714	11,405
	273,828	236,253

d) Capital Work-in-Progress include the Work-in-Progress pertaining to Improvements to Land & Building and Plant and Machinery

f) The Board of Directors has assessed the potential impairment loss of PPE as at 31st December 2021 by considering the impact from the COVID 19 pandemic as well Based on the assessment, no impairment provision is required to be made in the financial Statements as at the reporting date in respect of PPE (2020 - Nil).

g) There are no restrictions that existed on the title of the PPE of the Company as at the reporting date

h) During the financial year, the Company acquired PPE to the aggregate value of Rs. 155.68 Mn (2020- Rs. 14.66 Mn) by means of cash.

i) There are no temporarily idle property, plant and equipment as at the reporting date. (2020-Nil)

j) Plant & Machinery owned by company were revalued by chartered valuation surveyor Mr. Chandrasena (FIV SL, MRICS UK) as at 31st December 2019. at a fair value of Rs. 580.9 Mn

Details of the revalued Plant & Machinery are given below.

i. Fair value hierarchy

The fair value measurement for all of the land and buildings have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

ii. Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the revalued amounts of plant and machinery, as well as the significant unobservable inputs used.

Notes to the Financial Statements *(Contd...)*

14 PROPERTY, PLANT & EQUIPMENT (Contd...)

Valuation Technique	Significant Unobservable Inputs	Inter Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Comparable method:	**Replacement Cost** The cost of replacing an existing asset with a substantially identical equivalent, after taking into consideration, the depreciation due to usage and obsolescence through market changes (Rs. 6,750 - Rs. 24,145,459)	The Estimated fair value would increase (decrease) if: Comparable market values were higher (lower);

k) If property, plant and equipment were stated in the historical cost basis (without revaluing), their net book amounts would be as follows ;

As at 31 December

	2021 Rs.'000	2020 Rs.'000
Cost	776,069	700,715
(-) Accumulated depreciation	(485,442)	(442,704)
Carrying Value	290,627	258,011

As at 31 December

15 BIOLOGICAL ASSETS

	Notes	**2021 Rs.'000**	2020 Rs.'000
Consumable Biological Assets - Managed Trees	15.1	1,032,992	952,024
Bearer Biological Assets	15.2	2,283,888	2,333,059
		3,316,880	3,285,083

15.1 Consumable Biological Assets - Managed Trees

	2021 Rs.'000	2020 Rs.'000
a) Cost of Young Plants		
At the beginning of the year	22,153	21,940
Additions	19	213
At the end of the year	22,172	22,153
Standing Timber		
At the beginning of the year	929,871	857,495
Change in fair value less cost to sell due to Price and Physical Changes	92,191	72,376
Decrease due to Harvest	(11,242)	-
At the end of the year	1,010,820	929,871
Total Consumable Biological Assets	1,032,992	952,024

b) Measurement of fair values

i) Fair Value hierarchy

The fair value measurement for standing timber is Rs. 1,033 Mn (2020 : Rs 952 Mn) and it has been categoried as level 3 fair values based on the inputs to the valuation techniques used.

ii) Level 3 fair values

The following table shows the valuation techniques used in measuring fair values, as well as significant unobservable inputs used.

Notes to the Financial Statements *(Contd...)*

15 BIOLOGICAL ASSETS (Contd...)

Type	Valuation Technique used	Significant unabservable inputs	Inter relationship between key unobservable inputs and fair value measurement
Standing Timber (Age Over 4 years)	Discounted Cash flows; The valuation model considers the present value of net cashflows expected to be generated by the plantation.The cash flow projections include specific estimates for (20-29) years. The expected net cashflows are discounted using a risk adjusted discount rate.	Estimated future timber market price per Cubic feet (Rs.160 - Rs.820) -'Risk Adjusted Discount Rate - 14.8% (2020 -14.8%)	The estimated fair value would increase (decrease) if; - the estimated timber prices per cubic feet were higher/(lower) - the risk adjusted discount factor were lower / (higher)
Young Plants (Age less than 5 years)	Cost techniques ; The cost techniques considers the cost of creating a comparable plantation, taking in to account the cost of infrastructure, cultivation and preparation, buying and planting young trees with an estimate profit that would apply to this activity.	-Estimated cost of cultivation and preparation per hectare is Rs.436,140 - Estimated cost of buying and planting young plants per hectare is Rs 84,050	The estimated fair value would increase (decrease) if; - The estimated cost of infrustructure, cultivation and preparation and buying and planting trees were higher/ (lower)

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Trees have been valued as per the current timber prices per cubic feet net of expenditure based on the market prices timber trees.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The Management retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

Managed Trees owned by company were valued at fair value by chartered valuation surveyor Mr. Chandrasena (FIV SL, MRICS UK) as at 31st December 2021.

c) Risk management strategy related to agricultural activities

The Company is exposed to the following risks relating to its timber planting.

i) Regulatory and environmental risks

The Company is subject to laws and regulations in the country. The company has established environmental policies and procedures aimed at compliance with local environmental and other laws.

ii) Supply and demand risk

The Company is exposed to risk arising from fluctuations in price and sales volumes of timber. The company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis for projected harvest volumes and pricing.

iii) Climate and other risks

The Company's timber plantations are exposed to the risk of damage from climate changes, diseases, forest fires and other natural forces. The company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Notes to the Financial Statements *(Contd...)*

15 BIOLOGICAL ASSETS (Contd...)

d) Sensitivity Analysis

i) Sensitivity variation on sales price

Values as appearing in the statement of financial position are sensitive to the price changes with regard to average sales prices applied.Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets measured as fair value.

	-10% Rs'000	0% Rs'000	+10% Rs'000
As at 31 December 2021	929,693	1,032,992	1,136,291
As at 31 December 2020	863,015	952,024	1,041,034

ii) Sensitivity variation on Discount Rate

Values as appearing in the statement of financial position are sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated discount rate has the following effect on the net present value of biological assets.

	-1% Rs'000	0% Rs'000	+1% Rs'000
As at 31 December 2021	1,084,641	1,032,992	981,342
As at 31 December 2020	1,009,674	952,024	902,848

15.2 Bearer Biological Assets

Cost	Life of the Asset	As at 01/01/2021 Rs'000	Additions/ Rs'000	Writeoffs Rs'000	Transfers Rs'000	As at 31/12/2021 Rs'000	As at 31/12/2020 Rs'000
Mature Plantations							
-Tea	33 1/3 years	1,229,125	-	-	43,506	1,272,631	1,229,125
- Rubber	20 years	992,017	-	-	197,908	1,189,925	992,017
- Minor Crop	3-25 years	169,333	-	-	125,328	294,661	169,333
Immature Plantations							
- Tea		266,423	13,071	-	(43,506)	235,988	266,423
- Rubber		347,967	11,644	-	(197,908)	161,703	347,967
- Minor Crop		150,022	36,437	(1,398)	(125,328)	59,733	150,022
		3,154,887	61,152	(1,398)	-	3,214,641	3,154,887

Accumulated Depreciation	As at 01/01/2021 Rs'000	Charge for the year Rs'000	As at 31/12/2021 Rs'000	Written Down Value As at 31/12/2021 Rs'000	Written Down Value As at 31/12/2020 Rs'000
Mature Plantations					
- Tea	386,810	41,024	427,834	844,797	842,315
- Rubber	393,062	56,244	449,306	740,619	598,955
- Minor Crop	41,956	11,657	53,613	241,048	127,377
Immature Plantations					
- Tea	-	-	-	235,988	266,423
- Rubber	-	-	-	161,703	347,967
- Minor Crop	-	-	-	59,733	150,022
	821,828	108,925	930,753	2,283,888	2,333,059

These are investments in plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12 and 13. Further, investment to immature plantation taken over by way of these leases are shown in the above note. When such plantations came in to bearing, the additional investments since taking over to bring them to bearing was transferred from immature to mature plantations under this note. A corresponding transfer was made from immature to mature plantations being the investment undertaken by JEDB/SLSPC on the particular plantation prior to the formation of the company under Note 13.

Notes to the Financial Statements *(Contd...)*

15 BIOLOGICAL ASSETS (Contd...)

The Company has performed an impairment assessment on immature biological assets and identified that some of immature plantations are non existing and / or uneconomical. Accordingly, the management has performed a calculation of write offs on such immature fields based on the costs incurred after considering the recoverable amount of economical fields based on fair value less cost to sell.
As a result, the Company has written off Rs. 1.4 Mn (2020- 20.1 Mn) as at 31st December 2021.

Minor crops include Cinnamon, Macadamia etc., carried at cost less accumulated depreciation & impairment.

According to option granted by the institute of chartered accountants of Sri Lanka on valuation of bearer biological assets, the company has measured these assets in accordance with LKAS 16 "Property Plant & Equipment".

Borrowing costs amounting to Rs. 1.8 Mn (2020 -5.7 Mn) on rubber incurred on term loan utilised to finance replanting expenditure of tea and rubber have been capitalised. The average rate of interest for capitalisation is 7.3% for the year ended 31 December 2021. The capitalisation will cease when crops ready for harvest.

15.3 Produce on bearer biological Assets

	2021 Rs.'000	2020 Rs.'000
Balance as at 1 January	8,376	5,544
Change in fair value less cost to sell	99	2,832
Balanace as at 31 December	8,475	8,376

15.4 Change in fair value of Biological Assets

	2021 Rs.'000	2020 Rs.'000
Change in fair value of consumable biological assets less cost to sell (Note 15.1(a))	92,191	72,376
Change in fair value of produce on bearer biological assets less cost to sell (Note 15.3)	99	2,832
	92,290	75,208

16 INVENTORIES

		2021 Rs.'000	2020 Rs.'000
Input Materials and Consumables	(Note 16.1)	74,412	31,136
Growing Crop Nurseries		5,675	7,246
Produce Crops (Tea , Rubber and Other)	(Note 16.2)	336,232	403,819
		416,319	442,201

16.1 Provision for impairment of Input Materials and Consumables

Balance at the beginning of the year	4,692	3,661
Provision during the year	(438)	1,031
Balance at the end of the year	4,254	4,692

16.2 Produce Crops (Tea , Rubber and Others)

Agriculture produce (Green Leaf etc.)	4,810	5,372
Finished goods (Tea, Rubber & Other)	331,422	398,447
	336,232	403,819

17 TRADE & OTHER RECEIVABLES

	2021 Rs.'000	2020 Rs.'000
Trade Receivables (Note 17.1)	27,676	21,303
Staff & Labour Receivables	39,578	40,699
Deposits and Prepayments	8,450	3,937
ESC Recoverable	10,319	29,599
Other Debtors	27,488	25,207
	113,511	120,745

17.1 Trade Receivables Includes Related Party Balances due from, Forbes and Walker Commodity Brokers (Pvt) Limited amounting Rs. 26.7 Mn (2020 - Rs. 21.2 Mn) and Forbes and Walker Tea Brokers (Pvt) Limited amounting Rs. 0.1 Mn (2020 -Rs. 0.1 Million)

17.2 Rs. 0.699 Mn worth of trade and other receivables have been written off during the financial year. (2020-5.041 Mn)

Notes to the Financial Statements *(Contd...)*

As at 31 December

18 AMOUNT DUE FROM RELATED PARTIES

	2021 Rs.'000	2020 Rs.'000
MJF Beverages (Private) Limited	-	750
Ceylon Tea Farmers (Private) Limited	-	1,306
MJF Tea Gardens (Private) Limited	4,591	501
Dilmah Ceylon Tea Comapany PLC.	-	5,053
	4,591	7,610

19 CASH & CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

		2021 Rs.'000	2020 Rs.'000
Favourable cash and cash equivalents Balances			
Cash at Bank		29,009	24,864
Cash in Hand		56	51
		29,065	24,915
Unfavourable cash and cash equivalent Balances			
Bank Overdraft	(Note 19.1)	(794,852)	(803,329)
Cash & Cash equivalents for the purpose of Cash Flow Statement		(765,787)	(778,414)

19.1 Bank Overdraft

Seylan Bank PLC - A/C No 0864-00012388-001	(Note 19.1 (a))	(79,626)	(94,846)
Seylan Bank PLC- A/C 086400040684001	(Note 19.1 (a))	(30,000)	(30,000)
Commercial bank - A/C 1420743201	(Note 19.1 (b))	(87,948)	(79,074)
Union Bank PLC		(2)	(2)
Hongkong and Shanghai Banking Corporation Ltd.	(Note 19.1 (C))	(597,276)	(599,407)
A/C No 001206085001		(794,852)	(803,329)

19.1 (a)

Bank	-	Seylan Bank PLC Colombo
Facility	-	110 Mn.
Purpose	-	Finance the Working Capital requirements
Rate of Interest	-	AWLPR + 2.25%
Security	-	Primary Mortgage Bond over leased hold rights of Estate Land, Buildings & Fixed Assets at Imboolpitiya Estate for Rs 100 Mn. Katoboola Estate for Rs 70 Mn. Kadeinlena Estate for Rs 15 Mn.

19.1 (b)

Bank	-	Commercial Bank of Ceylon PLC
Facility	-	100 Mn.
Purpose	-	Finance the Working Capital requirements
Rate of Interest	-	AWPLR+.75%
Security		Primary Mortgage Bond over leased hold rights of Property at Craighead Estate

19.1 (c)

Bank	-	Hongkong and Shanghai Banking Corporation Ltd
Facility	-	600 Mn.
Purpose	-	Finance the Working Capital requirements
Rate of Interest	-	HSBC COF+2.5%
Security	-	Corporate guarantee by MJF Holdings Ltd. For Rs. 600 Mn

Notes to the Financial Statements *(Contd...)*

As at 31 December

20. STATED CAPITAL

	As at 2021 Number of Shares	As at 2021 Value of Shares Rs.	As at 2020 Number of Shares	As at 2020 Value of Shares Rs.
Fully Paid Ordinery Shares				
At the beginning of the Year - Ordinary Shares	99,406,691	1,698,952,631	79,889,805	898,760,305
- Golden Share (Note (20.1))	1	10	1	10
Shares Issued by way of a Private Placement during the Year (Note (20.2))	-	-	19,516,886	800,192,326
at the end of the year	99,406,692	1,698,952,641	99,406,692	1,698,952,641

The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

20.1 Golden Share

Golden Share has been allotted to the Secretary to the Treasury by capitalisation of revaluation reserve on 1 August 1995. The Articles of Association of the Company embodies the specific rights assigned to the Golden Shareholder on behalf of the State of Democratic Socialist Republic of Sri Lanka. Following special right are vested with the Golden Shareholder;

a) The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands leased / to be leased to the Company by the JEDB/SLSPC.

b) The Golden Shareholder shall be entitled to call upon the Board of Directors meeting once in Three months to meet him or his nominee to discuss matters of the Company of interest to the state of the Government.

c) The Golden Shareholder and or his nominee shall entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company

d) The Company shall submit to the Golden Shareholder within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agree to by the Golden Shareholder and the company.

e) The Company shall submit to the Golden Shareholder,within 90 days of the end of each fiscal year, information related to the Company in a pre-specified format agreed to by Golden Shareholder and the Company.

20.2 Shares Issued by way of Private Placement

The Company Issued 19,516,886 No. of Ordinary Voting Shares of the Company by way of a Private Placement on 31st December 2020 to MJF Teas (Private) Limited at a consideration of Rs. 41/- per Private Placement Share, by Capitalizing a total sum of Rs. 800,192,326 due and payable by the company to MJF Teas (Private) Limited including the payable amounts assigned by MJF Exports (Private) Limited and Forbes Plantations (Private) Limited.

21 REVALUATION RESERVE (NET OF TAX)

	2021 Rs.'000	2020 Rs.'000
Balance at the beginning of year	268,356	268,356
Deferred Tax relating to revaluation of plant and machinery	10,921	-
Balance at the end of year	279,277	268,356

Nature and purpose of Revaluation Reserve

The revaluation reserve relates to free hold building which has been revalued by the Company. On revaluation an asset, any increase in the carrying amount is recognized in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Notes to the Financial Statements *(Contd...)*

As at 31 December

22 DEFERRED INCOME

	2021 **Rs.'000**	2020 Rs.'000
Grants and Subsidies		
As at 1 January	284,211	300,960
Grants received during the year	-	500
	284,211	301,460
Amortisation for the year	(15,323)	(17,249)
Carrying amount As at 31 December	268,888	284,211
Deferred Income		
As at 1 January	-	-
Deferred Income received during the year	20,000	-
	20,000	-
Amortisation for the year	(440)	-
Carrying amount As at 31 December	19,560	-
Total Carrying amount As at 31 December	288,448	284,211

The above represents the following :

The funds received from the Plantation Human Development Trust (Plantation Housing and Social Welfare Trust) and Asian Development Bank (ADB) are for the development of workers welfare facilities.

The amounts spent are capitalised under the relevant classification of Property, Plant & Equipment and the corresponding grant component is reflected under deferred grants and subsidies and amortised over useful life span of the related asset.

23 DEFERRED TAXATION

	2021 **Rs.'000**	2020 Rs.'000
Balance at the Beginning of the year	140,795	140,795
Originated/ (reversed) during the year-recognized in profit or loss	(1,588)	7,949
Originated during the year recognized in other comprehensive income		
- Due to change in the temporary differences	12,509	(7,949)
Originated during the year recognized in other comprehensive income		
- Due to change in the effective tax rate	(10,921)	-
Balance as at 31st December	140,795	140,795

	2021		2020	
	Temporary Differences Rs.'000	**Tax Effect Rs.'000**	Temporary Differences Rs.'000	Tax Effect Rs.'000
On Property Plant and Equipment and Bearer Biological Assets	2,848,224	299,064	3,133,837	438,737
On Retirement gratuity	(628,787)	(66,023)	(721,244)	(100,974)
On Tax loss carried forward	(1,836,691)	(192,853)	(2,378,667)	(333,013)
On Consumable Biological Assets	943,959	99,116	952,024	133,283
On Leasehold Right To Bareland	14,198	1,491	19,728	2,762
	1,340,903	140,795	1,005,678	140,795

Weighted Average tax rate used to calculate the deferred tax is 10.5% (2020-14%)

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue Amendment act no 10 of 2021. The deferred tax liability is calculated at the rate of 10.5% (2020-14%) for the company as at 31st December 2021.

This change in the corporate tax rate from 14% to 10.5% has resulted in a gain of Rs. 35.2 Mn related to the re-measurement of deferred tax liability of the company.

Notes to the Financial Statements *(Contd...)*

23 DEFERRED TAXATION (Contd...)

23.1 Deferred Tax Asset / Assessment of Recoverability

The Company recognized a Deferred Tax asset consequent to the changes in the Inland Revenue Act No. 24 of 2017. As per the said Act, which was effective from 1st April 2018, 100% of taxable income is allowed to be deducted against the tax losses incurred. According to the transitional provisions of the new act, the brought forward tax loss can be claimed against taxable income for a period of 6 years commencing from the year of assessment 2018/19 and ending in year of assessment 2023/24.

The Management carefully analyzed the availability of the future taxable profits against which the unused tax losses can be utilised. In this assessment the Company estimated the profitability using the internal budgets and plans in a conservative manner. In this assessment, directors noted the composition of the carried forward tax loss as given in the note 10.2. Current estimated duration of recoverability of deferred tax asset is 6 years until December 2025.

The unutilized tax losses of Rs. 1,837 Mn (2020 -Rs. 2,379) Mn out of total tax losses of Rs. 2,755 Mn (2020-Rs. 3,362) Mn have been considered for the deferred tax based on the probable future taxable profits available. Hence a deferred tax asset of Rs. 96 Mn (2020-Rs. 137.6 Mn) has not been recognized in respect of unutilized tax losses of Rs. 918 Mn (2020- Rs. 984 Mn) as at 31st December 2021.

Deferred tax is an estimate computed based on the assumptions and available information as at the reporting date. Hence these estimates are subject to change based on further developments , for which assumptions have been considered at the time of estimation (i.e. further clarifications to the new IRD act). Such changes to the estimates will be adjusted during the period the change occurs.

As at 31 December

24 INTEREST BEARING LOANS AND BORROWINGS

		2021 Rs.'000	2020 Rs.'000
Amount payable after one year	(Note 24.1)	576,049	585,373
Amount payable within one year	(Note 24.2)	765,777	713,582
		1,341,826	1,298,955

24.1 Term Loan Payables- payable after one year

Lender	**Purpose**	**Loan Outstanding 2021 Rs.'000**	Loan Outstanding 2020 Rs.'000
Seylan Bank PLC *	Plantation Development Work	-	4,100
Hatton National Bank PLC *	Plantation Development Work	180,837	204,270
Commercial Bank PLC	Plantation Development Work	152,381	152,003
Sri Lanka Tea board	Plantation Development Work	-	-
Standared Chartered Bank	Plantation Development Work	195,000	225,000
Nations Trust Bank PLC*	Plantation Development Work	25,000	-
HSBC	Plantation Development Work	22,831	-
Amount payable after one year		576,049	585,373

24.2 Term Loan Payables- payable within one year

	2021 Rs.'000	2020 Rs.'000
Commercial Bank PLC*	544,596	460,499
Seylan Bank PLC *	4,100	5,900
Hatton National Bank PLC *	67,156	63,370
Nations Trust Bank PLC*	50,000	100,000
Sri Lanka Tea Board	-	2,004
Standared Chartered Bank*	80,000	58,000
HSBC	19,925	23,809
Amount payable within one year	765,777	713,582

Notes to the Financial Statements *(Contd...)*

24 NTEREST BEARING LOANS AND BORROWINGS (Contd...)

24.3 Interest rates and the terms of the repayments of the loans are given below,

Bank/Institution	Loan Granted (Rs. Mn)	Interest Rate	Terms of the repayment
Commercial Bank PLC	475	Based on Market Rates	Short Term Loan 01 month, extendable upto maximum 03 months
	200	AWPLR + 1.5% (Floor Rate - 8%)	In 60 equal monthly installments of Rs. 3,378,000 commenced from 02.09.2019 & Recommenced In January 2022 after Covid- Relief moratariums.
	14.1	6.11% (TB rate +1% as at 01/04/2021)	In 17 monthly installments of Rs. 829,410/- each commenced from January 2022
	30.1	AWPLR	In 23 monthly installments of Rs. 1,254,000/- each commenced from January 2022
Hatton National Bank PLC	300	AWPLR+1%	In 96 equal monthly installments of Rs. 3,125,000/- each commenced from 10.11.2015
	200	AWPLR+1%	In 95 equal monthly installments of Rs. 2,100,000/- each & final installment of Rs.500,000/- commenced from 08.12.2016
	13	AWPLR	In 36 monthly installments of Rs. 361,172 each commenced from 01.10.2020 *Above Terms are subject to Covid- Relief moratariums received under CBSL Circulars during the period 2020-2021
Nations Trust Bank PLC	100	AWPLR+2%	In 24 equal monthly installments of Rs. 4,166,667 each commenced from May 2021
Sri Lanka Tea board	30	AWPLR+1	In 36 equal monthly installments of Rs. 833,333/33 each commenced from 30.08.2017
Standard Chartered Bank Limited	300	Weekly AWPLR - 0.25%	In 20 equal quarterly installments of Rs. 15,000,000 each commenced from 01.10.2019 & Recommenced on 15.10.2022 after Covid- Relief moratariums.
	40	AWPLR-0.25%	In quarterly installments of Rs. 5,000,000 each re-commenced from 15.10.2021 after Covid- Relief moratariums.
Seylan Bank PLC (Saubhagya COVID Relief Loan)	10	4% P.a.	In 17 monthly installments of Rs. 560,000 each commenced from 23rd March 2021
HSBC	15.8	6.93% (TB rate +1% as at 01/08/2021)	In 6 Month Equal installments of Rs. 2,645,451 each commenced from 27.07.2022 after Covid- Relief moratariums.
	17.2	6.11% (TB rate +1% as at 01/04/2021)	In 18 Month Equal installments of Rs. 959,966 each commenced from 27.12.2021 after Covid- Relief moratariums.
	10.5	6.93% (TB rate +1% as at 01/08/2021)	In 6 Month Equal installments of Rs. 1,760,668 each commenced from 27.07.2022 after Covid- Relief moratariums.

*Security

Commercial Bank PLC

Mortgage over Leasehold right of Craighead Estate for Rs. 85.3 Mn
Coporate Guarantee from MJF Holdings Limited Rs. 300Mn

Seylan Bank PLC

Mortgage over Leasehold right of Imboolpitiya, Kataboola & Kadeinlena.

Standard Chartered Bank Limited

Coporate Guarntee from MJF Holdings Limited Rs. 300Mn

Hatton National Bank PLC

Coporate Guarntee from MJF Holdings Limited Rs. 500Mn

Nations Trust Bank PLC

Board Resolution Short Term Loan Agreement

Notes to the Financial Statements *(Contd...)*

As at 31 December

25 RETIREMENT BENEFIT OBLIGATIONS

		2021 Rs.'000	2020 Rs.'000
Estate Employees	(Note 24.1)	490,858	573,815
Head Office Staff	(Note 24.2)	27,609	30,324
		518,467	604,139

25.1 Estate Employees Gratuity Liability as at 31 December 2021 is based on the Actuarial Valuation carried out by Mr. Piyal S. Goonathileke & Associates as per which accrued liability as at 31st December 2021 is Rs. 490.8 Mn (2020- Rs. 573.8 Mn)

	2021	2020
As at 1 January	573,815	481,134
Current Service Cost	44,011	41,052
Interest Cost	45,905	50,519
Actuarial (Gain)/ Loss	(110,756)	40,159
	552,975	612,864
Payments made during the year	(28,529)	(10,205)
Transferred to arrears gratuity payable (Note 27)	(33,588)	(28,844)
As at 31 December	490,858	573,815

25.2 Head Office Gratuity Liability as at 31 December 2021 is based on the Actuarial Valuation carried out by Mr. Piyal S. Goonathileke & Associates as per which accrued liability as at 31st December 2021 is Rs. 27.6 Mn (2020 -Rs. Rs. 30.3 Mn)

	2021	2020
As at 1 January	30,324	15,120
Current Service Cost	3,457	2,097
Interest Cost	2,426	1,588
Acturial (Gain)/ Loss	(8,377)	16,616
	27,830	35,421
Payments made during the year	(221)	(5,097)
As at 31 December	27,609	30,324

	2021	2020
25.3 Provision to Income Statement	95,799	95,256
Actuarial (Gain)/Loss to Other Comprehensive Income	(119,133)	56,775
Net Provision	(23,334)	152,031

25.4 Key Assumptions used by actuary include following:		**2021**	**2020**	
a) Rate of Interest		11.5%	8.00%	
b) Rate of Salary Increase				
	Tea workers	12%	12%	(Every two years)
	Rubber Workers	12%	12%	(Every two years)
	Staff	30%	30%	(Every three years)
c) Retirement Age				
	Estate Workers and Staff	60 Years	60 Years	
	Head Office Staff	60 Years	60 Years	
d) Mortality Rates (Age 20-55)		0.13% - 0.90%	0.13% - 0.90%	
e) The Company will continue as a going concern				
f) Turnover Rate (Age 20-55) - Staff / Workers		1%-6% /8%-12%	1%-6% /8%-12%	

25.5 Sensitivity Analysis - Discount Rate & Salary Increment Rate

Values appering in the financial statements are very sensitive to the changes of financial and on the financial assumptions used. The sensitivity was carried out as follows;

	2021		2020	
	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000
1% Change in Discount rate	-1%	+1%	-1%	+1%
Present Value of Retirement Benefit Obligation	546,908	492,971	647,203	566,445
1% Change in Salary Increment Rate	-1%	+1%	-1%	+1%
Present Value of Retirement Benefit Obligation	492,528	546,931	583,123	627,267

The sensitivity analysis above has been determined on a method that extrapolates the impact on Retirement Benefit Obligations as a result of reasonable changes in key assumptions occurring at the end of reporting period.

No. of Employees as at the year end is disclosed under Note 1.5

Notes to the Financial Statements *(Contd...)*

As at 31 December

25 RETIREMENT BENEFIT OBLIGATIONS (Contd...)

The following payments are expected contributions to the Retirement Benefit Obligations in future years:

	2021 Rs.'000	2020 Rs.'000
Within one year	71,911	77,638
Between 2 to 5 years	330,443	329,529
Beyond 5 years	630,538	571,964
	1,032,892	979,131

Weighted average duration of defined benefit obligation	2021 No. of years	2020 No of years
Staff - Head Office	20.4	20.81
Staff - Estate	20.2	20.14
Workers	15.9	15.26

26. NET LIABILITY TO LESSOR OF JEDB / SLSPC ESTATES

		2021 Rs.'000	2020 Rs.'000
Gross Liability to Lessor for future periods		444,432	448,107
Finance cost allocated to future periods		(310,128)	(317,535)
Net Liability to Lessor for future periods	(Note 26.1)	134,304	130,572
26.1 Net Liability to lessor for future periods			
Payable within one year	(Note 26.2)	813	685
Payable after one year	(Note 26.3)	133,491	129,887
		134,304	130,572
26.2 Payable within one year			
Gross Liability		18,912	18,290
Finance cost allocated to future periods		(18,099)	(17,605)
Net Liability to Lessor		813	685
26.3 Payable after one year			
Payable within two to five years			
Gross Liability		75,648	73,160
Finance cost allocated to future periods		(71,007)	(69,249)
Net Liability to Lessor		4,641	3,911
Payable after five years			
Gross Liability		349,872	356,657
Finance cost allocated to future periods		(221,022)	(230,681)
Net Liability to Lessor		128,850	125,976
Net lease obligations payable after one year		133,491	129,887

On transition to SLFRS 16, the Company recognised an additional Rs. 48.83 Million of lease liabilities as at 1st January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 14%.

The rental payable under the JEDB/SLSPC lease is Rs. 17.8 Million per annum until 14 June 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

	Gross Liability Rs.'000	Future Liability Rs.'000	Net Liability Rs.'000
Balance as at 31st January	448,107	(317,535)	130,572
Interim remeasurement of ROU as at 1/7/2021	14,943	(10,515)	4,428
Repayments/Set off From Prepayment/T.f.to Interest Payable during year	(18,618)	-	(18,618)
Interest expense for year	-	17,922	17,922
Balance as at 31st December	444,432	(310,128)	134,304

Notes to the Financial Statements *(Contd...)*

As at 31 December

27. TRADE AND OTHER PAYABLES

	2021 Rs.'000	2020 Rs.'000
Trade Payables	22,864	41,685
Staff Salaries & Wage Payables	210,914	192,277
EPF & ETF Surcharge Payable	58,789	58,789
Arrears Gratuity Payable (Note 27.1)	133,199	144,390
Loan Interest Payable	11,228	13,305
Lease Rental Payable to JEDB/SLSPC	-	864
PHDT Payable	13,049	14,874
VAT / NBT/ Income tax Payable	7,044	48
Plant and Machinery Creditor Payable	43,850	56,615
Advances and Refundable Deposits	51,697	3,591
Other Creditors	68,966	69,390
	621,600	595,828

27.1 During the year Rs. 56.892 Mn (2020- 44.207 Mn) has been paid under Arrears Gratuity Payable

28. AMOUNTS DUE TO RELATED PARTIES

	2021 Trading Rs.'000	2021 Non Trading Rs.'000	2021 Balance Rs.'000	2020 Trading Rs.'000	2020 Non Trading Rs.'000	2020 Balance Rs.'000
Forbes & Walker Tea Brokers (Private) Limited.	-	69,083	69,083	-	36,545	36,545
MJF Exports (Private) Limited.	-	27,772	27,772	-	7,586	7,586
Dilmah Ceylon Tea Comapany PLC.		1,419	1,419			
	-	98,274	98,274	-	44,131	44,131

Notes to the Financial Statements (Contd...)

For the year ended 31st December

29 RELATED PARTY TRANSACTIONS

29.1 Transactions with related parties

Mr. Malik J Fernando, Ms. Minnette D.A Perera, Mr. Meril J Fernando, Mr. Daya Wickrematunga, Mr. Dilhan C Fernando and Mr. Himendra Ranaweera who are Directors of the Company as at 31 December 2021, have direct or indirect interest in all or some of the transactions as stated below. They either individually or indirectly have share ownership and/or, hold Directorates in such related companies.

			2021			2020	
Name of the Related Party	**Relationship**	**Nature of the Transactions**	**Aggregate value of the RPT enterd during the period (Rs '000)**	**Aggregate Value of the RPT as a % of Net Revenue**	**Terms and Conditions of RPT**	**Aggregate value of the RPT enterd during the period (Rs '000)**	**Aggregate Value of the RPT as a % of Net Revenue**
Forbes Plantaions (Pvt) Ltd	Parent Entity	Interest of Management fee payable - Repayment of Short term loan and Interest Payable by Assigning to MJF Tea (Pvt) Ltd.	- -	0% 0%	10% fixed interest on Management fees payable Revised to AWDR+1 effective from April '20	1,584 (66,435)	0% (0)
MJF Exports (Pvt) Ltd	Related Company	- Rent for office premises - Electricity Charges - Water Charges - Interest on short term advances - Repayment of Short term loan and Interest Payable by Assigning to MJF Tea (Pvt) Ltd.	- - - - -	0% 0% 0% 0% 0%	At Market Rates Reimbusement expenses Reimbusement expenses At Market Rates of AWDR+1%	1,555 547 17 20,471 (340,119)	0% 0% 0% 1% 11%
MJF Beverages (Pvt) Ltd	Related Company	- Rent Income	3,945	0%	At Market Rates	1,500	0%
MJF Teas (Pvt) Ltd	Related Company	- Interest on short term advances - Short term loan received - Short term loan repayment -Issue of shares by a way of Private Placement by capitalisng Short term loan and Interest Payable	- - - -	0% 0% 0% 0%	At Market Rates of AWDR+1% At Rs. 41 per share after considering the prevailed tarding prices before the share issue	22,902 120,000 - 800,192	1% 4% 0% (0)
Dilmah Ceylon Tea Company PLC (Ceylon Tea Services PLC)	Related Company	- Secretarial fee - Other Expenses - Funds for Mini Hydro Project Queensberry & Craighead	181 1,761	0% 0% 0%	Reimbusement of expenses Reimbusement of expenses Grants based on actual capital expenditure	181 363 2,370	0% 0% 0%
MJF Tea Gardens (Pvt) ltd	Related Company	- Dunkeld Estate Accounting /Management fee - Reimburesmenet Other Expenses	2,422 637	0%	As per agreed Arms Length Prices Reimbusement of expenses	2,737 -	0%
Ceylon Tea Farmers (Pvt.) Ltd	Related Company	- Park Estate Factory Accounting/ Management fee	1,410	0%	As per agreed Arms Length Prices	1,328	0%

Notes to the Financial Statements *(Contd...)*

29 RELATED PARTY TRANSACTIONS (Contd...)

For the year ended 31st December

			2021			2020	
Name of the Related Party	**Relationship**	**Nature of the Transactions**	**Aggregate value of the RPT enterd during the period (Rs '000)**	**Aggregate Value of the RPT as a % of Net Revenue**	**Terms and Conditions of RPT**	**Aggregate value of the RPT enterd during the period (Rs '000)**	**Aggregate Value of the RPT as a % of Net Revenue**
Forbes & Walker Commodity Brokers (Pvt.) Ltd	Related Company	- Entering of sales contracts - Brokerage and Other charges - Other charges - Warehouse charges	591,204 4,375 22 1,403	14% 0% 0% 0%	According to the Terms & conditions of colombo Brokers Association	362,316 3,623 25 1,503	12% 0% 0% 0
Forbes & Walker Warehousing (Pvt) Limited	Related Company	- Warehouse rent			At Arms length prices		
Forbes & Walker Tea Brokers (Pvt) Limited.	Related Company	- Entering of sales contracts - Brokerage Paid - Store rent and Other charges - Interest on prompt advances - Short term Loan received - Short term Loan repayment	3,474,522 34,735 19,188 13,845 2,485,700 (2,453,162)	81% 1% 0% 0% 58% 57%	According to the Terms & conditions of colombo Brokers Association	2,556,273 25,563 13,405 1,890 378,000 (341,455)	86% 1% 0% 0% 13% 11%
PCL Solutions (Pvt) Ltd	Related Company	- Supply of Plastic Boxes	4,568	0%	At Arms length prices	-	0%
Dilmah Propeties (Pvt) Ltd	Related Company	- Office Rent	986	0%	At Arms length rates	-	0%

Transactions with related parties are carried out in the ordinary course of business on an relevant commercial terms.

29.2 Amounts due to and due from the above Companies are disclosed in note 17.1, 18 and 28 and of the face of the Balance Sheet.

29.3 Coporate Guarantees given by Related Party companies as at 31st December 2021 are disclosed under Notes 19.1 and 24.3.

29.4 There were no transaction with Close Family Members during the year ended 31st December 2021.

29.5 Compensation of Key Management Personnel

Key management personnel include members of the Board of Directors of the Company, the Ultimate Parent Company MJF Holdings Limited and Parent Company, Forbes Plantations (Pvt) Ltd.

	2021 Rs.	2020 Rs.
Short-Term Employee Benefits	900,000	3,620,000
Long-Term Employee Benefits	-	-
Total	900,000	3,620,000

Notes to the Financial Statements *(Contd...)*

For the year ended 31 December

30 Financial Risk Management

(i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and this principally arises from the Company's receivables from customers.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

	Carrying Amount	
	2021	2020
	Rs.'000	Rs.'000
Trade and Other Receivables	103,191	91,146
Amount due from Related Company	4,591	7,610
Balances with Banks	29,017	24,864
	136,799	123,620

Note

Rs. 0.699 Mn worth of trade and other receivables have been written off during the financial year. (2020 - 5.041 Mn)
There were no any pending legal cases over the written off balances.

Management of Credit Risk
Trade and other receivables

The Companies's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customer operates.

The Company limits the exposure to credit risk from the trade receivables due to the establishment of maximum payment period of 7 days from the tea brokers. More than 90% of the Company customers have been transacting with the related party Company for over the years, and none of these customers' balances have been written off or are credit impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the company and existence of previous financial difficulties. The Company trades only with recognised, credit-worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the results that the Company's exposure to bad debts is not significant. The Company does not require collateral in respect of most of trade and other receivables.

Credit quality of Financial Assets

A analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31st December 2021 is as follows,

	Carrying Amount	
As at 31st December	**2021**	2020
	Rs.'000	Rs.'000
Below 30 days	27,676	21,303
Over 30 days	-	-
(-) Provisions made	-	-
	27,676	21,303

Amounts due from related companies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each related party. The Company does not require a provision for impairment in respect of amounts due from related parties.

The company held balances with banks of Rs. 29 Mn As at 31st December 2021 (2020 : 24.8 Mn) which represents its maximum credit exposure on these assets.

Notes to the Financial Statements *(Contd...)*

30 Financial Risk Management (Contd...)

Credit quality analysis of financial investments

	2021 Rs.'000	2020 Rs.'000
Cash at Bank having credit ratings		
AA+ to AA-	28,907	24,758
CC+ to CC-	102	106
	29,009	24,864

The above has been derived as per the Group's risk management policy of using the carrying values in the Statement of Financial Position. There were no off - balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

Risk response to credit risk on financial investments

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Appropriate actions are implemented when the investments are expected to be high credit risk.

(iv) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains the following lines of credit,

- Rs 110 Mn, 600 Mn & 100Mn Overdraft facilities that is secured by a letter of negative pledge over the Company's unencumbered assets. Interest would be payable at the rate of AWPLR+2.25%, HSBC COF+2.5% and AWPLR+.75%
- Term loan facilities as depicted in Note 24.

The following are the contractual maturities of financial liabilities.

	Carrying Amount Rs.'000	Less than 1 year Rs.'000	More than 1 year Rs.'000	Total Rs.'000
As at 31 December 2021				
Financial Liabilities (Non- Derivative)				
Interest Bearing Borrowings	1,341,826	765,777	576,049	1,341,826
Liability to JEDB/SLSPC Estates	134,304	18,912	425,520	444,432
Other Amounts Due to Related Company	98,274	98,274	-	98,274
Trade and Other Payables	569,903	569,903	-	569,903
Bank overdraft	794,852	794,852	-	794,852
Total	2,939,159	2,247,718	1,001,569	3,249,287

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

	Carrying Amount Rs.'000	Less than 1 year Rs.'000	More than 1 year Rs.'000	Total Rs.'000
As at 31 December 2020				
Financial Liabilities (Non- Derivative)				
Interest Bearing Borrowings	1,298,955	713,582	585,373	1,298,955
Liability to JEDB/SLSPC Estates	130,572	18,290	429,817	448,107
Other Amounts Due to Related Company	44,131	44,131	-	44,131
Trade and Other Payables	592,932	592,237	-	592,237
Bank overdraft	803,329	803,329	-	803,329
Total	2,869,225	2,171,569	1,015,190	3,186,759

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements *(Contd...)*

30 Financial Risk Management (Contd...)

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Currency risk

The Company is exposed to currency risk only on purchases that are denominated in a currency other than Sri Lankan Rupees (LKR). The Foreign currencies in which these transactions primarily denominated are United Stated Dollars (USD).

Since the frequency of the transaction done in foreign currency is very low, the company is not exposed to a higher digree of currency risk.

The summary quantitative data about the Company's exposure to currency risk as reported in the management of the Company is as follows.

	2021	2020
Under Trade and Other Payable as at 31st December - USD	140,000	310,000
Closing Rate as at 31st December (USD to LKR) - LKR	202.9992	189.1800

Sensitivity Analysis

If the exchnage rates would have been higher by 5% and all other variables were held constant, the profit before tax for the period ended 31 December 2021 would have Increased/(decreased) as follows,

	Increase/(decrease) in exchange rate	" +/(-) Rs.
Increase	5%	(1,420,994)
Decrease	-5%	1,420,994

(b) Interest rate risk

The company's exposure to the risk of changes in the market interest rate relates primarily to company's long term debt obligations with floating interest rates. The company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

At the reporting date, the company's interest bearing financial instruments and respective interest cost were as follows

	2021 (Rs.'000)				2020 (Rs.'000)			
	Variable interest cost	**Fixed interest cost**	**Total Interest Cost**	**Carrying Amount as at 31st Dec**	Variable interest cost	Fixed interest cost	Total Interest Cost	Carrying Amount as at 31st Dec
Variable Rate Instruments								
Financial liabilities								
Net Liability to Lessor of JEDB/ SLSPC Estates	17,922	-	17,922	134,304	17,502	-	17,502	130,572
Bank Overdrafts	54,216	-	54,216	794,852	60,968	-	60,968	803,329
Term Loans	106,858	2,946	109,804	1,341,826	163,668	385	164,053	1,298,956
Re-investment of Management Fees	-	-	-	-	1,584	-	1,584	-
	178,996	2,946	181,942	2,270,982	243,722	385	244,107	2,232,857

Sensitivity Analysis

If the interest rates would have been higher by 100 basis points and all other variables were held constant, the profit before tax for the period ended 31 December 2021 would have Increased/(decreased) as follows

	Increase/(decrease) in Basis Points	**+/(-) Rs.**
Increase	+100	(20,501)
Decrease	-100	20,501

Interest rates increased significantly after reporting period. (Refer Note 35)

(vi) Capital management

The Company's policy is to maintain a strong capital base so as to maintain share holder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

Notes to the Financial Statements *(Contd...)*

As at 31st December 2021

30 Financial Risk Management (Contd...)

The Management seeks to maintain a lower level of gearing to go in line with the risk limits they have set for the Company based on the Company's risk capacity. Accordingly, the borrowings are kept at a minimum level and considerable part of the borrowings comprise short term fixed interest rate loans from the Parent company and Bank Overdrafts with variable inteterst rates being used only to manange the working capital requirements of day to day operations and finance the acquisition or construct of capital assets of the Company.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2021 Rs	2020 Rs
Total Liabilities	3,938,566	3,901,960
(-) Cash and Cash Equivalents	(29,065)	(24,915)
	3,909,501	3,877,045
Total Equity	1,146,109	1,134,761
Net Debt to Equity Ratio	341%	342%

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

(vii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified"
- Requirements for the reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management, summaries submitted to the senior Management of the Company.

31 FAIR VALUE MEASUREMENT

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of Financial Assets and Financial Liabilities that are traded in active markets are based quoted market prices or dealer price qotations for all other financial instruments the company determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of the valuation technique is to arrive at a fair value determination that reflect the price of the financial instrument at the reporting date, that would have determined by the market participants acting at the arm's length.

Further information about the assumptions made in measuring fair value is included in the following Notes
- Note 14 Property Plant and Equipment
- Note 15 Biological Assets
- Note 31.1 Financial Instrument

Notes to the Financial Statements *(Contd...)*

As at 31st December 2021

31.1 Financial Instruments not carried at Fair Values by fair value hierachy

The following table sets out the fair values of financial instruments not measured at fair value and analyse them by the level in the fair value hierarchy into which each fair value measurement is categorised. The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows

As at 31st December 2021	Carrying Amount Rs.'000	Level I Rs.'000	Level II Rs.'000	Level III Rs.'000	Total Rs.'000
Assets carried at amortised cost					
Cash and Cash Equivalents	29,065	-	29,065	-	29,065
Trade and other receivables	103,191	-	-	103,191	103,191
Amounts Due from Related Party	4591	-	-	4,591	4,591
	136,847	-	29,065	107,782	136,847
Other Financial liabilities					
Interest bearing Loans and Borrowings	1,341,826	-	-	1,341,826	1,341,826
Net Liability to JEDB/SLSPC Estates	134,304	-	-	134,304	134,304
Amounts Due to related Companies	98,274	-	-	98,274	98,274
Trade and Other Payables	569,903	-	-	569,903	569,903
Bank Overdraft	794,852	-	794,852	-	794,852
	2,939,159	-	794,852	2,144,307	2,939,159

As at 31st December 2020		Level I Rs.'000	Level II Rs.'000	Level III Rs.'000	Total Rs.'000
Assets carried at amortised cost					
Cash and Cash Equivalents	24,915	-	24,915	-	24,915
Trade and other receivables	91,146	-	-	91,146	91,146
Amounts Due from Related Party	7,610	-	-	7,610	7,610
	123,671	-	24,915	98,756	123,671
Other Financial liabilities					
Interest bearing Loans and Borrowings	1,298,956	-	-	1,298,956	1,298,956
Net Liability to JEDB/SLSPC Estates	130,572	-	-	130,572	130,572
Amounts Due to related Companies	44,131	-	-	44,131	44,131
Trade and Other Payables	592,237	-	-	592,237	592,237
Bank Overdraft	803,329		803,329	-	803,329
	2,869,225	-	803,329	2,065,896	2,869,225

31.2 Fair value hierarchy of the Financial Instruments carried at Fair Value

The company does not account for any financial instruments carried at fair value as at the reporting date.

32 Reconciliation of Liabilities Arising From Financing Activities

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31st December 2021 are disclosed below.

The funds borrowed by the Company are given in Note 24 and 26.

	2021 Rs.'000	2020 Rs.'000
Balance as at 01st January	1,429,527	1,358,628
Net Cash Flows from Financing Activities	93,336	92,483
Non Cash Changes	(46,733)	(21,584)
Balance as at 31st December	1,476,130	1,429,527

33 CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date. However, the budgeted capital development programme for the next year is approximately Rs. 129 Mn.

Notes to the Financial Statements *(Contd...)*

For the year ended 31 December

34 CONTINGENT LIABILITIES AND COMMITMENTS

34.1 Hunuwella Estate

An extent of 59.57 Ha. on Hunuwella Estate in the district of Ratnapura (Full extent 988.02 Ha.) owned by Sabaragamuwa Maha Saman Devale, Ratnapura was leased to the Hunuwella Tea & Rubber Company Limited for a period of 30 years from 1 December 1968 to 1 December 1998.

By mistakenly, the above area taken over by Land Reform Commission in terms of the Land Reform Commission Act was subsequently vested in the Sri Lanka State Plantations Corporation (SLSPC) on 21 April 1994. This area is a part of Hunuwella Estate assigned to the Company on the date of incorporation.

It is expected that the temple authorities to take over the Land on the expiry of the lease period. As at the Balance Sheet date no adjustment has been made to the Accounts in this regards.

34.2 Retirement Benefit Obligation

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazetted its decision on 5th March 2021.

However, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. The matter was taken for argument at the Court of Appeal on 5th May 2021, counsel for RPCs conducted his oral submission. The matter was postponed for respondent's submissions to 31st May 2021.

The aforesaid matter was last heard on 1st April 2022 and the counter submissions were concluded. The matter was fixed for judgement on 26th May 2022 and the parties were directed to file the written submissions on or before the 6th May 2022.

As this matter is under the purview of the Court of Appeal at the time of approval of these financial statements, the Board of Directors of the Company concurred with the independent legal experts and decided to continue using the same daily wage rate used in the previous year for the estimation of the benefits to be paid as gratuity at retirement in the calculation of Retirement Benefit Obligations as at 31st December 2021.

In the event Court of Appeal issues an unfavorable judgement to RPCs, the retirement Benefit obligation as at 31st December 2021 may be increased by Rs. 87.2 Mn resulting in an additional charge of Rs. 76.7 Mn to the other comprehensive income and additional charge of Rs 10.5 Mn to the Profit or Loss for the year ended 31st December 2021. No provisions have been made in the financial statements for the year ended 31 December 2021 in this regard.

There were no material contingent Assets / liabilities outstanding as at the balance sheet date other than above

35 EVENTS AFTER REPORTING PERIOD - IMPACT FROM RAPID CHANGE IN MACRO ECONOMIC FACTORS

The Macro Economic Environment of Sri Lanka

The Company's operations are in Sri Lanka that has been witnessing, severe events that have set off an interconnected fiscal, monetary and economic crisis and as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of 'Default Imminent (C)' when, on April 12, 2022, the Sri Lankan Government announced that it will withhold payment on the bonds due and discontinuation of payments on all of its foreign debts.

Due to drastic decrease in foreign reserves of Sri Lanka, Central bank of Sri Lanka decided to float the rupee from 10th March 2022 and as a further measurement, the CBSL increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022. These changes in underlying economic factors have fluctuated the prices of inputs and outputs of the company and the plantation industry as elaborated below.

Throughout this sequence of events, the ability of the Sri Lankan government and the banking sector in Sri Lanka to borrow funds from international markets was significantly affected. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Sri Lanka, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption the country's economic activity, as the economic model of Sri Lanka relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt, and unemployment and poverty are rising fast and have reached unprecedented levels.

This has resulted in an uncontrolled rise in prices and the drastic depreciation of the Sri Lankan Rupee, impacting intensely the purchasing power of the Sri Lankan citizens, driving a currency crisis, high inflation and rise in the consumer price index.

Notes to the Financial Statements *(Contd...)*

35 EVENTS AFTER REPORTING PERIOD - IMPACT FROM RAPID CHANGE IN MACRO ECONOMIC FACTORS (Contd...)

Impact on Internal Operations & Business Continuity

Since March 2022, the impact on cash flow considerably improved with the higher tea prices and rubber prices gained in auctions due to depreciation of rupee and demand exceeding the supply resulted from relatively lower tea crop in first quarter in 2022 with similar trend is envisaged during the short term period of future inflation. Prices of Inputs such as fertilizer, packing materials, fuel etc. resulted increase in cost of production to some extent. However, increase in sale prices exceeding the increase in running costs mainly arose from outsourced material and with brought forward buffer stock of fertilizer, fuel, and packing material prior to price hikes shielding the company to control the cost escalations to a limited extent , survive logistics and supply chain challenges to a certain extent during market shortages. These net gains were used to strengthen the working capital . The GOSL decision of Reversal of chemical fertilizer ban, possible re-introduction of fertilizer subsidy and low interest loans scheme for fertilizer purchase & replanting will further reduce the impact in future.

Impact on Assets & Impairments

As a result of the steps taken by company, Company could maintain the standard operations without causing disturbance to performance of the company and its assets. Therefore, no requirement arose on impairment of Financial and Non-Financial Assets of the company while the Company has improved the plant and machinery for serving a better quality of tea to the market.

Company's responses on the impact on the future operations and the financial condition of the Company

The Management closely monitor and develop mitigating factors for potential downside risks to the business that can arise due to rapid changes in macro-economic factors and will continue to strengthen the working capital ,humanitarian sustainability initiative and cost mitigating factors to continue the business operations without any disruption, while timely addressing the new opportunities and threats arising from the situation.

36 GOING CONCERN

The Company has recorded a loss of Rs. 106 Million during the year ended 31st December 2021 (Rs. 246 Mn - 2020) and as of that date, accumulated losses amounted to Rs. 832 Million (Rs. 833 Mn - 2020). Further, the Company's current liabilities exceeded its current assets by Rs. 1,709 Million (Rs. 1,554-2020) as at 31st December 2021.

Management have made an assessment of the Company's ability to continue as a going concern. The Financial Statements have been prepared on the going concern basis because the management have assessed the sources of funding available and consolidation of core business and growth plans.

In assessing the appropriateness of the use of going concern basis of accounting in the preparation of financial statements the Board of Directors conducted a comprehensive review of the Company's affairs including, but not limited to:

- The cash flow forecast of the Company for the period up to next 12 months.
- The Company's ability of settling the outstanding bank loans, lease rental, statutory payables and other liabilities when they fall due.
- Revenue and profitability forecasts for the Company not limited to next financial year, but having an outlook beyond 31st December 2022, and
- The continued support of the ultimate parent company.
- Impact of rapid change in macroeconomic factors have been considered as in note 35
  Further, company was able to capitalize Rs. 800.192 Mn of it's balances due to Related Parties as at 31st December 2020 (out of which Rs. 648.978 Mn consisted of Related Party Borrowings) by issuing ordinary voting shares to the lender - MJF Teas (Pvt) Ltd, a Related Party by way of a private placement of shares, in lieu of repayment of the outstanding loan amount. As a result of this exercise, the Balance Sheet of the company strengthened considerably with a material improvement in all the Balance Sheet debt/equity ratios, credit burden reduced drastically and thus burden of future interest cost too will be reduced in upcoming financial period for borrowings of Rs. 648.978 Mn which was previously charged at an interest rate of AWDR+1%.

Company's rigorous strategies aimed at increase in capacity and quality by timely investing in new machineries, upgrading factories intend to decrease the losses and therefore the accumulated losses. The workflow of factories are re-invented to keep the minimum stock balance to improve the liquidity. Further, to improve the financial position of the Company the Management have taken several steps such as Restructure of short-term borrowings to long term borrowings and extending of current tenor period with borrowing institutions etc.

As a consequence of the above, the Management firmly believe that the Company will be able to continue as a going concern into the foreseeable future and, accordingly, the Financial Statements of the Company have been prepared on a going concern basis without making adjustments that may be required to the recorded assets and the classification of liabilities if the Company is unable to continue as a going concern.

Information to Shareholders and Investors

1 STOCK EXCHANGE LISTING

The issued Ordinary Shares of Kahawatte Plantations PLC are listed with the Colombo Stock Exchange.

2 DISTRIBUTION OF SHAREHOLDINGS

Range		31 December 2021				31 December 2020			
From	To	No.of Shares Holders	%	No.of Shares Held	%	No.of Shares Holders	%	No.of Shares Held	%
1	1,000	18,718	99.09%	2,719,869	2.73%	18,754	99.26%	2,714,039	2.73%
1,001	10,000	143	0.76%	468,314	0.47%	116	0.61%	351,734	0.35%
10,001	100,000	17	0.09%	392,301	0.39%	13	0.07%	321,468	0.32%
100,001	1,000,000	4	0.02%	1,321,719	1.33%	3	0.02%	1,151,581	1.16%
1,000,001	and over	7	0.04%	94,504,489	95.07%	7	0.04%	94,867,870	95.43%
Total		18,889	100.00%	99,406,692	100.00%	18,893	100.00%	99,406,692	100.00%

3 CATEGORIES OF SHAREHOLDERS

No. of Shares Held	31 December 2021				31 December 2020			
	No.of Shares Holders	%	No.of Shares Held	%	No.of Shares Holders	%	No.of Shares Held	%
Local Individuals	18,817	99.62%	6,057,427	6.09%	18,821	99.62%	5,984,946	6.02%
Local Institutions	64	0.34%	93,268,579	93.83%	64	0.34%	93,351,336	93.91%
Foreign Individuals	8	0.04%	80,686	0.08%	8	0.04%	70,410	0.07%
Foreign Institutions	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	18,889	100.00%	99,406,692	100.00%	18,893	100.00%	99,406,692	100.00%

4 MAJOR SHAREHOLDERS

	Name of the Shareholder	As at 31 December 2021		As at 31 December 2020	
		No.of Shares Held	%	No.of Shares Held	%
01	Forbes Plantations (Pvt) Ltd.	50,955,581	51.26	50,955,581	51.26%
02	MJF Teas (Pvt) Ltd	19,516,886	19.633	19,516,886	19.63%
03	Dilmah Ceylon Tea Company PLC	12,571,800	12.647	12,571,800	12.65%
04	Bank of Ceylon A/C Ceybank Unit Trust	6,153,581	6.190	6,512,068	6.55%
05	Mr. T L M Nawash	2,531,207	2.546	2,531,207	2.55%
06	Hatton National Bank PLC/Carlines Holdings (Pvt) Limited	1,596,892	1.606	1,605,157	1.61%
07	Amana Bank PLC /Almas Organisation (Pvt) Ltd.	1,178,542	1.186	1,175,171	1.18%
08	Bank of Ceylon No.1 Account	733,433	0.738	756,484	0.76%
09	Hatton National Bank PLC/Almas Organisation (Pvt) Ltd.	300,625	0.302	5,902	0.01%
10	Seylan bank PLC/Senthilverl Holdins (Pvt) Ltd	147,661	0.149	197,900	0.20%
11	Mr. B P C J De Silva	140,000	0.141	-	-
12	Mr. K C Vignarajah	66,810	0.067	67,310	0.07%
13	Miss. N Harnam & Mrs. J K P Singh	56,512	0.057	60,000	0.06%
14	Mr. H J O Silva	34,510	0.035	22,241	0.02%
15	Mr. K S S Peiris	24,036	0.024	-	-
16	Mrs. S T Fernando	23,617	0.024	23,617	0.02%
17	People's Leasing & Finance PLC /Dr.H S D Soysa & Mrs. G Soysa	21,878	0.022	21,878	0.02%
18	Mr. K A D A Methrhasena	20,111	0.020	8,737	0.01%
19	Mr. M Z Mohamed Nihaz	20,000	0.020	10,000	0.01%
20	Mrs. D K Fernando	17,533	0.018	17,533	0.02%
21	DR G.S Perera	17,464	0.018	2,900	0.00%
Total of Major Shareholders		96,128,679	96.702	96,062,372	96.63%
Others		3,278,013	3.298	3,344,320	3.36%
Grand Total		99,406,692	100.000	99,406,692	100.00%

Information to Shareholders and Investors *(Contd...)*

5 STATEMENT OF EACH DIRECTOR'S HOLDING IN SHARES OF THE EQUITY

	No. of Shares Held	31 December 2021		31 December 2020	
		No.of Shares Holders	%	No.of Shares Holders	%
01	Mr. Merrill J Fernando	Nil	-	Nil	-
02	Mr. Malik J Fernando	Nil	-	Nil	-
03	Ms. Minette D A Perera	4,000	0.005	4,000	0.005
04	Mr. Dilhan C Fernando	Nil	-	Nil	-
05	Mr.Himendra S. Ranaweera	Nil	-	Nil	-
06	Mr. Daya P Wickramatunga	Nil	-	Nil	-
07	Mr. Nimal Maxwell Amerasekara	Nil	-	Nil	-

6 Public Holding

	As at 31 December 2021	As at 31 December 2020
The percentage shares held by the Public	16.46%	16.46%
Total no.of shareholders who hold the public holding %	18,854	18,889

7 Market Value

	2021		2020	
Highest	Rs.34.80	07-Jan-21	Rs. 37.40	07-Jan-20
Lowest	Rs.22.50	29-Nov-21	Rs. 30.00	10-Mar-20 & 31-Dec-20
Closing	Rs. 27.60		Rs. 31.00	

8 Share Trading

	2021	2020
No.of Transactions	936	535
No.of Shares traded	612,365	38,310
Value of shares traded (Rs.)	176,802,676.80	1,399,853

9 Float adjusted market capitalization

The Float-adjusted market capitalization as at 31st December 2021 - Rs. 451,492,530

The Float-adjusted market capitalization of the Company falls under option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has not complied with the minimum public holding requirement applicable under the said option as at 31st December 2020 and with effect from 25th January 2021 Ordinary Voting Shares of the Company has been trasferred to the Diri Savi Board of the CSE.

10 Golden Shareholder

The Golden Share of Rs.10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public Company.

Ten Year Summary

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000
TRADING RESULTS										
Revenue	4,267,216	2,979,643	2,730,645	3,105,691	3,784,762	2,775,758	2,729,838	3,078,878	3,511,912	3,001,559
Other Income	75,399	52,581	64,558	91,887	56,690	32,010	33,166	35,573	24,277	26,792
Operating Profit / (Loss)	89,340	-274	-175,626	-39,956	223,925	-20,427	-141,574	221,764	263,151	110,200
Net Finance cost	-183,806	-237,544	-275,835	-241,583	-201,261	-136,873	-72,317	-77,375	-110,170	-91,669
Taxation	-11,732	-7,949	-58,093	32,648	-4,628	18,846	21,604	-9,651	-21,918	-1,019
Net profit / (Loss)	-106,198	-245,767	-509,554	-248,891	18,037	-138,454	-192,287	116,960	116,748	24,462
Total Comprehensive Income	11,348	-294,593	-189,329	-163,699	104,321	-14,200	-163,500	12,355	33,542	61,666
BALANCE SHEET										
Funds Employed										
Stated Capital	1,698,952	1,698,952	898,760	898,760	898,760	898,760	898,760	898,760	898,760	898,760
Revaluation Reserve	279,277	268,356	268,356	-	-	-	-	-	-	26,753
Revenue Reserves	-832,120	-832,547	-537,954	-31,430	132,269	27,948	42,148	205,648	193,293	128,302
Total Equity	1,146,109	1,134,761	629,162	867,330	1,031,029	926,708	940,908	1,104,408	1,092,053	1,053,815
Deffered Income	288,448	284,211	300,960	311,373	317,912	318,397	320,170	301,058	307,095	316,704
Deffered Tax Liability	140,795	140,795	140,795	30,572	49,351	30,630	28,982	45,746	36,095	18,873
Retirement Benefit Obligations	518,467	604,139	496,254	540,057	603,298	659,359	749,454	717,580	545,664	429,210
Net Liability to Lessor	133,491	129,887	127,762	73,063	74,703	77,797	79,256	80,658	80,658	82,006
Long Term Loans	576,049	585,373	678,694	283,344	367,344	940,045	799,013	558,867	355,798	120,404
Non Current Liabilities	1,657,250	1,744,405	1,744,465	1,238,410	1,412,607	1,586,254	1,648,883	1,672,601	1,325,310	967,197
	2,803,359	2,879,166	2,373,627	2,105,739	2,443,636	2,512,962	2,589,791	2,777,009	2,417,363	2,021,012
Assets Employed										
Non-Current Assets	4,512,714	4,432,874	4,496,383	4,038,111	3,960,188	3,740,488	3,571,969	3,262,110	2,826,174	2,596,303
Current Assets	571,961	603,847	534,844	548,281	617,132	580,042	470,822	602,536	606,420	512,012
Current Liabilities	-2,281,316	-2,157,555	-2,657,600	-2,480,653	-2,133,684	-1,807,568	-1,453,000	-1,087,637	-1,015,231	-1,087,303
	2,803,359	2,879,166	2,373,626	2,105,739	2,443,636	2,512,962	2,589,791	2,777,009	2,417,363	2,021,012
Key Indicators										
Operating Profit %	2.09%	-0.01%	-6.43%	-1.29%	5.92%	('0.74%)	(5.19%)	7.20%	7.49%	3.67%
Current Ratio	0.25	0.28	0.20	0.22	0.29	0.32	0.32	0.55	0.60	0.47
Return on Shareholder's Fund	-9.3%	-21.7%	-81.0%	-28.8%	1.7%	(15%)	(20.4%)	10.6%	10.7%	1.7%
Basic Earnings / (Loss) per Share	-1.07	-3.07	-6.38	-3.12	0.23	(1.73)	-2.41	1.46	1.46	0.31
Net Assets per Share	11.53	11.42	7.88	10.86	12.91	11.60	11.78	13.82	13.67	13.19
Production (kg '000)										
Tea	5,568	4,202	4,222	4,450	5,083	4,785	5,524	5,387	6,433	6,084
Rubber	1,111	1,147	971	1,061	976	1,096	859	875	1,039	1,094

Corporate Information

Name of Company
Kahawatte Plantations PLC
(Formerly known as Kahawatte Plantations Ltd)

Legal Form
A Public Quoted Public Company with limited liability. Incorporated in Sri Lanka on 15th June 1992

Company Registration Number
PQ 109

Accounting Year End
31st December

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

Principle Line of Business
Cultivation, manufacture and sale of Tea and Rubber

Directors

Mr. Merrill J Fernando	- Chairman
Mr. Malik J Fernando	- Director
Ms. Minette D A Perera	- Director
Mr. Dilhan C Fernando	- Director
Mr. Himendra S Ranaweera	- Director
Mr. Daya P Wickramatunga	- Director
Mr. Nimal Maxwell Amerasekera	- Director

Management Committee
Dr. Dan Seevaratnam
Mr. Darshana Gunasekera
Mr. Vinesh Athukorala
Mr. Chaminda Gunaratne
Mr. Tony Bertus

Managing Agent
Forbes Plantations (Pvt) Limited,
No. 111,
Negombo Road,
Peliyagoda,
Sri Lanka.

Registrar
P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road,
Colombo 08,
Sri Lanka.
Tel: 011 4640360-3

Secretaries
Ms. Jayanga Wegodapola
Attorney at Law and Notary Public, Company Secretary
MJF Group
No. 111, Negombo Road, Peliyagoda.
Tel : +94 11 755 7155

Registered Ofice
No.111, Negombo Road,
Peliyagoda,
Sri Lanka.
Tel: 011 4724960
E-Mail : info@kwpl.lk

Bankers
Bank of Ceylon PLC
Commercial Bank of Ceylon PLC
Nation Trust Bank
Hongkong and Shanghai Banking Corporation Ltd.
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo Ltd
Hatton National Bank PLC

Auditors
Messrs KPMG Chartered Accountants,
No. 32 A,
Sir Mohamed Macan Markar Mawatha,
Colombo 3,
Sri Lanka.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Ninth (29th) Annual General Meeting of Kahawatte Plantations PLC to be convened on 27th June 2022, at the Board Room of MJF Group, 111 Negombo Road, Peliyagoda, at 11.00 a.m. through the Microsoft Teams virtual platform for the following purposes:

1. Read the notice convening the meeting.

2. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2021 and the Report of the Auditors thereon.

3. To re-appoint as a Director, Mr. Merrill Joseph Fernando who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution:

   "IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Merrill Joseph Fernando and Mr. Merrill Joseph Fernando be and is hereby re-appointed a Director of the Company as provided for in Section 211(1) of the Companies Act No. 07 of 2007."

4. To re-appoint as a Director, Mr. Daya Prabath Wickramatunga who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution:

   "IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Daya Prabath Wickramatunga and Mr. Daya Prabath Wickramatunga be and is hereby re-appointed a Director of the Company as provided for in Section 211(1) of the Companies Act No. 07 of 2007."

5. To re-appoint as a Director, Mr. Nimal Maxwell Amerasekera who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution:

   "IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Nimal Maxwell Amerasekera and Mr. Nimal Maxwell Amerasekera be and is hereby re-appointed a Director of the Company as provided for in Section 211(1) of the Companies Act No. 07 of 2007."

6. To re-appoint as a Director, Mr. Himendra Somasiri Ranaweera, who retires in terms of Section 210 of the Companies Act No.7 of 2007, by passing the following resolution:

   "IT IS HEREBY RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Himendra Somasiri Ranaweera and Mr. Himendra Somasiri Ranaweera be and is hereby re-appointed a Director of the Company as provided for in Section 211(1) of the Companies Act No. 07 of 2007."

7. To re-elect Mr. Malik J Fernando who retires by rotation in terms of Article 25(1) of the Articles of Association as a Director.

8. To re-appoint the retiring Auditors Messrs. KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.

9. To authorize the Board of Directors to determine the Directors' remuneration for the year 2022.

10. To ratify the donations made during the year ended 31.12.2021 and to authorize the Directors to determine donations up to the date of the next Annual General Meeting.

By Order of the Board
KAHAWATTE PLANTATIONS PLC

Jayanga Wegodapola
Company Secretary

25th May 2022
Colombo

Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.
4. The completed Proxy should be delivered to the Registered Office of the company, Kahawatte Plantations PLC, No. 111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to kaha.pwcs@gmail.com by or before 11.00 a.m. on 23rd June 2022.

Notes

Form of Proxy

I/We* .... NIC No...of

....

being a shareholder /shareholders of KAHAWATTE PLANTATIONS PLC hereby appoint ....

....NIC No. ....of

....or failing him*

Mr. Merrill Joseph Fernando	or failing him*
Mr. Malik Joseph Fernando	or failing him*
Ms. Minette Delicia Anne Perera	or failing her*
Mr. Daya Prabath Wickramatunga	or failing him*
Mr. Dilhan Chrishantha Fernando	or failing him*
Mr. Himendra Somasiri Ranaweera	or failing him*
Mr. Nimal Maxwell Amerasekera	

as my/our* proxy to represent me/us*, to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Ninth Annual General Meeting of the Company to be held on 27th June 2022 at 11.00 am and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	**Against**
1. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. Merrill Joseph Fernando, as a Director.		
2. To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. Daya Prabath Wickramatunga, as a Director.		
3. To pass the ordinary resolution set out under item 5 of the Notice of Meeting for the re-appointment of Mr. Nimal Maxwell Amerasekera, as a Director.		
4. To pass the ordinary resolution set out under item 6 of the Notice of Meeting for the re-appointment of Mr. Himendra Somasiri Ranaweera as a Director.		
5. To re-elect Mr.Malik J Fernando as a Director in terms of Articles 25(1) of the Articles of Association of the Company.		
6. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and authorize the Directors to determine their remuneration.		
7. To authorize the Board of Directors to determine the Directors' remuneration for the year 2022.		
8. To ratify the donations made during the year ended 31.12.2021 and authorize the Directors to determine donations up to the date of the next Annual General Meeting.		

Signed on this .... day of .... Two Thousand and Twenty Two.

....
Signature of Shareholder/s

*Please delete what is inapplicable.

Note:

1. Instructions as to completion appear on the reverse
2. A Proxy need not be a shareholder of the Company

Instructions for completion

Kahawatte Plantations PLC - Annual Report 2021

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. The completed Proxy should be delivered to the Registered Office of the Company, Kahawatte Plantations PLC, No. 111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to kaha.pwcs@gmail.com by or before 11.00 a.m. on 23rd June 2022.

3. 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 notarially certified copy of the Power of Attorney should be attached to the completed 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 on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. Please indicate with a 'cross' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Our Policies

Quality Policy

We, at Kahawatte Plantations are totally dedicated and committed to produce agribusiness products, that will surpass customer expectations.

We believe that our people, empowered in a learning organization, are our most valuable asset in the value creation process, who should be respected and appropriately rewarded for achieving excellence in everything they do to enhance quality.

We hold ourselves to the highest standards of honesty and integrity and require our suppliers to conform to enable us ensure the quality of our products. We enjoy leading the way in creating best practices with "Passion for Excellence"

Health, Safety & Environment Policy

We, at Kahawatte Plantations firmly believe that respecting our people and planet Earth is a core value in achieving our vision and pledge ourselves to continuously improve our health and safety of our people while setting standards and guidelines to protect and preserve the environment.

We believe that to achieve excellence in everything we do; the health and safety of our people is of paramount importance and it will enhance the productivity, personal growth and our socio economic standing.

We believe that all development should be sustainable while preventing planet Earth, which belongs to our future generations.

We commit ourselves to be proactive in ensuring a healthy and safe workplace by establishing necessary systems and processes to eliminate preventable accidents and set up an environment friendly business practices. We enjoy leading the way in "Respecting Our People and Planet Earth"

Human Resource Policy

We believe that our people are the most valuable asset in driving the Company towards creating the best value agribusiness enterprise and that our people should be given opportunities to thrive in a Learning Organization.

We hold ourselves to the highest standards of honesty and integrity and expect our leaders to be living examples.

We will be leading the way in setting Global best practices in Human Resource Management and Development for continuous improvement. We shall demonstrate our passion for excellence in empowering people in a Learning Organization in order to be "An Employer of Choice"

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