

SUSTAINING OUR ROOTS

HORANA PLANTATIONS PLC
Annual Report 2022/23

SUSTAINING OUR ROOTS

Just as a healthy ecosystem requires balance and the nurturing of its roots, we at Horana Plantations understand the importance of sustainable, circular practices to ensure the long-term health of our operations. As one of Sri Lanka's premier plantation companies, today we are a leading producer of Tea, Rubber, and Other Agricultural Produce, thriving on a sound system of values and ethics.

Despite facing multiple challenges, we remained steadfast in mission to sustain our roots, both in terms of our agricultural heritage and our commitment to the environment. Our fourteen prime estates continued to uphold our reputation for excellent quality, while supporting our ambitions to further diversify.

Through this report, we invite you to explore our journey of responsible growth, as we continue our mission of sustaining our roots for generations to come.



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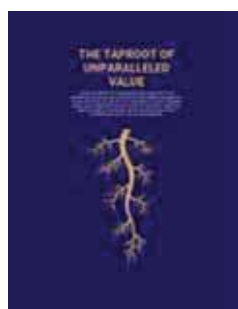
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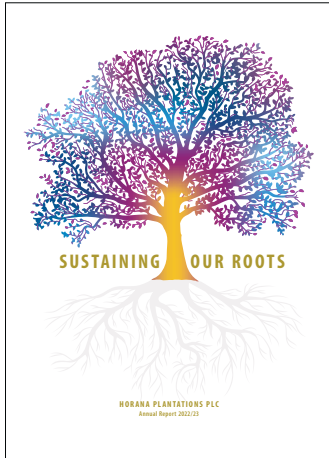
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ABOUT THE REPORT



This is Horana Plantations PLC's second integrated and ESG report. While adopting the International Integrated reporting framework of 2021 to compile our integrated report, we have utilised the GRI Standards 2021 and United Nation's Sustainable Development Goals (UNSDGs) for ESG reporting.



In this report we provide HPL's commitment towards Economic, Environment, Social and Governance aspects of the year and future outlook to our stakeholders.

THIS REPORT CONFORMS TO;



FINANCIAL REPORTING

- The Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No.07 of 2007
- The Listing Rules of the Colombo Stock Exchange
- Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995



CORPORATE GOVERNANCE REPORTING

- The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No.07 of 2007
- The Listing Rules of the Colombo Stock Exchange



NARRATIVE REPORTING

- International Integrated reporting framework of 2021
- Non-Financial Reporting Guideline issued by the Institute of Chartered Accountants of Sri Lanka



SUSTAINABILITY REPORTING

- GRI Standards 2021 (revised) by Global Sustainability Standards Board (GSSB)
- United Nation's Sustainable Development Goals (UNSDGs) for ESG reporting

Please scan this QR code to refer the Annual Report 2022/23.



GRI 2-2 Entities included in the sustainability report	This sustainability report and financial statements are limited to Horana Plantations PLC.
GRI 2-3 Reporting period and frequency	Annual sustainability report for the period 1st April 2022 to 31st March 2023.
ii. Reporting period for financial reporting	Financial Statements for the period 1st April 2022 to 31st March 2023.
lii Publication date of the report	6th June 2023
iv. Contact point for questions about the report	General Manager – Finance, Horana Plantations PLC No. 400, Deans Road, Colombo 10, Tel : +94 0112627302, E-mail: horanap@hplnet.com
GRI 2-4 Restatements of information made from previous reporting periods	There are no restatements from the previous reporting period of April 1st 2021 to March 31st 2022.
GRI 2-5 Policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved	HPL has not obtained external assurance for its GRI and IR reporting.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements, which relate to the possible future financial position and results of HPL's operations. These statements by their nature involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, we do not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

BOARD RESPONSIBILITY STATEMENT

The Horana Plantations PLC Board undertakes full responsibility for the integrity and completeness of this integrated annual report for the FY 2022/23. The Board has made all efforts towards the accuracy of this report and to the best of our knowledge, this report provides a fair and transparent account of all material issues underlying

the sustainability of the Company and complies with the Integrated Reporting principles. The extent of our assurance for this report is further demonstrated by the following statutory reports,

1. Independent Auditors' Report on pages 203 to 206.
2. Statement of Directors' Responsibilities on page 191.
3. Managing Director's, Chief Executive Officer's and General Managers Finance's Responsibility Statement on page 199.
4. Directors' Statement on Internal Controls 198.



A.M. Pandithage
Chairman

13 May 2023

NAVIGATION ICONS



Financial Capital



Manufactured Capital



Intellectual Capital



Human Capital



Social & Relationship
Capital



Natural Capital



VISION:

TO BE THE FOREMOST PRODUCER AND
MARKETER OF TEA, RUBBER, OIL PALM &
OTHER ANCILLARY CROPS IN SRI LANKA

MISSION:

TO ADOPT THE BEST AGRICULTURAL PRACTICES,
MEASURING RETURNS AGAINST A LONG TERM
INVESTMENT HORIZON

VALUES:

EMPLOYEES

We consider our employees as our assets and always create an environment for their contribution towards the management of the Company to increase productivity. We have also created career paths for all employees as well as a high degree of job security.

CUSTOMERS

Our desire is to supply high quality products and acceptable service for all our customers. We constantly look out for customer requirements and trends in order to customise our products.

OWNERS

We display a high sense of integrity and discipline in order to enhance the reputation of the company. We always take steps to improve shareholder wealth to generate adequate return on their investments.

SUPPLIERS

We always maintain strong relationships with our supplier base, thereby building trust, consistency in quality and reliability.

SOCIETY

We focus on operating our business in a socially responsible and ethical manner. In addition, we have undertaken many initiatives to protect the environment, and contribute towards enhancing the quality of life of people around us.



ABOUT HORANA PLANTATIONS



Horana Plantations PLC (HPL) is a story of revival and transformation. With historical roots in Tea cultivation, today, the Company has evolved and modernised into a profitable and diversified agribusiness specialising in multiple commercial crops. With a clear strategy of Diversification, Community Empowerment, Automation & Mechanisation and Circular Economy concept, Horana Plantations looks towards an exciting future.



GRI 2-1 Organisational Details

a. Legal name	Horana Plantations PLC
b. Nature of ownership and legal form	<p>Ownership of HPL changed with effect from 29th March 2023, with 51% of HPL shares acquired by Hayleys Plantation Services (Private) Limited, from Vallibel Plantation Management Limited.</p> <p>HPL is now a subsidiary of Hayleys Plantation Services (Private) Limited and the ultimate parent is Hayleys PLC.</p> <p>Horana Plantations PLC is a Quoted Public Company with limited liability, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 in terms of the provisions of the Conversion of Public Corporations of Government Owned Business Undertakings into Public Companies Act No.23 of 1987 and reregistered under the Companies Act No.7 of 2007.</p> <p>Horana Plantations PLC was listed in the Colombo Stock Exchange in 1996 bearing the stock symbol HOPL.N0000.</p>
c. Location of its headquarters	No.400 Deans Road, Colombo 10.
d. Countries of operation	Sri Lanka

HPL is one of the first Sri Lankan signatories to the United Nation Framework Convention on Climate Change (UNFCCC). Since then, the Company has subscribed to the United Nation's Global Compact (UNGC) and made an express commitment towards the UN Sustainable Development Goals (SDGs).



Today, Horana Plantations is part of Hayleys PLC, the most diversified and largest listed business conglomerate in Sri Lanka.

OUR PLANTATIONS

1. ALTON ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 350
- Elevation (ft) - 4700-5550
- Garden Mark - Alton
- M F No - MF 0769
- Production (kg'000') - Tea — 266
- Employee Strength- 282

2. MAHANILU ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 236
- Elevation (ft) - 4500-5000
- Garden Mark - Mahanillu
- M F No - MF 0044
- Production (kg'000') — Tea -138
- Employee Strength- 223

3. STOCKHOLM ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 305
- Elevation (ft) - 4800
- Garden Mark - Stockholm
- M F No - MF 0159
- Production (kg'000') - Tea-227
- Employee Strength- 312

4. BAMBRAKELLY ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 591
- Elevation (ft) - 4200-5400
- Garden Mark - Bambrakelly
- M F No - MF 0568
- Production (kg'000') - Tea - 401
- Employee Strength- 454

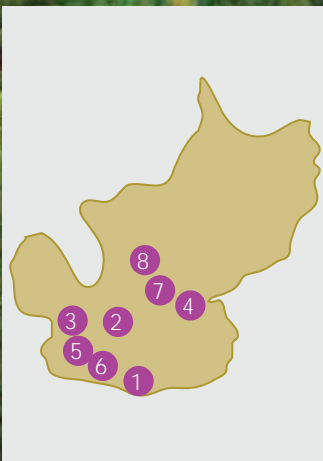
5. GOURAVILLA ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 381
- Elevation (ft) - 3600-5300
- Garden Mark - Gouravilla
- M F No - MF 0066
- Production (kg'000') — Tea - 364
- Employee Strength- 395

6. FAIRLAWN ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 448
- Elevation (ft) - 4500-4870
- Garden Mark - Fairlawn
- M F No - MF 0584
- Production(kg'000') - Tea- 300
- Employee Strength- 349

NUWARA ELIYA DISTRICT

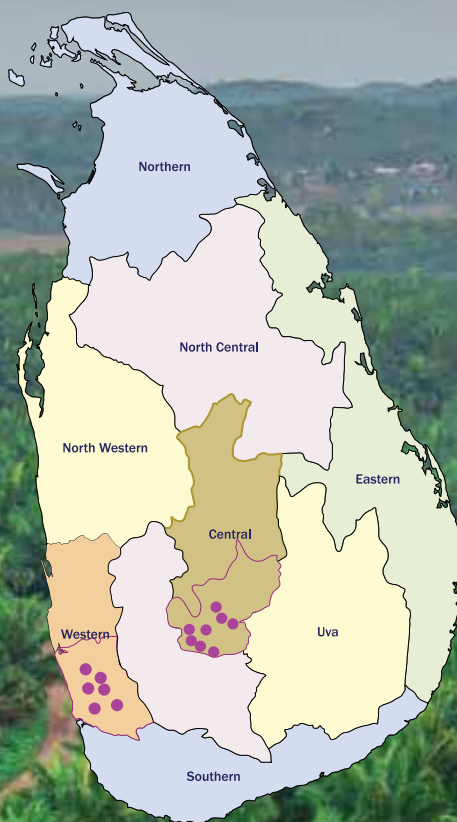


7. EILDON HALL ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 162
- Elevation (ft) - 4430
- Garden Mark - Eildon Hall
- M F No - MF 0829
- Production (kg'000') - Tea -154
- Employee Strength- 181

8. TILlicOUNTRY ESTATE

- Planting District - Nuwara Eliya
- Crop - Tea
- Extent (Ha) - 377
- Elevation (ft) - 4200-5000
- Garden Mark - Mousa Ella
- M F No - MF 0715
- Production (kg'000') — Tea - 224
- Employee Strength- 241



9. MILLAKANDA ESTATE

- Planting District - Kalutara
- Crop - Tea
- Extent (Ha) - 387
- Elevation (ft) - 100
- Garden Mark – Christombu / Mihirigeekelle
- M F No - MFB1280
- Production (kg'000') - Tea - 105
- Employee Strength- 88

10. NEUCHATEL ESTATE

- Planting District - Kalutara
- Crop - Rubber/ Oil Palm
- Extent (Ha) - 902
- Elevation (ft) - 172-495
- Garden Mark - Neuchatel
- Production (kg'000') -Rubber - 183/ Oil palm - 1494
- Employee Strength- 319

11. MIRISHENA ESTATE

- Planting District - Kalutara
- Crop - Rubber/ Oil Palm
- Extent (Ha) - 504
- Elevation (ft) - 246-330
- Garden Mark - Mirishena
- Production (kg'000') - Rubber - 100/ Oil palm - 584
- Employee Strength- 144

12. HILLSTREAM ESTATE

- Planting District - Kalutara
- Crop - Rubber
- Extent (Ha) - 400
- Elevation (ft) - 429
- Garden Mark - Hillstream
- Production (kg'000') – Rubber - 47
- Employee Strength- 80

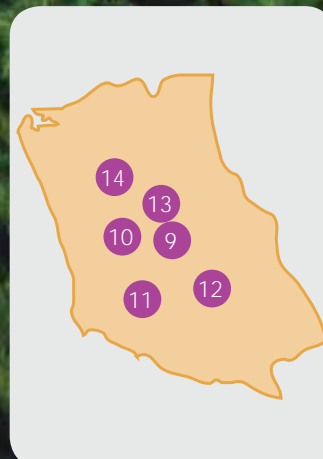
13. HALWATURA ESTATE

- Planting District - Kalutara
- Crop - Rubber/ Oil Palm
- Extent (Ha) - 612
- Elevation (ft) - 396-825
- Garden Mark - Halwatura
- Production -(kg'000') -Rubber - 65/ Oil palm - 256
- Employee Strength- 159

14. FROCESTER ESTATE

- Planting District - Kalutara
- Crop - Rubber/ Oil Palm
- Extent (Ha) - 864
- Elevation (ft) - 165-330
- Garden Mark - Frocester
- Production (kg'000') -Rubber - 235/ Oil palm - 69
- Employee Strength- 143

KALUTARA DISTRICT



OUR PLANTATIONS

BAMBRAKELLY ESTATE

Bambrakelly Estate proudly completes 153 years in existence, having started its functions in 1870. The Estate was then managed by Lunuva (Ceylon) Tea and Rubber Estates Ltd and Harrisons & Crossfields Ltd. Factory was originally constructed in 1927 Under MF 0568.



Map - Estate and Divisions

Bambrakelly Estate is situated in Lindula Region in the Nuwara Eliya Western High Grown range. It is 12 Km from Talawakelle Railway station and 25 Km from "Little England", Nuwara Eliya.



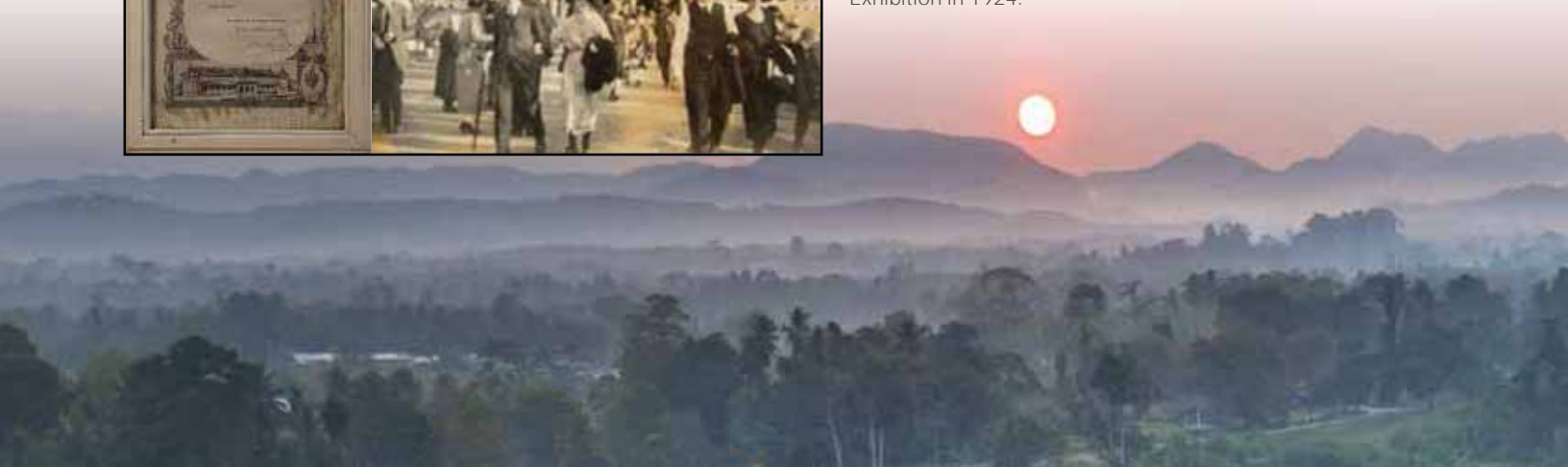
Tea Factory - Bambrakelly Estate in 1927

The Estate covers an area of nearly 590 hectares (1,457 acres) and it consists of five divisions – namely Bambrakelly, Upper Crenley, Dell, Rahanwatte and Queenwood. The principal crop of the Estate is Tea, of which 72% are VP and 28% are old seedlings, and lies at an elevation of 4,200 to 5,400 feet above sea level. Bambrakelly Estate's Dell Division is identified as the highest location in the Lindula agroclimatic region.

There's a breath-taking view from Dell Division field no 6 of the surrounding area where Adams peak , Maskeliya Area, Ambewela area, Nuwara Eliya Area are clearly visible on a sunny day.



Bambrakelly Estate obtained certificate of merit awarded by the Ceylon Committee of the British Empire Exhibition in 1924.



FROCESTER ESTATE

Frocester Estate is situated close to the localities Govinimanana/ Govinna/ Batawatta/ Kokhena/ Udumulla/ Ratiyala/ Diyaperella/ Dehigawala and Immalakanda of Western Province, Kalutara District. This Estate is approachable by driving 11 Kms from Horana town and 22 kms from Mathugama town. Established in 1905-1906 and proudly completes 117 years. The first owner of the Estate was Mr. J.E.H. Graham Clerk, and later it came under the management of Frocester Rubber Estates Co. Ltd.



Bungalow - Frocester Estate

Frocester Estate Bungalow is a beautifully maintained colonial bungalow with majestic views and a neatly manicured garden. Constructed with British colonial architecture in the early 20th century, bungalow consists of 04 bed rooms and situated in the middle of rural environment and unspoiled beauty surrounded by lush greens. We take pride in claiming its present ownership.



Rubber Factory - Frocester Estate

The Estate covers an area of nearly 880 Hectares (2,174 Acres) and consists of five Divisions, namely Frocester/ Kobokka/ Govinna/ Immalakanda and Kobowella Divisions with a cultivated extent of 630 Hectares. Also, it's a multi crop property with Rubber, Oil Palm, Coconut, Cinnamon and Rambutan. The estimated terrain elevation is between 165 and 330 feet from the sea level.



Map - Estate and Divisions

Frocester Estate produces finest Sole Crepe and Crepe Rubber that is recognised for its Colour and the Quality both locally and internationally. This estate consistently obtains Top prices at the Colombo Rubber Auction. Factory is equipped with modern Rubber mills and tanks for producing high quality Crepe Rubber.

HISTORICAL MILESTONES

1992

- Horana Plantations Limited (HPL) was Incorporated on 22nd of June 1992, under the Companies Act No 17 of 1982.

1996

- Ordinary shares of the Company were listed on the CSE and trading commenced on 12th February 1996.
- 5 Mn, 6% convertible debentures of Rs 10/- each, issued to Ceyexxe Plantations Ltd.
- Since the privatization, 1st dividend of Rs. 30 Mn paid on 26th June 1996.

1998-99

- The Company's financial year changed from ending 31 December, to ending 31 March.
- Debentures to the value of Rs. 50 Mn were converted to ordinary shares.

2007-08

- The company re-registered under the Companies Act No 07 of 2017 and registration No PQ 126.
- Company name changed to Horana Plantations PLC

1995

- The long-term lease period was reduced from 99 years to 53 years with retrospective effect from 22nd of June 1992, to 21st June 2045.
- Bonus share issue of 19,500,000 Ordinary Shares of Rs 10/- and single Golden Share of Rs 10/- favoring Secretary to the Treasury.

1997

- Fairtrade certification for Stockholm & Alton Estates.

2000-01

- Introduced "Harvest IT" ERP System.

2010-11

- Highest Price recorded for a kilo of rubber in Sri Lankan history by Frocester Estate
- Achieved highest PBT of Rs. 338 Mn.

2012-13

- Rainforest Alliance Certificate for Upcot Estates
- QMS 9001 : 2008 Certificate for Neuchatel and Frocester Estates

2015-16

- The first Company to be accredited as "Certified Oil Palm "in the world. This global recognition was awarded by Forest Stewardship Council (FSC).

2018-19

- Introduced electronic weighing scale & web based performance monitoring system for Upcot Estates.

2021-22

- Runners-up – Agriculture & Plantation sector, Merit Award in CSR at National Business Excellence Awards)
- Commenced Rooftop Solar Power project covering 5 tea factories in Upcot.
- Created an 18 km "Peak-Ridge Forest Corridor" cutting across Stockholm, Mahanilu and Alton estates.
- Bronze Award for the Plantation Sector at the 57th TAGS Annual Report Awards 2022 at CA Sri Lanka.

2013-14

- Parent company name changed from Ceytea Plantation Management Limited to Vallibel Plantation Management Ltd.
- ISO 22000:2005/HACCP Certifications for all tea factories

2017-18

- Ethical Tea Partnership (ETP) (All Tea Estates)
- Forest Stewardship Council TM (FSCTM) (All Rubber Estates)
- ISO 9001:2008 (02 Rubber Factories)

2020-21

- 1st Plantation Company in Sri Lanka to obtain Eco Label Certification.
- GHG/ Carbon foot Print Certification
- ISO 14001: 2015 Certifications for Gouravilla Estate.
- Bronze Award in the Plantation Sector at the 56th Annual Report Awards 2021 at ICASL Awards.

2022-23

- Change of ownership - The Company has become a subsidiary of Hayleys Plantation Services (Pvt) Ltd., and ultimate parent of Hayleys PLC. w.e.f. 29 March 2023
- Great Place to Work Certified & recognized as one of the 15 best work places in the manufacturing and production industry
- Solar Project Registered under the Sri Lanka Carbon Crediting Scheme (SLCCS) as the 7th project in Sri Lanka

OUR BUSINESS

GRI 2-6 (a)

BUSINESS SECTOR

There have been no significant changes to the Company's activities, products and services, business relationships, value chain and supply chain from the previous reporting period.

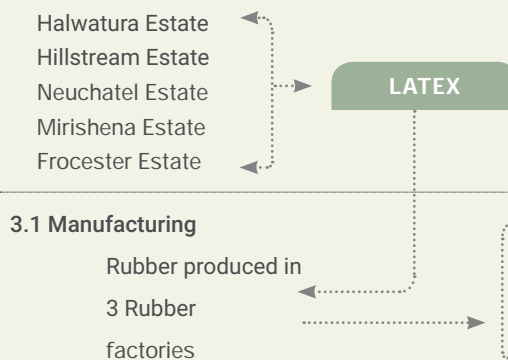
HPL business sector is in the plantations sector and HPL's primary activity is the management of Tea and Rubber estates and the cultivation, manufacture and sale of Tea, Rubber and other agricultural produce. HPL has diversified its portfolio to include Oil Palm, Coconut, Cinnamon, Coffee and Ancillary Crops, which are cultivated in the Company's Tea and Rubber estates. The Company has also expanded its value added product portfolio which mainly includes value added Tea and value added Rubber. HPL manages 14 estates that are accredited for international quality and ethical production.

GRI 2-6 (b)i.

ACTIVITIES, PRODUCTS AND MARKETS

HPL activities	HPL products	Markets served
1. Tea cultivation in 9 Tea Estates <div> <div> Alton Estate Fairlawn Estate Gouravilla Estate Stockholm Estate Mahanilu Estate Bambrakelly Estate Eildon Hall Estate Tillicoultry Estate Millakande Estate </div> <div> </div> </div>		
1.2 Manufacturing Tea produced in 9 Tea factories in bulk form	<ul style="list-style-type: none"> Fairtrade Certified Teas Orthodox Rotorvane Small Leaf Teas High Grown Orthodox Semi Leafy Grade Teas Flavoured Teas Single Origin Teas 	<ul style="list-style-type: none"> Local and Export Markets (Through Colombo Tea Auction)
2. Value Added Tea	<ul style="list-style-type: none"> Single Garden Teas Flavoured teas to be marketed under the HPL brand. 	<ul style="list-style-type: none"> Local and Export markets

ACTIVITIES, PRODUCTS AND MARKETS

HPL activities	HPL products	Markets served
3. Rubber cultivation in 5 Rubber Estates 		
3.1 Manufacturing Rubber produced in 3 Rubber factories	<ul style="list-style-type: none"> • Sole crepe • Thick crepe • FUB, UFUB • Forest Stewardship Council certified Rubber 	<ul style="list-style-type: none"> • Local and Export markets (Through Auction and Direct Marketing)
4. Value Added Rubber	<ul style="list-style-type: none"> • Coloured Sole Crepe • Pale Crepe 	<ul style="list-style-type: none"> • Local and Export markets
5. Oil Palm Cultivation	<ul style="list-style-type: none"> • Oil Palm (Fresh Fruit Bunches) 	<ul style="list-style-type: none"> • Palm Oil - Local consumers
6. Coconut Cultivation	<ul style="list-style-type: none"> • Coconut • Value Added Coconut Oil 	<ul style="list-style-type: none"> • Local consumers
7. Cinnamon Cultivation	<ul style="list-style-type: none"> • Cinnamon • Value Added Cinnamon Oil 	<ul style="list-style-type: none"> • Local consumers

SUSTAINABILITY ACCREDITATIONS

Estate/ Factory	Certification
Alton	Rainforest Alliance, Fairtrade, Eco Label, GHG Inventory Verification, ISO 22000:2018 & HACCP, ETP
Stockholm	Rainforest Alliance, Fairtrade, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Gouravilla	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ISO 14001: 2015 EMS, ETP
Mahanilu	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Fairlawn	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ISO 14001: 2015 EMS, ETP
Eildon Hall	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Tillicultry	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Bambrakelly	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Neuchatel	ISO 9001:2015
Frocester	FSC & COC , ISO 9001:2015, Fair Rubber
Millakanda	ISO 22000: 2018 & HACCP, ETP

OUR BUSINESS

GRI 2-28

MEMBERSHIP - Associations

Ceylon Tea Traders Association


Ceylon Rubber Traders Association


The Employers' Federation of Ceylon


The Planters' Association of Ceylon


Palm Oil Industry Association of Sri Lanka


Affiliations

Sri Lanka Tea Board


National Institute of Plantation Management


Ceylon Chamber of Commerce


Plantation Human Development Trust (PHDT)


Labour Department


Save the Children


Tea Research Institute in Sri Lanka


Rubber Research Institute in Sri Lanka


Coconut Research Institute in Sri Lanka


Coconut Cultivation Board


Ministry of Plantation Industries


Biodiversity Sri Lanka (BSL)

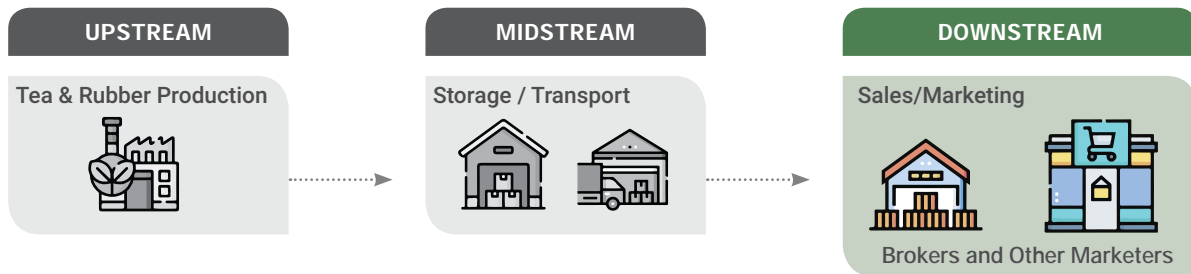

Wildlife and Nature Protection Society (WNPS)


Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)


GRI 2-6 (b) iii.

ENTITIES DOWNSTREAM FROM THE ORGANISATION AND THEIR ACTIVITIES

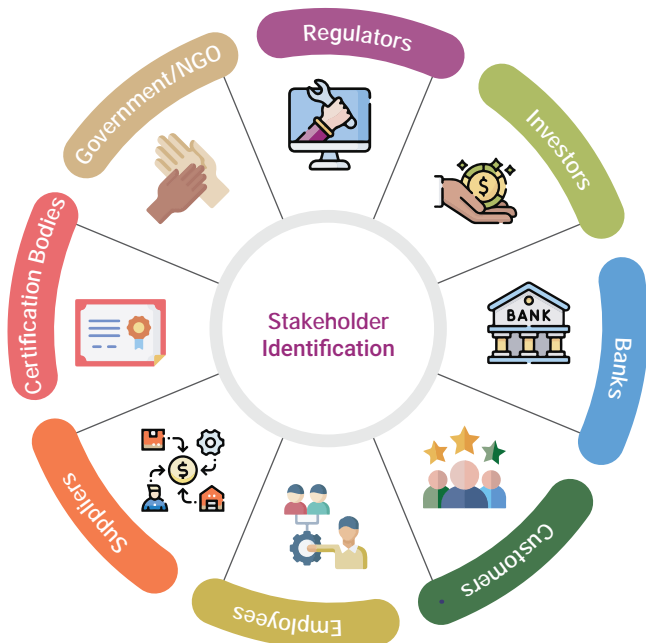
Downstream entities are mainly Tea and Rubber Brokers and Other Agricultural Produce Marketers that are involved in exporting and marketing HPL produce. HPL's dealing with these entities are conducted through contractual agreements and HPL has no further connection to these entities.



GRI 2-6 (c)

BUSINESS RELATIONSHIPS

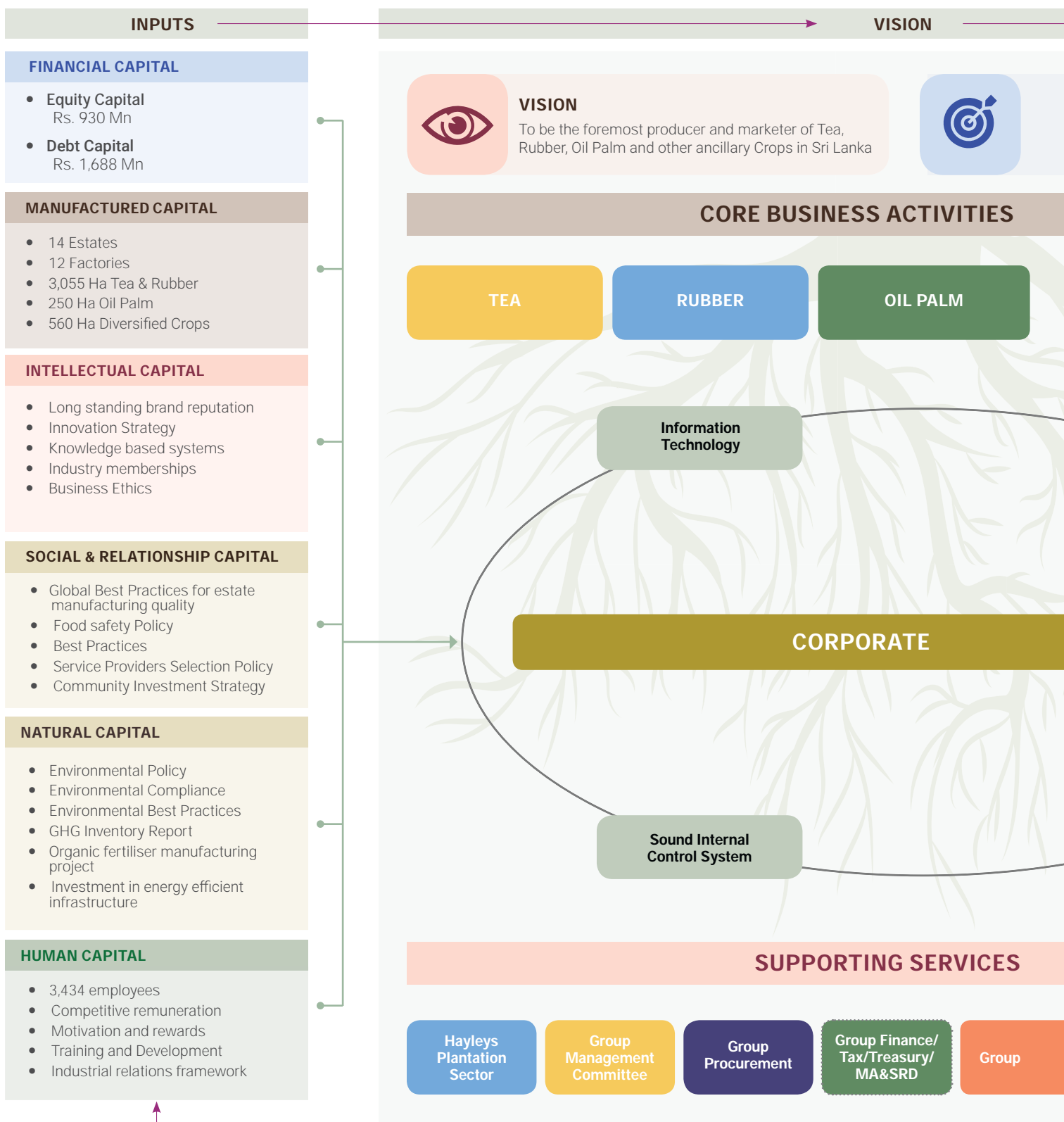
HPL's business relationships include business partners as well as regulators, trade certification providers and non governmental organisations. Please refer the Stakeholder engagement section for details.



HPL's approach to engaging with our diverse stakeholder groups is by facilitating transparent, and professional two-way communications for mutual understanding by using multiple communication channels and engagement methodologies.

BUSINESS MODEL

GRI 2-6 (b) ii.





BOARD OF DIRECTORS



Mr. A M Pandithage
Executive Chairman



Dr. Roshan Rajadurai
Managing Director



Mr. S C Ganegoda
Non-Executive Director



Mr. K D G Gunaratne
Independent Non-Executive Director



Mr. A N Wickremasinghe
Independent Non-Executive Director



Mr. J A Rodrigo
Director/Chief Executive Officer



Mr. J M J Perera
Independent Non-Executive Director



Mr. S M Liyanage
Non-Executive Director

BOARD OF DIRECTORS

Mr. A M Pandithage

Executive Chairman

Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009. He was appointed to the Board of Horana Plantations PLC in July 2013.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Dipped Products PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer

Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

Dr. Roshan Rajadurai

Managing Director

Roshan Rajadurai joined the Plantation Sector in 1983, and served in the Janatha Estates Development Board (JEDB) till 1992 privatization of Plantations and counts over 40 years of planting experience. He was an Estates Group Manager of Hayleys, Kelani Valley Plantations in Nuwara Eliya. In 2002 he joined Kahawatta Plantations of Dilmah as General Manager and was Director CEO from 2008 to 2012. He re-joined Hayleys in 2013 as Hayleys Group Management Committee Member for Plantations Sector and is responsible for Kelani Valley, Talawakelle and Horana Plantations.

He had been the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka. He is the Chairman of the Sustainability Group of Sri Lanka Tea Road Map Strategy 2030. He serves as a member of the Tea Research Board Consultative Committee on Research and is the Chairman of the Tea Research Board Consultative Committee on Estates and Advisory Services. He serves as a member of the Board of Study in the Faculty of Agriculture and Plantation Management at Wayaba University and is in the Board of Academic Affairs of the National Institute of Plantation Management. He served as a Chairman of the Plantations Group in the Council for Agriculture Research and Policy (CARP). He serves in the Standing Committee on Agriculture of University Grants Commission and also serves as a member of Public Expenditure Review Committee (PERC) on Ministry of Plantations

He holds a B.Sc Honours in Plantation Management, M.Sc. (OB), an MBA and an M.Sc. In Agriculture and Plantation Crops from the Post Graduate Institute of Agriculture, University of Peradeniya. He has a Ph.D in Management and a D.Sc in Agriculture.

Mr. J A Rodrigo

Director/Chief Executive Officer

Appointed as Director/Chief Executive Officer of Horana Plantations PLC on 1st April 2020. He Counts Over 35 years of experience in the Plantation Sector having joined as a Planter/Management Trainee under the Janatha Estates Development Board. With the privatisation of the estates in 1992, he joined Kelani Valley Plantations PLC in the Hayleys Group, and held the position of Director Corporate Affairs.

He serves as a Director at the Ceylon Tea Museum, the Plantation Human Development Trust and a committee member of the Ceylon Planters Provident Society, the Estate Staff Provident Society. He was a Director of the Chamber of Commerce in Nuwara Eliya.

Mr. A N Wickremasinghe

Independent Non-Executive Director

Appointed to Horana Plantations PLC in December 2013. He was previously a Director of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC. He is also the Chairman of Virtus Capital (Pvt) Ltd.

Until early 2012, Mr. Wickremasinghe was General Manager of Finaly Tea Estates Sri Lanka PLC – an integral part of a most respected business conglomerate in Sri

Lanka, which commenced operations in 1893. It is owned by the global Swire Group, which has Tea Estate holdings in Kenya and Sri Lanka.

Mr. Wickremasinghe has extensive senior management experience and technical expertise in the plantation sector in Sri Lanka. His specialized training includes logging and harvesting trees in Germany's Black Forest; Plant breeding at the Ravi Shankar University in Raipur, India and in Sloping Agriculture Land Technology in Mindanao Philippines.

Mr. S C Ganegoda

Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Board of Hayleys PLC in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC.

Mr. K D G Gunaratne

Independent Non-Executive Director

Mr. Gunaratne presently serves as Chairman of Lanka Hotels and Residencies Pvt Ltd (Sheraton Colombo), Board Member of Swisstek Ceylon PLC, Regnis Lanka PLC, Singer Industries (Ceylon) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Hayleys PLC and SLIIT International (Private) Limited.

Previously he has served as Vice Chairman of National Water Supply and Drainage Board.

Mr. S M Liyanage

Non-Executive Director

Mr. Liyanage is a respected professional with over 10 years' experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group.

He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from University of Colombo. He currently serves as the Group Director Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies. He currently serves on the Board of Directors of Royal Ceramic Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramics PLC, Swisstek Aluminium Limited and Uni Dil Packaging Limited. He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified

TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo. Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

Mr. J M J Perera

Independent Non-Executive Director

Mr. J. M. Jayanth Perera has over 40 years of experience in the financial sector with the majority of those years being at Senior Management and board levels. Mr. J. M. Jayanth Perera is a fellow of the Chartered Institute of Bankers (London) and has undergone extensive training in a host of International Financial Centres such as in London, New York, San Francisco, Hong Kong and Singapore. Currently Mr. J. M. Jayanth Perera serves as an independent Non- Executive Director of Singer Finance PLC, McLaren's Group of Companies – Main Board, Lanka Ratings Ltd, InterOcean Energy (Pvt) Ltd, Qwest Destinations (Pvt) Ltd, Qwest Cruises Pvt Ltd, Premier Physicians Medical Group (Pvt) Ltd, Sri Lankan Airlines Ltd, Sri Lankan Catering Services Ltd, ODEL Plc. Mr. J. M. Jayanth Perera counts a long and illustrious career at Hatton National Bank PLC (HNB) where he worked as Senior Deputy General Manager- International, Business Development and Corporate Credit including Treasury Operations. He was also a Founding Director of HNB Assurance PLC. During his term at HNB, Mr. J. M. Jayanth Perera was able bring many reforms by coordinating with the Central Bank of Sri Lanka. He was also Managing Director of Acuity Stockbrokers (Pvt) Ltd including Acuity Securities and Acuity Partners – jointly owned by HNB and DFCC Bank. In these positions he contributed immensely towards business growth. He also served as a Director of Lanka Ventures (Pvt) Ltd, LVL Energy and as a Board Member of the Credit Information Bureau of Sri Lanka.

MANAGEMENT TEAM

CORPORATE MANAGEMENT TEAM



1. B. C. Gunasekara

Director Plantations

2. N. A. A. K. Nissanka

General Manager – Finance

3. P. S. Samarakoon

General Manager – Corporate Affairs

4. B. L. W. Gunawardene

Regional General Manager

5. J. R. Gunathilake

Manager – Finance

6. D. Chamika Jeewantha

Manager –Accounts & Business Analyst



7. J. Wijesinghe
Manager – Information Technology

8. Mrs. K.R. Indika Bernard
Manager – Supplies

9. D. Nipuna Dilshan
Manager – Finance

MANAGEMENT TEAM

ESTATE MANAGEMENT TEAM

UPCOT CLUSTER :



Gouravilla Estate
C. D. W Kirinda
Senior Estate Manager



Stockholm Estate
N.P. Sudarshan
Senior Estate Manager



Fairlawn Estate
D. S. Fernando
Estate Manager



Alton Estate
A.D. Wanniarachchi
Acting Estate Manager



Mahanilu Estate
D.N.S. Wijayahena
Deputy Manager In Charge

LINDULA CLUSTER :



Bambrakelly Estate
S. Narayanan
Senior Estate Manager



Tillicoultry Estate
K. I. Jayarathna
Estate Manager



Eildon Hall Estate
T. Anushan
Deputy Manager In Charge

**LOW COUNTRY
CLUSTER :**



Mirishena Estate
M.A.K.G. Perera
Senior Estate Manager



Frocester/Kobowella Estate
S.H.M. Gunawardena
Senior Estate Manager



Neuchatel Estate
K.D.L.G. Sanjeewa
Senior Estate Manager



Hillstream Estate
W.N.M. Wijenayaka
Estate Manager



Halwatura Estate
P.L.C.P. Kumarasinghe
Acting Estate Manager



Millakanda Estate
K.L.R.K. De Silva
Deputy Manager In Charge



ENHANCING OUR ABILITY TO ADAPT

Oblique roots are essential to a plant's root system for stability and support, especially in areas with soil erosion.

Our organisation's ability to adapt to changing market conditions and customer needs relies on our oblique roots.

These roots have enabled us to swiftly and efficiently respond to emerging challenges and opportunities while still prioritising innovation and operational excellence.



YEAR IN SUMMARY

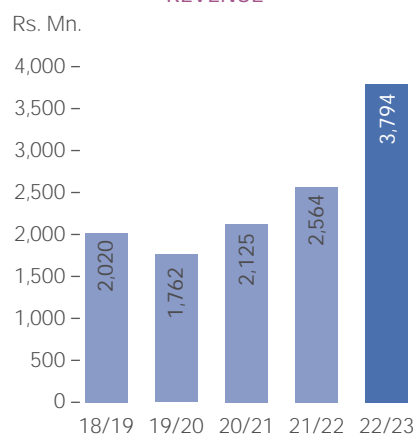
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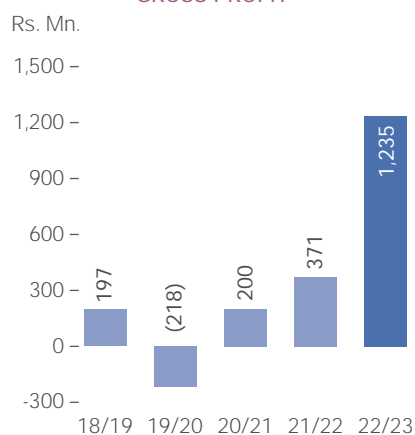
FINANCIAL HIGHLIGHTS

For the Year ended 31st March	2023	2022	Change
	Rs. '000	Rs. '000	%
Financial Performance			
Revenue	3,794,035	2,563,636	48.0
Gross Profit	1,234,689	371,010	>100
Profit from Operations	986,510	208,685	>100
Net Finance Expenses	(329,418)	(140,363)	(>100)
Profit before Tax	657,092	68,322	>100
Tax Expense	(487,030)	(25,868)	(>100)
Profit for the year	170,062	42,454	>100
Other Comprehensive (Expenses)/Income	(36,232)	5,860	(>100)
Total Comprehensive Income	133,830	48,314	>100
Financial Position			
Shareholders' Equity	929,954	796,124	16.8
Borrowings	1,687,817	1,902,588	11.3
Total Liabilities (excluding Borrowings)	1,737,400	1,265,493	(37.3)
Total Assets	4,355,171	3,964,205	9.9
Cash Flows			
Operating Activities	681,563	245,805	>100
Investing Activities	(430,107)	(300,989)	(42.9)
Financing Activities	(227,186)	(159,097)	(>100)
Total Net Cash Inflow/(Outflow) for the period	24,270	(214,281)	>100
Cash & Cash Equivalents at the end	(459,624)	(483,894)	5.0
Key Indicators per Ordinary Share			
Earnings per Share (Rs.)	6.80	1.70	>100
Market Price per Share (Rs.)	52.50	21.90	>100
Dividend per Share (Rs.)	-	-	-
Net Assets per Share (Rs.)	37.20	31.84	16.8
Price-Earnings Ratio (times)	7.72	12.88	(40.1)
Earnings Yield (%)	12.96	7.76	67.2
Key Ratios			
Current Ratio (times)	0.54	0.38	42.1
Interest Cover (times covered)	2.99	1.49	>100
Revenue to Capital Employed (times)	1.45	0.95	52.6
Property, Plant & Equipment to Shareholders' Equity (times)	0.59	0.56	5.4
Gross Profit Margin (%)	32.54	14.47	>100
Operating Profit Margin (%)	26.00	8.14	>100
Net Profit Margin (%)	4.48	1.66	>100
Return on Equity (%)	18.29	5.33	>100
Return on Capital Employed (%)	37.69	7.98	>100
Gearing (%)	64.48	70.50	8.5
Equity to Total Assets (%)	21.35	20.08	6.3

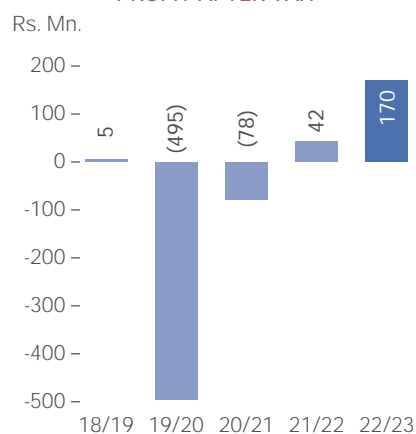
REVENUE



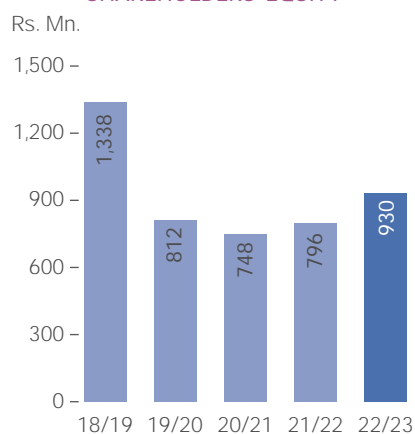
GROSS PROFIT



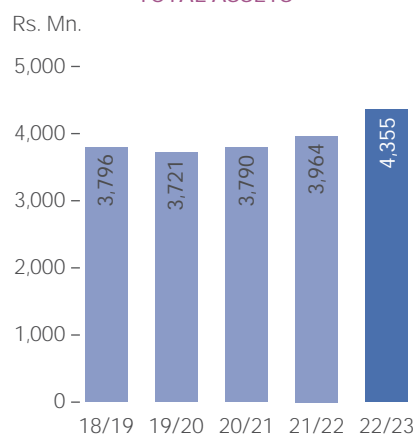
PROFIT AFTER TAX



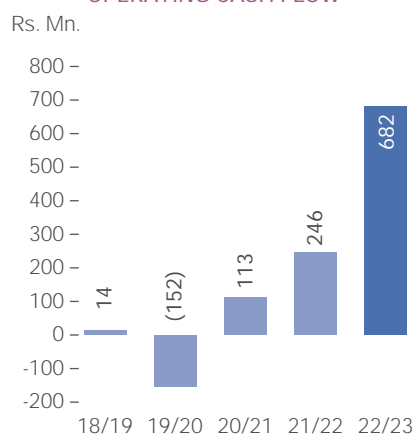
SHAREHOLDERS' EQUITY



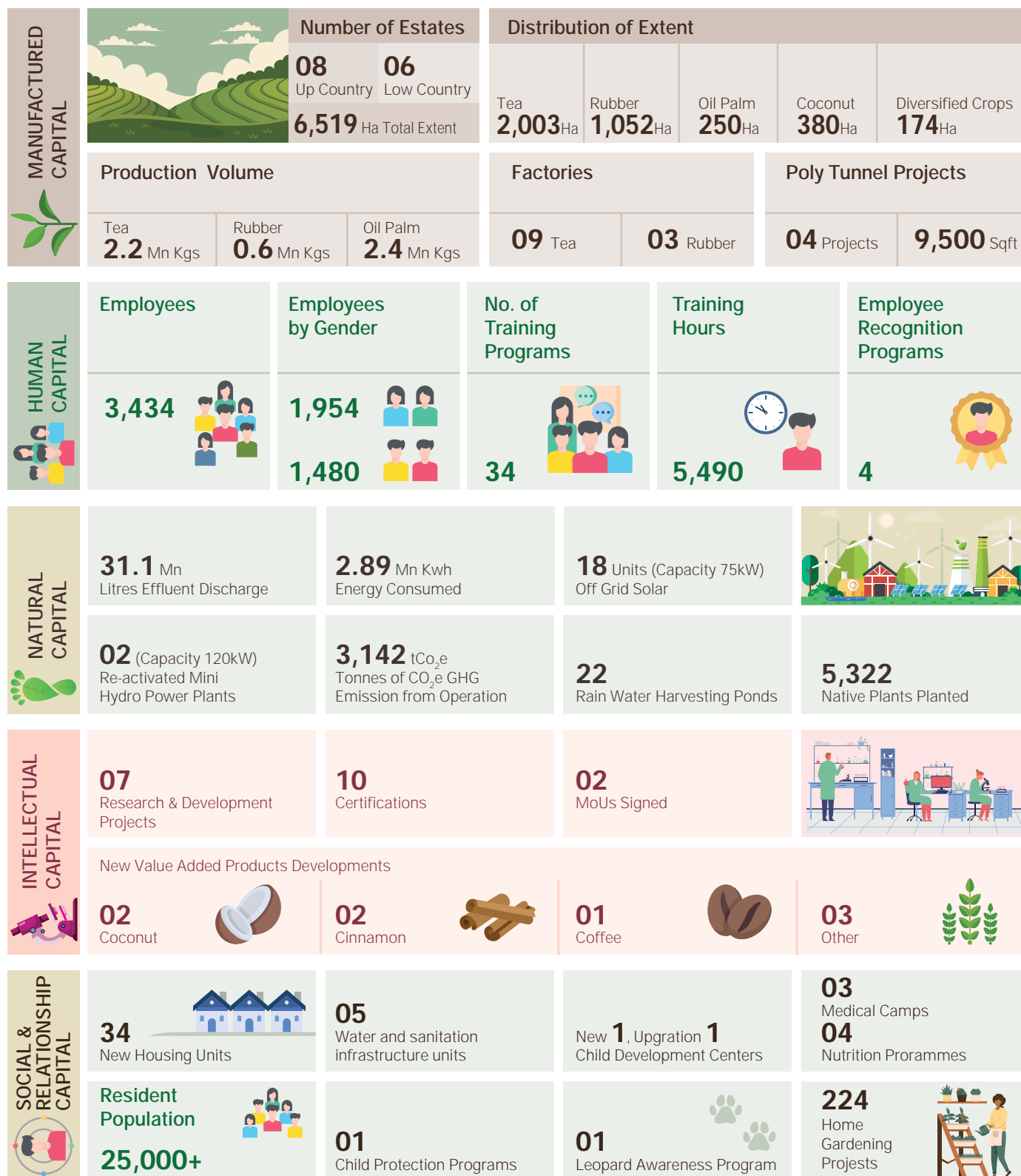
TOTAL ASSETS



OPERATING CASH FLOW



NON FINANCIAL HIGHLIGHTS





. Gold Winner

at the International

Green Apple Environment Awards 2022

. Runners-up sustainability award 2022, at the

11th Annual North American Tea Conference,

Organized by the Tea and Herbal Association of Canada

. Bronze Award-Plantation Sector, at the TAGS Awards 2022,

Organized by the Institute of Chartered Accountants of Sri Lanka



Horana Plantations PLC Certified as "Great Place to Work" and recognized as one of the top 15 companies amongst the 45 companies who were certified as great place to work in 2023.



North American Tea Conference



Green Apple Environment Award - 2022



TAGS Award - 2022

CHAIRMAN'S MESSAGE



Graduation from the previous management agent relationship, to direct 51% majority ownership by Hayleys Plantations, opens up new growth opportunities for HPL.

HPL's profit for the year increased by 862% against the previous financial year, reaching Rs. 657 Mn, confirming the effectiveness of our strategy for the Company's revival.

48% ↑
Revenue

862% ↑
Profit before Tax

17% ↑
Net Assets Per Share

It gives me great pleasure to present the Annual Report and Financial Statements of Horana Plantations PLC (HPL) for the financial year 2022/23, and to announce to all our shareholders that HPL has now officially become a member of the Hayleys family. In more good news, HPL has also accelerated its recovery trajectory to report a profit that is above and beyond the original expectations for the first year of COVID recovery, and amidst an exceptionally turbulent 12 months.

From a Rs. 76 Mn loss reported two years ago, HPL's profit for the year increased by 862% against the previous financial year, reaching Rs. 657 Mn, confirming the effectiveness of our strategy for the Company's revival. This has indeed been the silver lining in a heavily overcast year, where the country's plantation industry was struck by a multitude of impediments. Given the magnitude of obstacles that were overcome to record this achievement, within perhaps the worst economic downturn in our post-independence history, we are now more determined than ever to remain focused on our sustainable growth strategy.

Adding to an eventful year, HPL's ownership officially changed hands from Vallibel Plantation Management Limited, to Hayleys Plantation Services (Private) Limited, on 29th March 2023. Graduation from the previous Management Agent relationship, to direct 51% majority ownership by Hayleys Plantations, opens up new growth opportunities for HPL by facilitating almost unlimited synergies with other Hayleys Group companies. With the acquisition of HPL, Hayleys will significantly expand its share of the country's Tea and Rubber industries, that we believe have great growth potential.

INTEGRATING THE UNSDGs INTO OUR BUSINESS

In designing HPL's revival and growth strategy, it was a conscious choice to incorporate the United Nations Sustainable Development Goals, into the strategy. In this regard, I am happy to report sustained progress on our UNSDG commitments, with re-validated the Eco Label Certification for the year 2022 and becoming one of two plantation companies to be designated a 'Great Place to Work, out of 15 selected companies.

GRI 2-22

SUSTAINABLE DEVELOPMENT STRATEGY

HPL has traditionally allocated resources for community welfare and environmental conservation. We are now extending this practice into our business strategies, through initiatives such as Diversification, Community Empowerment, Automation & Mechanization and Circular Economy concept.

The revenue sharing model, in HPL's tea estates, incorporates estate communities into the value chain as suppliers of green

CHAIRMAN'S MESSAGE

leaf, making them direct stakeholders of the Company. HPL also conducts a range of community welfare activities for its estate populations, enhancing positive social outcomes.

The accelerated crop diversification plan has expanded HPL's portfolio of products from Tea and Rubber, to Oil Palm, Coconut and Cinnamon. We have also added Coffee to this diversified crop portfolio. While rebalancing the agricultural risk to the Company, crop diversification has also created new revenue sources for village communities, enhancing positive direct and indirect economic impacts.

To minimise negative impacts of its operations, HPL has been consistently investing in renewable energy, soil development, replanting and conservation projects within its estates, while rapidly expanding circular economy initiatives. Our target for HPL, is to achieve Net-Zero status by 2027, and be carbon neutral by 2030. We are also integrating modern scientific agricultural practices into our estates. Already many innovative ideas are being tested out with the Wayamba University and other Technical Institutions. Facilitating continuous integration of sustainable initiatives into the business model, we are developing an ESG roadmap outlining clear targets for the next 5 - 10 years.

Another important component of our sustainable growth strategy for HPL, is the rapid mechanisation drive. While facilitating greater efficiencies, automation and mechanisation will also mitigate the labour risk faced by the Company. The entire plantations sector has been experiencing labour outmigration for many years. However, during 2022/23 the labour

outmigration become more acute, with large numbers of estate youth leaving their estates. To mitigate future losses, our target is to mechanise at least 30% of Tea plucking in HPL estates by 2024.

GOVERNANCE AND COMPLIANCE

HPL has continued to uphold a long tradition of best practices in governance, and unwavering compliance. As at the end of the current financial year, HPL did not face any fines, or penalties for noncompliance with applicable regulations, and made all statutory payments and disclosures on time.

PLANS FOR THE FUTURE

High cost of living are serious concerns with regards to future plans and investment allocations to sustain the plantation sector into the future. Plantation companies are left in limbo by the continuing, unscientific ban on Oil Palm cultivation, that is preventing HPL from capitalising on this lucrative crop while the country is losing valuable foreign exchange on import of palm oil.

Another pressing subject that requires urgent attention from national policy makers, is the renewal of plantation industry lease agreements. The existing agreements with Regional Plantation Companies (RPCs) expire in 22 years, in 2045. While this may seem too far into the future, I would like to remind all industry stakeholders that plantation crops such as, Tea and Rubber, have productive life spans of up to 30 years, and unlike many other industries, the plantation industry has to plan 30 years ahead to ensure the quality and productivity that we need, to remain globally competitive. The lack of clear government commitment on whether

or not these lease agreements will be renewed, will discourage continued capital investments into these perennial crops, as the RPCs cannot be assured of returns on their investments. As plantation companies need to continually invest in replanting and infrastructure to maintain the quality of our crops, I call on our policy makers to urgently take up this matter with the RPCs. This matter becomes even more urgent as the prevailing interest rate environment is also not conducive for long term sustainable investments.

Against this backdrop, I would like to stress that all future wage increases be linked to productivity and not be ad hoc increases, if the Ceylon Tea brand with exports value of nearly USD 1.5 Bn and Sri Lankan plantations industry are to survive into the next many years, particularly under fiercely competitive global marketplace. Tea prices will be sensitive to the ongoing instability in major Tea consuming regions and countries, and as a Tea producing nation, we must build internal capacity to face potential shocks in the future, by creating a conducive environment for the plantation sector.

Where HPL is concerned, we are cautiously optimistic that HPL can maintain growth in the new financial year, provided no further significant disruptions are unleashed in the country. Therefore, we hope to continue our growth plans for HPL with uninterrupted investments into capacity building, technology integration and modernisation, while aligning with the UNSDGs.

CHANGE OF DIRECTORATE

Mr. Lalit de Silva Wijeyeratne has resigned from the board with effect from 31st March 2023. I would like to thank him for invaluable service rendered during his tenure as director.

APPRECIATIONS

Facing another challenging year ahead, I would like to thank my colleagues on the Board for sharing their expertise and insights to help navigate the difficult times. HPL's management team and all employees must be acknowledged for their individual contributions towards achieving a collective victory in the year under review. On behalf of the Board of Directors, I extend our appreciations to all our customers, suppliers, business partners and shareholders. I look forward to your continued support in the new financial year.



A.M. Pandithage
Chairman

13th May 2023

MANAGING DIRECTOR'S REVIEW



“ HPL’s business fundamentals have continued to strengthen over the last two years and we will continue to emphasise stable and sustainable growth, to create value for all Stakeholders. ”

HPL became one of the first Plantation Companies to obtain the 'Mother and Child Friendly' seal for responsible business and register solar projects under Sri Lanka Climate Fund of the Ministry of Environment.

Rs. 3,794 Mn
Revenue

Rs. 1,235 Mn
Gross Profit

Rs. 4,355 Mn
Total Assets

The financial year 2022/23, although anticipated to be a year of COVID recovery, was in reality an incredibly difficult year for the Sri Lankan private sector. While HPL could not escape the combined onslaught of the Political, Economic and Social upheavals that swept the globe, as well as Sri Lanka, it was able to conclude the year by tallying an admirable bottom line. Despite an unfavourable start, with fuel and fertiliser shortages, HPL recorded its best year in terms of profitability, in 2022/23. This propitious outcome, I should stress, is not due to blind luck, but to years of investments into replanting, quality systems and modernisations, that paid off. HPL was primed and prepared to withstand external shocks, while capitalising on opportunities.

KEY FINANCIAL HIGHLIGHTS

It gives me great pleasure to share HPL's remarkable progress during the 12 months of the financial year 2022/23, in spite of the severe shortfall in fertiliser, the massive increase in electricity tariffs and price increases of all other inputs. Fertiliser prices, which experienced the worst increase caused the COP to shoot up directly affected HPL's bottom line. With fertiliser becoming inaccessible for

the most part, Sri Lankan Tea outputs declined by 48 Mn metric tonnes against the previous financial year.

HPL's revenue increased by 48% year-on-year, reaching Rs. 3,794 Mn. This growth was primarily attributable to the Tea sector, which gained upward momentum during the latter part of the year. Although the Russian-Ukraine war and instability in the Middle East, both major Tea markets for Ceylon Tea, caused a sharp decline in export demand at the start of the year; supply shortages, coupled with the sharp rupee depreciation, caused a spike in Tea prices later in the year. HPL, with its high-quality Tea, was well positioned to reap a good harvest, when demand revived. The positive inflows from Tea, contributed towards offsetting the staggering cost escalation experienced during the year, which contributed towards the Gross Profit increasing by 233% to Rs. 1,235 Mn. In spite of the high finance cost of Rs. 335 Mn due to adverse interest rates prevailed and total tax charge of Rs. 487 Mn as a result of tax rate changes taken place during the period, HPL closed the year with profit growth of 301% year-on-year, reaching Rs. 170Mn.

REVIEW OF OPERATIONS

Tea Sector

HPL achieved a revenue increase of 57% to Rs. 2,912 Mn during the year, although Tea yield declined by 23% to 955 kg per hectare, which was also directly attributable to the high labour out-migration experienced during the year and unavailability of the Fertiliser and Agro Chemicals. HPL's Gross Sales Average (GSA) reached Rs 1,539 per kg, which is well above the national average of Rs. 1,410 per kg. The cost of production increased sharply by 57% year-on-year, mainly due to the increase of input materials (fertilizer, chemical,

MANAGING DIRECTOR'S REVIEW

packing material, electricity and fuel).

However, HPLs above average Tea prices ensured that the Tea sector's Gross Profits increased to Rs. 981 Mn, up 455% from the Rs. 177 Mn in the previous financial year.

Rubber Sector

On top of the severe shortage of fertiliser, the country's Rubber plantations were ravaged by the pestalotiopsis leaf disease in 2022, which is caused by a fungal pathogen and could not be controlled due to the lack of effective solutions, including chemical compounds. Consequently, the entire national Rubber output declined significantly in 2022/23. However, HPL went against the norm and achieved a growth in its Rubber outputs, mainly attributable to 70% of its Rubber extent being protected by rain guards.

The Rubber sector accounts for approximately 15% of HPL's total annual revenue on average. During the 12 months under review HPL's total Rubber output increased slightly by 1% and the NSA increased to Rs. 800 per kg. Total revenue from Rubber increased by 30% to Rs. 558 Mn, from Rs. 430 Mn in the previous year. As in the case of the Rubber sector, the COP increased by 17% compared to the previous year mainly due to the high input materials. Further, there is a notable increase in manufacturing cost which is mainly due to the significant price escalation of the chemicals during the period.

HPL's Forest Stewardship Council (FSC) Certification gave an added boost in achieving premium prices at the Rubber auctions, while direct sales of value-added Rubber products, including coloured Sole Crepe Rubber, also contributed towards improving the topline.

Oil Palm

Oil Palm outputs increased during the year, although no new Oil Palm extent was cultivated. Reflecting global pricing, and in response to the import restrictions on Palm Oil and Coconut Oil, domestic prices for Palm Oil increased during the year.

HPL continued to maintain and harvest already cultivated extents to supply domestic demand for Palm Oil. Total revenue from Oil Palm increased by 66% against the previous year reaching Rs.258 Mn. The Gross Profit from the Oil Palm sector increased from Rs. 100 Mn in the year previous year to Rs. 154 Mn.

Diversified Crops

Under the diversified crops portfolio HPL has been accelerating Coconut and Coffee cultivation, increasing Coconut extent within the last year by repurposing idle Rubber lands, in response to the growing domestic demand for Coconut. The diversified crops portfolio currently comprises Coconut, Cinnamon, Coffee and Ancillary Crops, which achieved a combined revenue of Rs. 23 Mn for the year under review, which remained on par with the previous year.

SUSTAINABLE BUSINESS PRACTICES

The integration of sustainable agricultural and business practices is a core aspect of HPL's growth strategy and despite the economic downturn, we continued to invest in these during the year. Adapting renewable energy solutions into the business model is a key component of the sustainability strategy and during the year HPL installed roof top Solar PV systems on factory roofs, taking total Solar Power generation to 811 MWs. As at end of the current financial year, Solar Power accounts for 24% of HPL's total electricity

consumption, putting HPL well on track for Net-Zero status by 2027 and Carbon Neutral status by 2030.

HPL is also rapidly modernising its agricultural practices. The Company has signed an MoU with the University of Wayamba for Research and Development (R&D) on scientific solutions for a range of essential agricultural practices. This partnership is enhancing HPLs knowledge base and R&D capabilities.

In addition, HPL continued its environmental conservation activities, such as the 'Green Planet' Tree Planting program, the Peak Ridge Leopard Corridor and many Circular Economy Initiatives, such as the Bio Char Project, Compost Project and Poly House Cultivation Project and Rain Water Harvesting Ponds. Many Community Welfare projects targeting estate communities were conducted, including child protection programmes.

NEW SUSTAINABILITY INITIATIVES

HPL became one of the first Plantation Companies to obtain the 'Mother and Child Friendly' seal for responsible business and our solar project under our Go Green Energy program, was registered with the Sri Lanka Climate Fund of the Ministry of Environment. This is only the 7th project in Sri Lanka to qualify for carbon credits under the Sri Lanka Carbon Credit Scheme (SLCCS) and HPL is the second plantation company to achieve this.

OUTLOOK

Judging by the year that was, the new financial year will certainly be no easy passage. While the plantation sector has gained some breathing space in the form of fertiliser availability, the high costs of agricultural inputs, fuel and electricity will retard recovery momentum. In addition,

despite the unending spiral of wage increases and extensive community welfare programmes, the plantation sector is losing its labour force at an alarming rate, which can be expected to continue in the new financial year as young people seek growth opportunities outside the sector. Nevertheless, we are confident, the continuous capacity building investments into HPL will strengthen the Company's defences against major threats and will sustain growth.

We continue to focus on crop diversification strategy to reduce the dependency on Tea and Rubber, going forward. Coconut and Coffee will be significant segments to cater this long term strategy. HPL's business fundamentals have continued to strengthen over the last two years and we will continue to emphasise stable and sustainable growth, to create value for all stakeholders.

HPL's priority in the new financial year will be to contribute towards enhancing the country's export earnings by increasing productivity and outputs. We are confident, the national economy will continue to stabilise during 2023.

APPRECIATIONS

As we conclude an exceptionally difficult year on exceptionally good terms, I would like to extend my appreciation to the Management Teams and all HPL employees for their team work and co-operation that helped transform this year into a success. As always, I am grateful to the Chairman and my colleagues on the HPL Board, along with the Boards of Vallibel One PLC and Hayleys PLC for their guidance. I acknowledge the support we have continued to receive from all regulatory and supervisory bodies at both

national and local levels, which has helped our business sustainability. I also extend my sincere appreciations to our loyal shareholders, customers, suppliers and other stakeholders, for their confidence in me and the Board. As our country makes headway into a stronger recovery, I look forward to your support in assisting this process through our efforts.



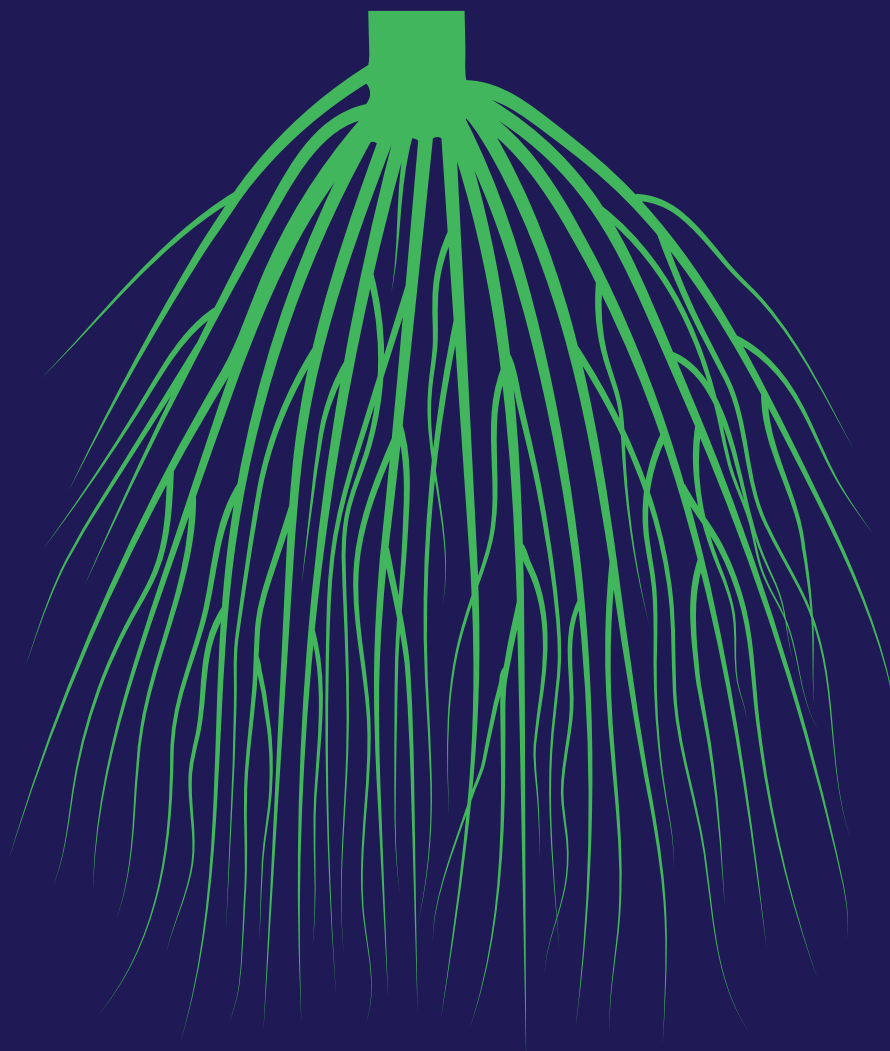
Dr. Roshan Rajadurai
Managing Director

13th May 2023



FOSTERING A CULTURE OF INNOVATION AND AGILITY

Adventitious roots develop from non-root tissues, providing extra support and absorption to a plant. Similarly, our ability to seize new opportunities and pursue innovation in unexpected ways is represented by adventitious roots. In the past year, our adventitious roots have increased resilience by leveraging existing strengths to pursue growth and better serve customers' changing needs.



STRATEGY REPORT

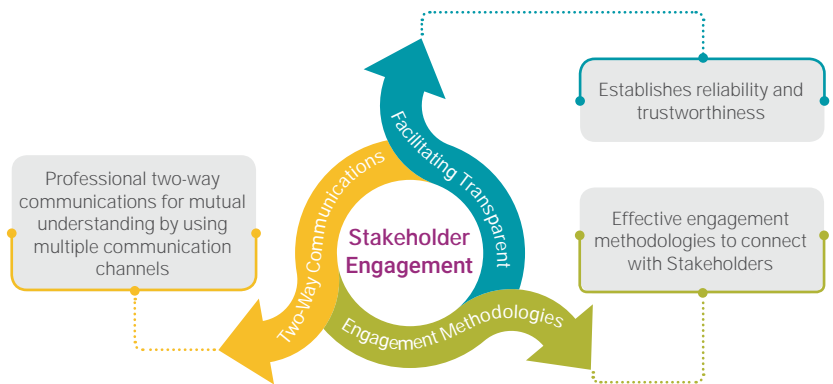
| Stakeholder Engagement **46** | Determining Material Topics **50** |
| Strategies, Policies and Practices **52** | Managing Risk **64** |

STAKEHOLDER ENGAGEMENT

GRI 2-29

APPROACH TO STAKEHOLDER ENGAGEMENT

HPL's approach to engaging with our diverse stakeholder groups is by facilitating transparent, and professional two-way communications for mutual understanding by using multiple communication channels and engagement methodologies. Specific communication protocols are established to ensure regulatory compliance as well as ethical communications with different stakeholder groups.

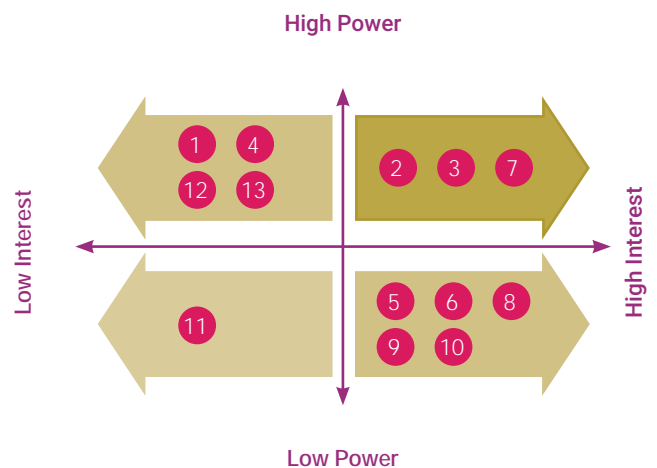







STAKEHOLDER IDENTIFICATION

The stakeholder identification exercise for the current report was conducted by the HPL senior management, based on their years of experience in dealing with external as well as internal stakeholders.











Power/Interest Grid



GRI 2-29 (i)	GRI 2-29 (ii)	GRI 2-29 (iii)
Stakeholder category	Purpose of stakeholder engagement	How we ensure meaningful engagement
 <p>1</p> <p>Regulators</p>	<ul style="list-style-type: none"> To ensure regulatory compliance to avoid fines, penalties and loss of business licences. To maintain the trust of regulatory officials. To maintain Company reputation and credibility. 	<p>We maintain meaningful engagements with various regulatory bodies by ensuring timely regulatory reporting and statutory payments.</p>
 <p>2</p> <p>Parent</p> <ul style="list-style-type: none"> Hayleys Plantation Services (Private) Limited (owns 51% of HPL) <p>Ownership of HPL changed with effect from 29th March 2023, with 51% of HPL shares acquired by Hayleys Plantation Services (Private) Limited, from Vallibel Plantation Management Limited. Ultimate parent is Hayleys PLC.</p>	<ul style="list-style-type: none"> For financial support For strategic direction and market expertise. For governance and risk related support. 	<p>Regular Management Meetings are held with the Hayleys Group's Management Committee, the Hayleys Group Plantation Sector, Group HR and Group Finance, in addition to verbal and written exchanges.</p>
 <p>3</p> <p>Shareholders</p>	<ul style="list-style-type: none"> For financial capital To communicate the Company's status. To build confidence in the Company. To gain support for Company plans and maintain market credibility. 	<p>HPL utilises a range of statutory and public relations communications to engage with shareholders. These include:</p> <ul style="list-style-type: none"> The annual report, Quarterly Financial Statements. Annual General Meeting Disclosures to the Colombo Stock Exchange. We ensure timely dividend payments. We also accommodate shareholder inquiries through our Company Secretaries.
 <p>4</p> <p>Banks</p>	<ul style="list-style-type: none"> To maintain high credibility for regular short-term over draft financing and term loan facilities. 	<p>We maintain a close relationship with our Banking contacts over the phone, email and physical meetings.</p>
 <p>5</p> <p>Buyers and Brokers</p>	<ul style="list-style-type: none"> To promote the Company's produce and to increase sales. 	<p>Buyers and brokers do the marketing for HPL and promote our produce across the world. Therefore, we maintain close relationships with these B2B customers by arranging factory/estate visits, informing them of our accreditations and consulting them for advice on products for specific markets.</p>

STAKEHOLDER ENGAGEMENT

GRI 2-29 (i)	GRI 2-29 (ii)	GRI 2-29 (iii)
Stakeholder category	Purpose of stakeholder engagement	How we ensure meaningful engagement
6  Direct Customers	<ul style="list-style-type: none"> To promote the Company's produce and to increase sales. 	<ul style="list-style-type: none"> We engage one-on-one with our direct customers to understand and cater to their specific requirements. We customise our products for them by arranging physical meetings and through continuous communications from order-placement-point to delivery. Periodic meetings are conducted and end consumer requirements and even complaints.
7  Employees Direct employment to 3,434 persons	<ul style="list-style-type: none"> To motivate and retain employees. For change management in support of the Company's strategic plans. 	We maintain top-down and bottom-up communications with our employees through a range of mechanisms including meetings, worker committees, internal memos and emails, performance evaluations, training events, grievance managements systems and an open door policy, and also through many informal sporting and social events.
8  Trade Unions	<ul style="list-style-type: none"> As the plantation sector is highly labour intensive and plantation labour is fully unionised, the purpose of engagement is to ensure industrial harmony for uninterrupted operations, which is crucial for profitability. 	We allow union meetings within the premises and the management also conducts regular meetings with the unions.
9  Resident Communities (HPLs estates are home to a resident estate population of over 25,000 men, women and children).	<ul style="list-style-type: none"> The traditional source of plantation labour is the resident estate community. Therefore, the primary purpose of engagement is to attract and retain workers. In addition, HPL engages with estate communities for corporate social responsibility purposes. 	<ul style="list-style-type: none"> Dedicated Community Liaison Officers have been appointed at all 14 HPL estates. Estate Worker Housing Societies have been established to identify infrastructure needs. Child Protection Focal Points (CFFP) have been appointed at all estates specifically under the Child Protection Policy. Child Development Officers are also available for child education activities.

GRI 2-29 (i)	GRI 2-29 (ii)	GRI 2-29 (iii)
Stakeholder category	Purpose of stakeholder engagement	How we ensure meaningful engagement
<div data-bbox="134 520 224 653">  </div> <p>10 Suppliers</p> <ul style="list-style-type: none"> • Bought Leaf Suppliers • Agrochemical Suppliers • Fuel & Electricity Suppliers • Firewood Suppliers • Packing Material Suppliers • Machinery and Spare Parts suppliers • Hardware Items Suppliers • Transporters 	<ul style="list-style-type: none"> • To ensure uninterrupted supplies of inputs to facilitate manufacturing. • To align supply chain with our sustainability policies and product quality standards. 	<p>We ensure meaningful engagement with suppliers through a supplier on-boarding programme, annual supplier audits, providing technical advice and also training.</p>
<div data-bbox="134 873 224 989">  </div> <p>11 Certification/ Accreditation Bodies</p>	<ul style="list-style-type: none"> • To enhance market /customer confidence in our products and to capture new markets. 	<ul style="list-style-type: none"> • HPL is subjected to annual audits by accrediting agencies to confirm our compliance with accreditation standards. • We also participate in knowledge sharing sessions and meetings.
<div data-bbox="134 1045 224 1182">  </div> <p>12 Government and Non-Government Organisations engaged in social welfare (PHDT, UNICEF, Save the Children etc.)</p>	<p>For grants and technical expertise in community welfare projects and community infrastructure projects.</p>	<ul style="list-style-type: none"> • We provide access to our resident communities for welfare organisations in line with our UNSDG commitments. • We allocate company resources, such company personnel, time and buildings for welfare projects.
<div data-bbox="134 1262 224 1388">  </div> <p>13 Industry Associations</p>	<ul style="list-style-type: none"> • The purpose of stakeholder engagement is to gain first hand industry related information, including government policy, regulatory and market information, through industry players and government officials. • A secondary objective is to lobby government support collectively as an industry. • Facilitate research and development support for the industry. 	<ul style="list-style-type: none"> • We ensure meaningful engagement by representing the Company at the highest level, during industry discussions. The MD and CEO participates in key discussions. • We also provide data to support industry lobbying and public relations. • Support negotiations of the industry collective agreement with trade unions.

DETERMINING MATERIAL TOPICS

GRI 3-1

Process to determine material topics

Material topics discussed in this report were identified through a discussion with senior management including the CEO, heads of departments and the head of sustainability. HPL also conducts regular social and environmental impact assessments which provide a comprehensive overview of our social, environmental, economic and human rights impacts. The Company's policies and strategies have been developed by understanding these impacts, and with the objective of enhancing positive impacts and minimising negative impacts.

GRI 3-1 (ii)

Prioritisation of impacts

We believe the concerns of our key stakeholders, have a direct impact on our financial performance. Therefore:

1. We first compiled a list of topics that we considered were material to the Company's financial health, as HPL is on a financial recovery drive.
2. We then reviewed these topics against both our financial and non financial priorities, as well as the expectations of our key stakeholders
3. The topics deemed as high to mid priority for both the Company and our key stakeholders, were prioritised.
4. These topics were matched against the list of GRI topic standards
5. Next, suitable GRI Disclosures under each topic standard were selected to disclose how we managed the impacts of our activities during the year.

GRI 3-1 (b)

Stakeholders and experts whose views have informed the process of determining material topics

The key stakeholder groups we took into consideration were:

1. **Regulators** : Regulatory compliance is non-negotiable for good governance and business continuity
2. **Our shareholders** : Maintaining shareholder confidence in the company and the management is essential to maintain our share prices and market credibility
3. **Employees** : As a highly labour-intensive business, which is also highly unionised, maintaining industrial harmony is essential for business continuity.
4. **Customers (buyers and brokers)** : HPL's reputation and financial growth depends on meeting our customer expectations.
5. **Estate communities** : The welfare of our estate communities is a requirement to supply labour for business continuity, and they are a key component of our ethical brand reputation

MATERIALITY MATRIX

SIGNIFICANCE FOR COMPANY	High significance		1. Good agricultural practices 4. Environmental conservation 7. Training and development	2. Efficient management of costs and resources 3. Financial growth 5. Adequate supply of labour 6. Employee well-being 9. Customer satisfaction 10. Regulatory compliance
	Mid significance			8. Community Empowerment
	Low significance			
		Low significance	Mid significance	High significance
SIGNIFICANCE FOR STAKEHOLDERS				

GRI 3-2

List of material topics

Material topics	Corresponding GRI	SDG
1. Good agricultural practices	<ul style="list-style-type: none"> GRI 201: Economic Performance 2016 GRI 203: Indirect Economic Impacts 2016 	 
2. Efficient management of costs and resources	<ul style="list-style-type: none"> GRI 204: Procurement Practices 2016 	
3. Financial growth		
4. Environmental conservation / Carbon Footprint	<ul style="list-style-type: none"> GRI 301: Materials 2016 GRI 303: Water and Effluents 2018 GRI 304: Biodiversity 2016 GRI 305: Emissions 2016 GRI 306: Waste 2020 	    
5. Adequate supply of labour	<ul style="list-style-type: none"> GRI 401: Employment 2016 	
6. Employee well-being	<ul style="list-style-type: none"> GRI 403: Occupational Health and Safety 2018 	 
7. Training and development	<ul style="list-style-type: none"> GRI 404: Training and Education 2016 	 
8. Community Empowerment	<ul style="list-style-type: none"> GRI 413: Local Communities 2016 	
9. Customer satisfaction/ Health and Safety	<ul style="list-style-type: none"> GRI 416: Customer Health and Safety 2016 	 
10. Regulatory compliance	-	 

STRATEGIES, POLICIES AND PRACTICES

GRI 2-22

SUSTAINABLE DEVELOPMENT STRATEGY

HPL is one of the first Sri Lankan signatories to the United Nation Framework Convention on Climate Change (UNFCCC). Since then, the Company has subscribed to the United Nations Global Compact (UNGC) and made an express commitment towards the UN Sustainable Development Goals (SDGs). In 2021 we became a signatory to the Climate Neutral Now initiative. Our 5 year sustainability roadmap and sustainable development strategies are aligned to these intergovernmental commitments.



QUALITY OF PRODUCT

- Value addition to Rubber & Tea Products
- Product diversification
- Produce less carbon emitted product to the market
- Obtain Product Certifications
- Member in Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)



ETHICAL BUSINESS

- Ethical Tea Partnership
- Child Protection Policy
- "Safe Haven" for all at Horana Plantations
- Fair-trade Certification
- Fair-rubber Certification
- Commit to UNGC principles
- Signatory to global initiatives
- Health Insurance policy
- Act on United Nations SDG's

Annual targets for the forthcoming financial year are set under each pillar. Target setting is done in consultation with workers, staff and plantations executives, by the Corporate Management. In parallel, annual budgets are prepared to allocate necessary resources for the implementation of these targets.



ENVIRONMENT

- Rainforest Alliance Certification
- FSC Certification
- ISO 14001:2015 EMS Certification
- GHG Inventory Verification
- Climate Neutral Now Initiative
- Reforestation
- Habitat restoration program
- Peak Ridge Forest Corridor
- "Green Planet" tree planting program



CIRCULAR ECONOMY

- "Go Green Energy" - Installation roof-top solar panels
- Hydropower generation
- Weed Buy Back and Compost Production
- Production of Liquid Organic Fertilizer
- Rainwater Harvesting
- Reduce, Reuse and Recycle of resources
- Waste Management



SOCIETY

- Empowerment of women and youth
- Online education to children during pandemic
- Out grower model
- Revenue share model
- Health and Nutrition programs
- Pandemic control policy
- Community capacity building



RESEARCH AND DEVELOPMENT

- Enrichment of Organic Fertilizer
- Analysis of Chemical Profile of High Grown Tea
- Development of slow releasing Fertilizer Mixture
- Agriculture with oil palm
- Analysing the effectiveness of rebreath organic water based bio-stimulant for tea cultivation
- Study of activated carbon dust for composting
- Digitalisation of latex weighing
- Effectiveness of apiculture and oil palm
- Drone technology and its applications

GRI 2-23

POLICY COMMITMENTS FOR RESPONSIBLE BUSINESS CONDUCT

In addition to our good governance practices, HPL has a comprehensive policy framework, reflecting our business philosophy and ethics, to guide our sustainability strategy and its deployment.

Our Commitment to Global Sustainability Initiatives

- United Nations Sustainability Development Goals
- United Nations Global Compact
- United Nations Climate Neutral Now Initiatives
- United Nations CEO Water Mandate
- Science Based Targets Initiatives (SBTI)



STRATEGIES, POLICIES AND PRACTICES

SUSTAINABLE GROWTH STRATEGY, RESOURCE ALLOCATION AND TARGETS

Strategy	Resource allocation	Target
Diversification Strategy Based on a 2021 study on field yields, we expanded our crop diversification strategy to a mixed cropping model. We introduced ancillary crops, such as Coffee in high grown Tea areas, and started growing Cinnamon and Coconut in low Country estates.	Allocated Rs. 137 Mn for Coconut and other Ancillary Crops.	Coconut extent to reach 550 Ha by 2025.
Community Empowerment <ul style="list-style-type: none"> Guaranteed buy-back programs/ Revenue Share Model (RSM) Out Grower Model Fair Trade/ Fair Rubber Partnering the Pekoe Trail 	Rs. 60 Mn was distributed to workers in 09 estates under RSM. 565 Ha of Lands allocated among out growers.	Extend the RSM to cover all HPL estates by 2025.
Circular Economy Strategy We are gradually expanding our Circular Economy strategy across the production process. The focus of our energy management strategy is to gradually switch to renewable energy. We are investing in solar energy and hydropower as alternatives to fossil fuels and electricity from the national grid. Organic waste, refuse tea and weed from the weed buy-back program are channelled into composting and used in home gardens of estate communities. Ash from the factory is used in Tea fields to maintain the pH balance in the soil and in compost mixtures.	Rs. 37 Mn invested in Off grid solar units. Rs. 24 Mn invested in re-activation of Hydro Power.	Increase the renewable energy use to more than 50% from the total energy consumption by 2030. Generate 1,000 Mwh of renewable energy annually.
Automation and Mechanisation Strategy Sri Lanka's plantation sector has traditionally been highly labour intensive. However, the past few years have seen rapid labour outflows from plantations with estate youth opting to migrate abroad, or to the cities for alternative employments. The cost of labour has also increased exponentially. To safeguard the future sustainability of our estates we began end-to-end automation at all factories. We are also selectively mechanising agricultural processes to conform with sustainable plantation practices, such as the use of drones, weigh-in machines and plucking machines for tea plucking.	Rs. 15 Mn invested in factory automation. Rs. 6 Mn allocated to purchase harvesting machines.	Automate and Digitalise all the Tea factories by 2030. Harvest more than 50% of the cultivated Tea areas using machines by 2025.

Membership in sustainability forums

- Biodiversity Sri Lanka (BSL)
- Wildlife and Nature Protection Society (WNPS)
- Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)



Intergovernmental instruments in HPL's policy framework

Having formally adopted to the UNGC and UNSDG commitments, HPL reports on its progress annually, to the UNGC and UNSDG. We kindly request all interested parties to access these reports for further details of our progress with regards these commitments.



1. HPL's UNGC annual progress report 2023 :







2. The GHG Inventory Report, verified by the Sri Lanka Climate Fund:






SUSTAINABLE GROWTH STRATEGY, RESOURCE ALLOCATION AND TARGETS


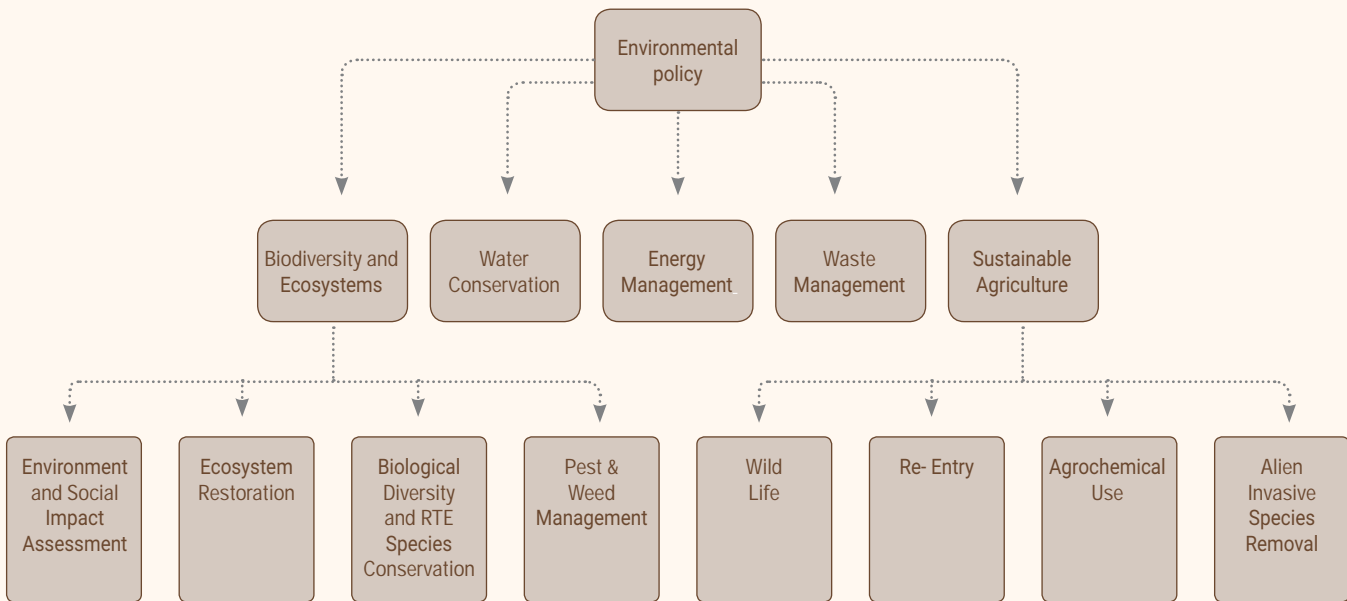
No	UNSDG	Progress /Initiatives under the commitment
1		<p>Our initiatives for poverty alleviation target our estate population of over 25,000 in our estates. These initiatives are linked to our Community Participation strategy, and are designed to generate additional incomes, beyond the traditional wages from tea plucking and estate labour. These include:</p> <ul style="list-style-type: none"> • The Out Grower Model • Revenue Share Model • Employments for estate worker family members Families of estate workers are provided the support to start poly-house cultivation and home gardening • Sundry contracts: Sundry contracts are provided for sundry works in estates, in addition to regular estate labour. • Premiums from Fair Trade and Fair Rubber production
2		<p>We address poor nutrition among estate communities and estate workers by providing free, nutritious meals to workers and children of workers.</p> <ul style="list-style-type: none"> • Nutrition Programs for Youth: Nutrition programs on all estates for youth • Providing mid-day meals for toddlers : A total of 291 children below 5 years are provided a nutritious daily midday meal at 17 crèches in estates operated by the Company. • Lunch for Workers : During the cropping seasons, workers are given free lunch packets. • Food rations: More than 10 types of food items are provided free for all estate families as food support.




STRATEGIES, POLICIES AND PRACTICES

No	UNSDG	Progress /Initiatives under the commitment
3		<p>HPL contributes to this SDG by holistically focusing on the areas of:</p> <ol style="list-style-type: none"> 1. Zero anaemia : Provision of nutritious foods 2. 100% attendance : Health and safety at work 3. Creating a better future for families : By facilitating training and development opportunities for alternative employments 4. Healthy lifestyle and better nutrition : Awareness creation regarding healthy lifestyles 5. Clean homes and workplaces: Awareness on health and cleanliness
4		<p>We support education primarily through training and education for all employees, including estate workers. Families of estate workers and their children are also provided educational support including scholarships, free school supplies and vocational training.</p> <ul style="list-style-type: none"> • We are proud to announce that 5 children from Alton Estate gained university admission, demonstrating the changing social conditions of estate communities that were once among the least educated in the island. • HPL is one of the 1st plantation Companies to award Skills Passports for field staff. • Our estate crèches continue to give a head start in life for the youngest of estate children with trained teachers and nutritious food, provided by the Company. • We also have an e-learning platform for school-going children of estate families
5		<p>A majority of employees in our Tea plantations are women. We maintain a strict merit-based payments system, and zero tolerance approach to sexual harassment, to change traditional mindsets among estate communities.</p> <ul style="list-style-type: none"> • In addition, HPL maintains a Gender Equality Policy with regards to all aspects of employment, including recruitment, wages, promotions, training opportunities and rewards.
6		<p>Our response with regards to this SDG is by investing in clean water initiatives for estate communities. These include</p> <ul style="list-style-type: none"> • Drinking water projects for estate communities with the technical support of external non-governmental organisations (ADRA, World vision and Fairtrade Foundation) • Improving sanitation standards by building toilets for estate families (with help of the PHDT) • HPL's 'Safe Heaven' project helps estate workers move out of cramped, traditional, line houses by building houses in line with national housing hygiene standards, including toilets.

No	UNSDG	Progress /Initiatives under the commitment
7		<p>Horana Plantations PLC has invested in renewable energy in the form of Solar power and now, we are considering hydropower.</p>
8		<p>HPL has a comprehensive Employment Policy Framework in compliance with national labour laws and equal opportunity employment commitments, that fosters a decent work environment for all employees. In addition, we support economic growth through both direct and indirect employment creation.</p> <p>HPL Employment Policy Framework</p> <ul style="list-style-type: none"> • Employment Policy • Occupational Health and Safety Policy • Sexual Harassment Prevention Policy • Gender Equality Policy • Anti- discrimination and Anti-harassment Policy • Youth Policy • Contagious Diseases Policy <p>Policy on child labour and forced/compulsory labour</p> <p>As a signatory to the UNGC we uphold the UNGC labour principles and do not practice child labour, forced or compulsory labour.</p> <p>Freedom of association and collective bargaining</p> <p>HPL's management recognises the right to freedom of association and the right to collective bargaining. HPL is a signatory to the Staff Collective Agreement.</p> <p>Grievances</p> <p>HPL has a grievance handling mechanism and a committee to address employee grievances.</p>
9		<p>We make an annual capital allocation for Research and Development (R&D), Innovations, Technology and Company Infrastructure Development.</p> <p>R&D objectives:</p> <ul style="list-style-type: none"> • Collaborate with universities, clients and suppliers for new technologies. • Maintain human and financial resources allocated for R&D. • Protect and exploit results of our R&D. • Strengthening our scientific and technological bases. • Provide access to our employees to relevant technological information to acquire new knowledge. • Encourage ideas of our employees and encourage teamwork.

STRATEGIES, POLICIES AND PRACTICES

No	UNSDG	Progress /Initiatives under the commitment
12		<p>Responsible consumption and production are at the heart of our sustainability strategy.</p> <p>Environmental policy</p> <p>A Board approved Environmental Policy is available with resource specific policies to manage natural resources. The policies are also the guidelines to achieve Net Zero status by 2027 and carbon neutral status by 2030.</p>  <pre> graph TD EP[Environmental policy] -.-> BE[Biodiversity and Ecosystems] EP -.-> WC[Water Conservation] EP -.-> EM[Energy Management] EP -.-> WM[Waste Management] EP -.-> SA[Sustainable Agriculture] BE -.-> ESEA[Environment and Social Impact Assessment] BE -.-> ER[Ecosystem Restoration] BE -.-> BDRTE[Biological Diversity and RTE Species Conservation] BE -.-> PWT[Pest & Weed Management] SA -.-> WL[Wild Life] SA -.-> RE[Re-Entry] SA -.-> AU[Agrochemical Use] SA -.-> AISR[Alien Invasive Species Removal] </pre> <p>Quality standards</p> <p>In addition to sustainability accreditation, we obtain international quality standards for management systems and processes. The Company's estates have been certified under international quality standards including:</p> <ul style="list-style-type: none"> • HACCP Certification (09 Tea Estates) • ISO 9001:2008 QMS (02 Rubber Factories) • ISO 14001: 2015 Certification • Upgraded ISO 22000: 2005 to ISO 22000: 2018 – All Tea Factories. <p>Policy on Food Safety and Allergens</p> <p>The food safety policy is aimed at ensuring that black tea from its factory is free from physical, chemical and microbiological hazards and conform to the relevant statutory and regulatory requirements. We also obtained the ISO 22000:2018 FSMS standards on food safety to ensure international safety standards are met.</p>

No	UNSDG	Progress /Initiatives under the commitment
		<p>Service Providers Selection Policy (Supplier Policy)</p> <p>To ensure responsible production, all our suppliers are also required to comply with the following principles;</p> <ul style="list-style-type: none"> • No Child Labour • No Forced Labour • No Discrimination & Workplace Violence • No Mistreatment & Sexual Harassment
13		<p>As a plantation company, dependent on the climate for quality and volumes of outputs, we support initiatives on climate action. Our contributions include:</p> <ul style="list-style-type: none"> • "Green Planet" Tree Planting Program- We plan to plant 500,000 native plants in our estates • Reduce the usage of Non-Renewable Energy • Switch to Renewable Energy • Waste management and reduction of waste generation • Crop Diversification • Timber planting • GHG Inventory Verification
14		<ul style="list-style-type: none"> • Establishing riparian buffer zones along the streams and water channels to prevent potential water pollution from agricultural activity • Preventing illegal fishing to conserve aquatic animals.
15		<ul style="list-style-type: none"> • Conducting an in-situ Habitat Restoration Project to protect threatened species - Establishing a Leopard corridor - Habitat Restoration Project - Conducting biological assessments to identify flora and fauna species - Preventing illegal hunting and forest clearing - Conducting training programs with environmentalists for estate communities to increase awareness - Membership in the Wildlife and Nature Protection Society (WNPS) and Bio Diversity Sri Lanka

STRATEGIES, POLICIES AND PRACTICES

No	UNSDG	Progress /Initiatives under the commitment
16		<ul style="list-style-type: none"> • We comply with all applicable regulations, and we advocate respect for rule of law and responsible citizenry throughout our Company and our estate communities. • We do not pay or take bribes, and operate by a strict code of conduct, which is communicated to all employees to discourage any form of corruption. • We foster responsive, inclusive, participatory and representative decision-making at all levels, through stakeholder engagements, and targeted employee and community engagement systems. • We are a non-discriminatory employer. • We discourage traditional gender-based violence and discrimination among our estate communities, and invest in quality of life improvements to address the social stigma towards estate communities. <p>HPL Child Rights Policy</p> <p>The Company has adopted the Child Rights and Business Principles Framework introduced by the UN Global Compact. Therefore, we have committed to create a safe working environment especially for mothers and children under our "Safe Haven" child protection project. We have partnered with the ministry Women's and Children's Affairs and Save the Children to implement the Child Protection policy across all 14 estates.</p> <p>Community Development Policy</p> <p>Our policy on community development supports a number of UNSDGs. We engage actively in the areas of health, education and housing development for estate communities, through partnerships with external organisations.</p>
17		<p>HPL partners with external organisation, including government, non government and academic establishments, to obtain specialised technical knowledge and funding for sustainability initiatives including social welfare activities as well as environmental conservation projects and for agricultural innovations.</p> <p>Partners for sustainability activities in 2022/23</p> <ul style="list-style-type: none"> • The Plantation Human Development Fund (PHDT) • Labour Department • UNGC • Save the Children • Fair Rubber • Fair Trade • ADRA - Sri Lanka • Oxfarm Foundation • Farm Foundation • Wildlife and Nature Protection Society

GRI 2-24

EMBEDDING POLICY COMMITMENTS

We embed our sustainability policy commitments into our value chain, supply chain and all grades of employees, through different mechanisms ranging from targeted training programs to Standard Operating Procedures (SOPs), to regular environmental and social impact assessments. These are described below.

• **Appointment of a Central Sustainability team**

A Central Sustainability Team has been appointed that reports to the Managing Director and the CEO.

• **Sustainability certification**

SOPs are aligned with accreditation standards in line with our policy commitments and employees are trained to comply with the accreditation requirements. Conformity is validated annually, through external audits. We have qualified for multiple sustainability accreditations and management quality standards, demonstrating a high level of sustainability integration within the Company hierarchy.

HPL is the first Company to be accredited for Certified Oil Palm in the world. This global recognition was awarded by the Forest Stewardship Council (FSC) and confirms through independent, external verification that our oil palm cultivations are environmentally and socially sustainable.

Our sustainability accreditations include:

- Forest Stewardship Council (FSC) (Oil Palm cultivation)
- Rainforest Alliance Certification (08 Tea Estates)
- Ethical Tea Partnership (ETP) (09 Tea Estates)
- Fairtrade Certification (02 Tea Estates)
- Fair Rubber (01 Rubber estate)
- Forest Stewardship Council accreditation (FSCTM) (01 Rubber Estates)
- Eco Label Certification (08 estates)
- GHG Inventory verification (ISO 14064-1:2018) (08 estates)

Environmental, Social Impact Assessments (ESIA) in estates

We conduct annual ESIA on all our estates to monitor social and environmental performance of each estate with the support of external experts and findings are presented to HPL's Central Sustainability Team with recommendations on improvements.

Supplier social and environmental impact assessments

Around every 5 years, or as required by external sustainability accreditation requirements, social and environmental assessments are conducted on selected business partners including firewood suppliers, bought leaf suppliers and waste collectors, with the assistance of an independent external consultant.

Carbon Footprint Measurement

We conduct carbon footprint measurement exercises to raise awareness among all employees towards sustainable operations.

Compliance with environmental and health and safety regulations

All our factories comply with Central Environmental Authority (CEA) directives and are subject to annual inspections by the CEA. We also comply with the Factories Ordinance, including its health and safety directives, which are inspected annually by the Labour Department.

STRATEGIES, POLICIES AND PRACTICES

Application of global best practices

Employees are trained in best practices on health and safety, agricultural practices, land irrigation, water use, effluent treatment, waste water disposal and waste disposal. We also conduct training programs with environmentalists to increase awareness

Community and employee participation in sustainability initiatives

We conduct a range of initiatives with estate community participation as described in our strategies. We provide training and conduct awareness programs to embed sustainability concept into estate families. In addition, we have established

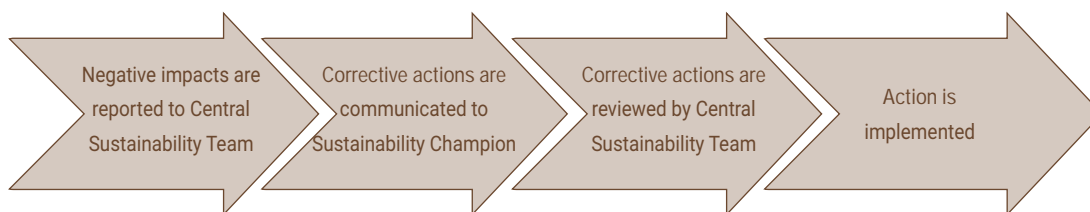
community committees to oversee sustainability related aspects. These include:

- Estates wise water management committees
- Gender committees in estates wise to address gender issues
- Every estate divisions have a Child Protection Focal Point person and a mobile monitoring application has been developed to monitor that child protection protocols are observed.
- Sustainability Champions are appointed for every estate

GRI 2-25

PROCESSES TO REMEDIATE NEGATIVE IMPACTS

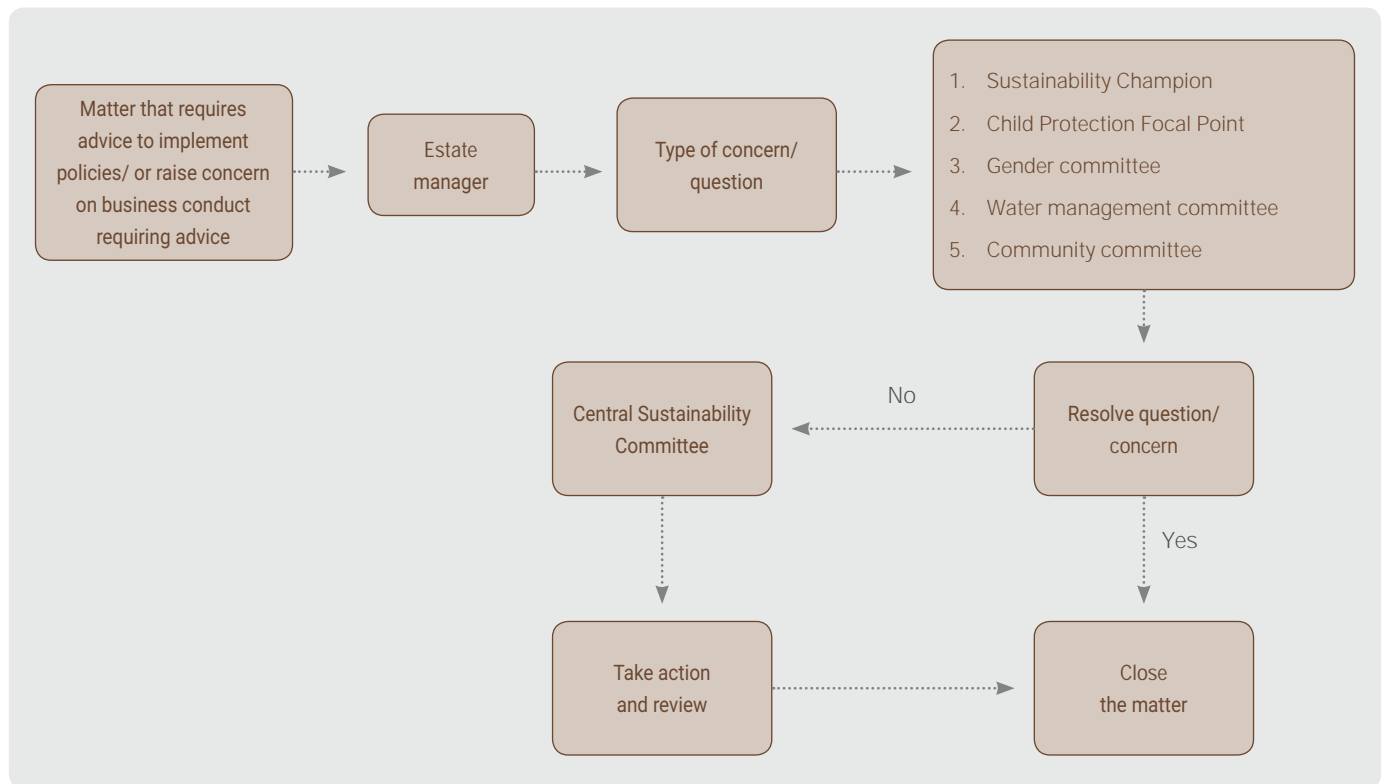
Based on environmental and social impact assessments, corrective action is initiated in the case of negative impacts. The Sustainability Champion at each estate is tasked with implementing these improvements at an operational level, under the guidance of the Central Sustainability Team.



GRI 2-26

MECHANISMS FOR SEEKING ADVICE AND RAISING CONCERNS

A clear mechanism is available for individuals including employees and estate communities, to seek advice on implementing HPL's policies and practices for responsible business conduct, and to raise concerns regarding business conduct.



GRI 2-27

COMPLIANCE WITH LAWS AND REGULATIONS

There have been no instances of significant non-compliance with laws and regulations by Horana Plantations PLC, during the reporting period.

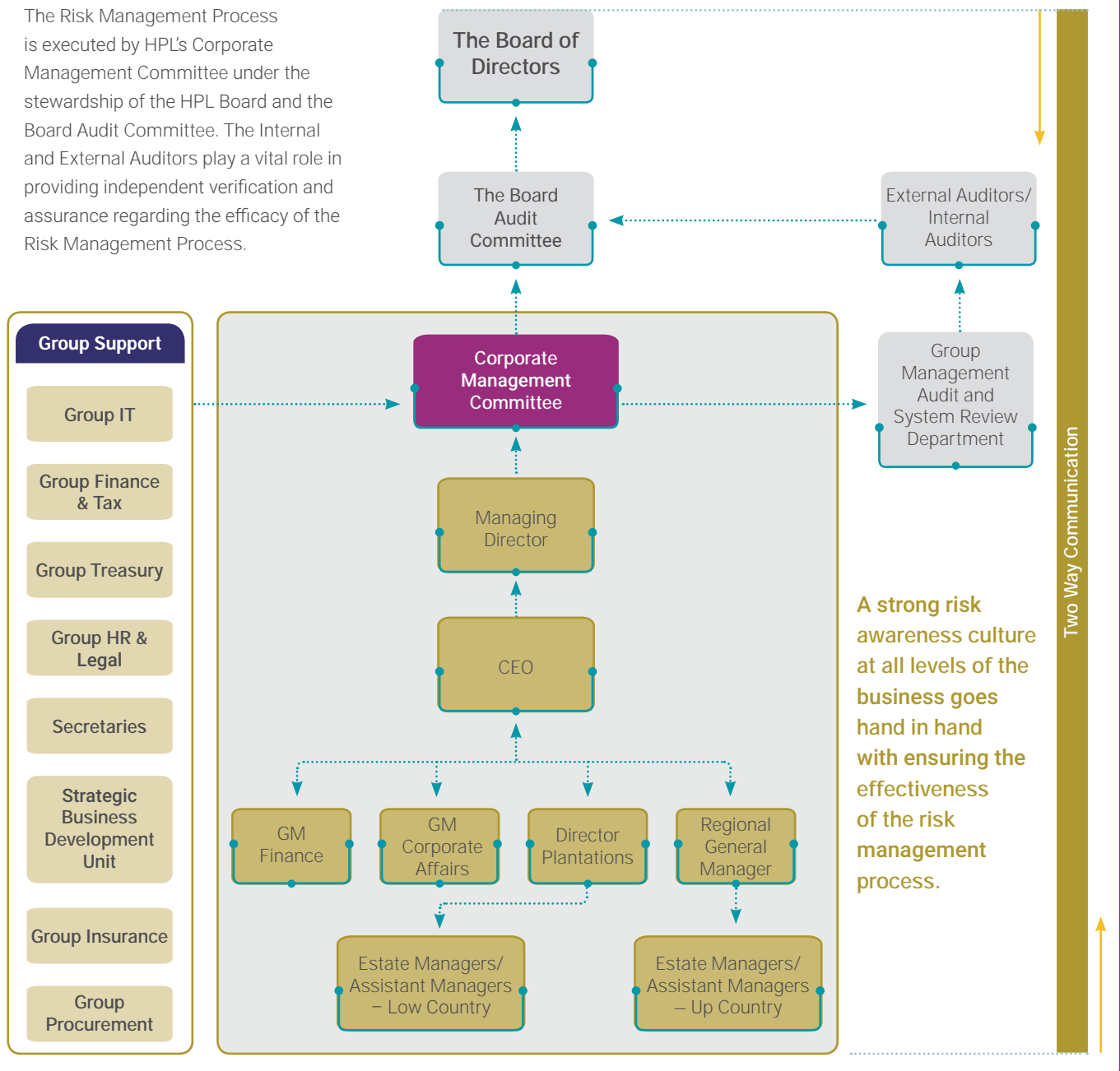
MANAGING RISK

HPL'S APPROACH TO RISK MANAGEMENT

Our approach to Risk Management aims to minimise potential risks that may affect our competitive position or our ability to achieve long term strategic goals. A comprehensive Risk Management system is in place to identify, analyse and evaluate risks present in our risk universe and to develop and deploy appropriate risk treatment mechanisms to mitigate risks.

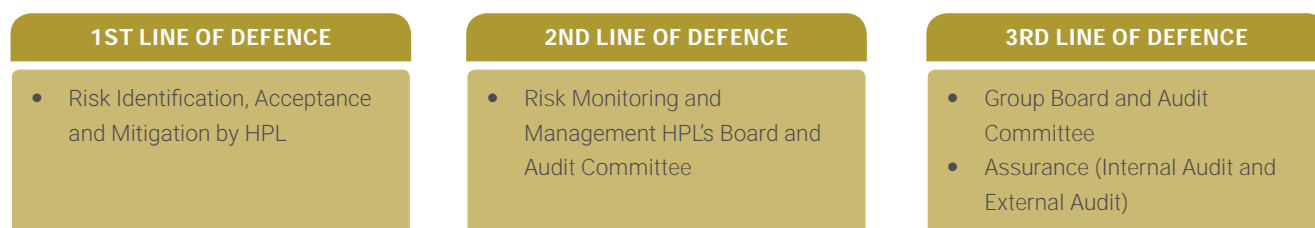
HPL'S RISK MANAGEMENT FRAMEWORK

The Risk Management Process is executed by HPL's Corporate Management Committee under the stewardship of the HPL Board and the Board Audit Committee. The Internal and External Auditors play a vital role in providing independent verification and assurance regarding the efficacy of the Risk Management Process.

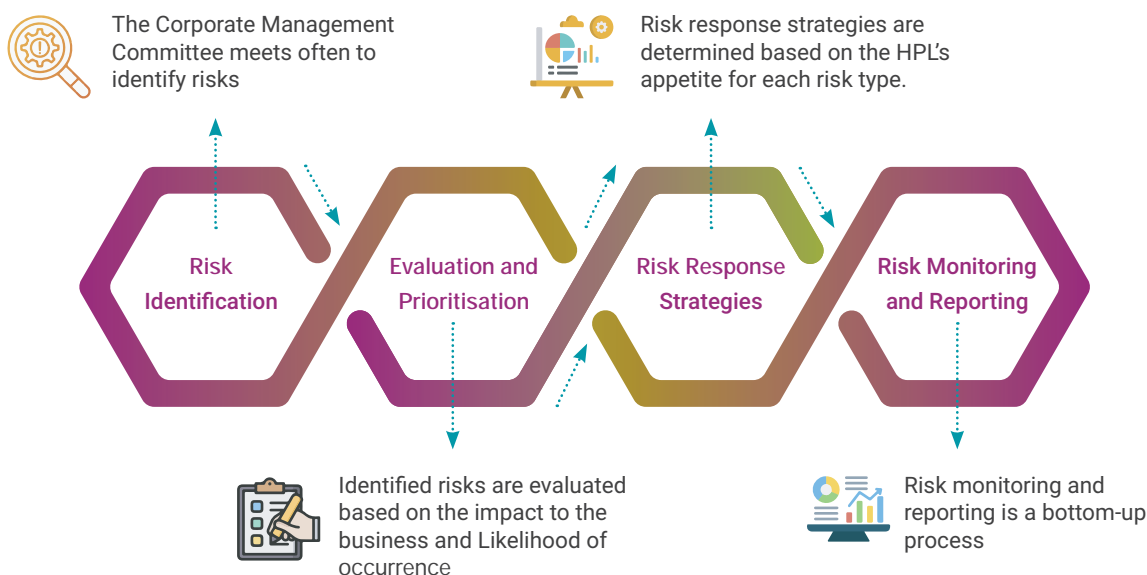


APPROACH TO HPL'S RISK MANAGEMENT

The Company adopts the three lines of defence model to manage its risk.

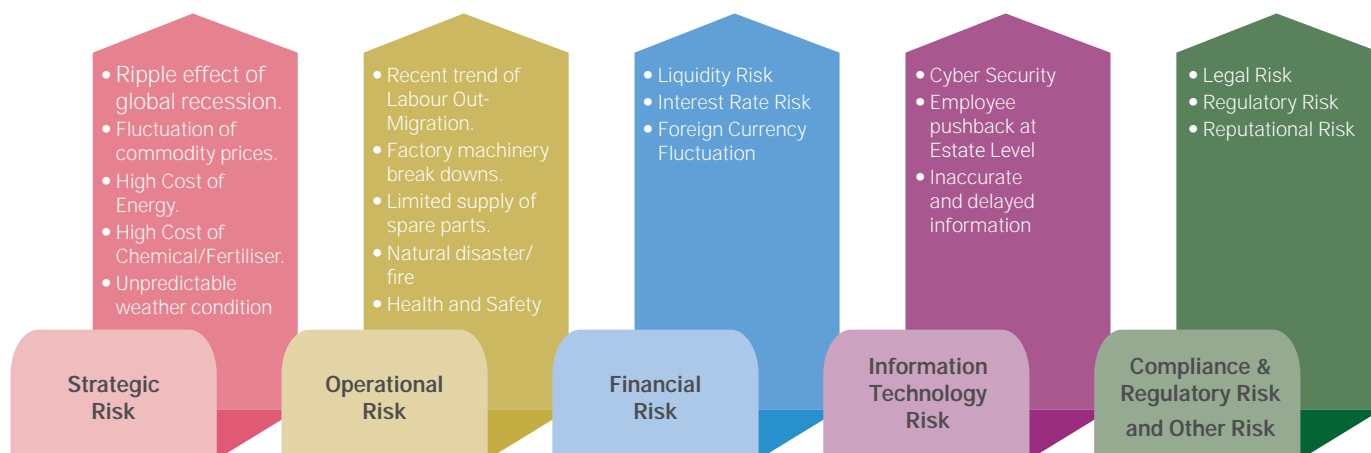


HPL'S RISK MANAGEMENT



Risk Identification

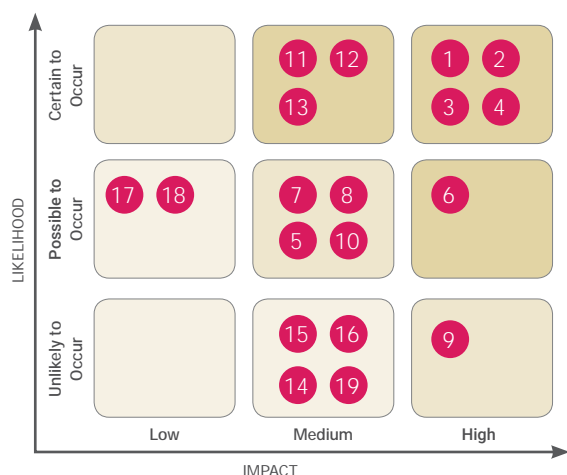
The Corporate Management Committee meets often to identify risks (and opportunities) arising out of discussions with the estate management, internal audits, quality audits, sustainability audits as well as market information and competitor trends.



MANAGING RISK

Evaluation and Prioritisation

Identified risks are evaluated based on the impact to the business (i.e: High, Medium and Low) and Likelihood of occurrence (i.e : Unlikely to Occur, Possible to Occur and Certain to Occur). This helps to prioritise all key risks for the purpose of planning and implementing appropriate risk response strategies.



Risk Response Strategies

Risk response strategies are determined based on the HPL's appetite for each risk type. Risk responses include policies, limit thresholds, procedures and protocols implemented across the business. All employees are required to comply with these established risk responses without exception.

Risk Monitoring and Reporting

Risk monitoring and reporting is ongoing. It is a bottom-up process that starts at an operational level and moves all the way up to the Board through the Corporate Management Committee and the Board Audit Committee. Independent assurance reports provided by internal / External Auditors also play a vital role in monitoring.

RISK MANAGEMENT RELATED DUTIES AND RESPONSIBILITIES

Board of Directors

- Setting risk appetite limits for each risk category
- Reviewing and approving risk policies, procedures and protocols
- Monitoring risk management process

Board Audit Committee

- Review identified risk
- Review of appropriateness of risk response strategies
- Monitoring of progress of strategies

External Auditors and Internal Auditors

- Regular review of financial statements
- Regular review of internal controls
- Providing recommendations to improve existing internal control framework

Corporate Management Committee

- Proactive Risk analysis through ongoing discussions with estate and operational management
- Formulate and recommend appropriate response strategies to the Board
- Reinforce adherence to risk policies, procedures and protocols and processes
- Strengthen the risk awareness culture

Continues improvements to risk management in 2022/23

- Conducting process studies when allocating funds for any new project or investment, and when making financial decisions, including conducting feasibility studies.
- Conduct monthly finance meetings to review the financial statement with the GM Finance.
- GM Finance participate in the monthly CFO meeting conducted by the Hayleys group.
- Hayleys GMC reviews the company financial performance monthly.
- Conduct monthly Information Technology review meetings with the IT department and discuss IT support to minimise the risk and implement IT infrastructure to operations.
- Review performance against the industry performance by every quarter.

Company has incurred Rs. 3 Mn on cybersecurity related IT infrastructure during the year 2022/23.

Continues improvements to Internal Controls in 2022/23

- Perform internal audits (Group Management Audit and System Review Department) covering all the estates and head office. Internal Audit reports are presented to the Audit Committee.
- Conducting the monthly reviews of estate accounts by the head office staff.
- Staff training on procedures and practical implementations.
- Random estate reviews to check internal controls and estate books.
- Awareness programmes on tax changes to the staff.
- Make monthly buyer visits by the Marketing Department & Factory Offices to manufacture according to buyer requirements.
- Random estate visits by the Marketing Department and Manufacturing Adviser to check quality of the tea and manufacturing process.
- Conduct monthly revenue meeting with all estate managers and factory offices by the Marketing Department.
- Conduct IT training for estate staff.

Risk Identification		Risk Evaluation and Prioritisation		Risk Response Strategy	Risk Monitoring and Reporting
Risk Category	Risk Factor	Rating 2022/23	Rating 2021/22		
Strategic Risk	1 Ripple effect of global recession.	H	H	<ul style="list-style-type: none"> - The Company strives to produce high quality Tea and Rubber products whilst maintaining internationally accepted certifications to retain competitive positioning in the market. - Analyse the market requirements and fulfil them by using product mixing strategy (both Tea and Rubber). - Minimise the stock holding period and release the stocks based on market supply and demand. - Regular communication with brokers and forecast the market with broker information (price and demand). - Rubber - Secure more contracts for at least the next 03 months. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	2 Fluctuation of commodity prices (Tea & Rubber)				

MANAGING RISK

Risk Identification		Risk Evaluation and Prioritisation		Risk Response Strategy	Risk Monitoring and Reporting
Risk Category	Risk Factor	Rating 2022/23	Rating 2021/22		
	3 High Cost of Energy due adverse economic and political situation prevailing in the country.	H	H	<ul style="list-style-type: none"> - Off grid and on grid solar utilisation for factories and bungalows. - Re-activation of Pelton. - Maintaining firewood buffer stock for 3 months to reduce moisture. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	4 High Cost of Chemical/Fertilizer due to adverse economic and political situation prevailing in the country.	H	H	<ul style="list-style-type: none"> - Application of fertilizer on placement system. - Strategising the application of available fertilizer. - Maximizing the production of Organic Liquid Fertilizer. - Buying Back Weeds to minimize the usage of available Agro Chemicals. - Synthetic Mulching Materials for weed control in immature areas. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	5 Unpredictable weather condition	M	M	<ul style="list-style-type: none"> - The Company adopts prudent agricultural practices such as TRI recommended clones. - Rain guards for Rubber trees in order to minimise the loss on crop due to adverse weather conditions. - Increase the number of Rain water harvesting ponds created anticipating dry spells. - Improving soil condition by applying relevant fertilizer on time and promote organic fertilizer. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.

Risk Identification		Risk Evaluation and Prioritisation		Risk Response Strategy	Risk Monitoring and Reporting
Risk Category	Risk Factor	Rating 2022/23	Rating 2021/22		
Operational Risk	6 Recent trend of Labour Out-Migration	H	M	<ul style="list-style-type: none"> - Mechanisation of Harvesting. - Attractive incentive is been paid for workers. - Training, Development & Performance management, Motivation and Empowerment are practiced. - Making better environment in the work places and upgrading the rest room facilities. - Harvesting on Non-wage Model (Revenue share model and Kilo basis tapping). - Factory automation to reduce the dependence on manual labour. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	7 Factory machinery break downs	M	M	<ul style="list-style-type: none"> - Insurance covers have been obtained for tangible assets. - Disaster recovery management procedures are followed. - Sound internal control system followed to safeguard tangible assets. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	8 Limited supply of spare parts				
	9 Natural disaster/ fire				
	10 Health and Safety Pandemic of diseases (Ex : Covid 19)	M	M	<ul style="list-style-type: none"> - Implementing all recommended health and safety procedures. - Raising awareness to inform the workforce of the latest safety guidelines and practising good hygiene. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.

MANAGING RISK

Risk Identification		Risk Evaluation and Prioritisation		Risk Response Strategy	Risk Monitoring and Reporting
Risk Category	Risk Factor	Rating 2022/23	Rating 2021/22		
Financial Risk	11 Liquidity Risk Availability of sufficient funds is crucial as the industry is cyclical and the returns are long term.	M	M	<ul style="list-style-type: none"> - HPL's borrowings are suitably structured to ensure the availability of sufficient liquidity to meet debt commitments and other operational requirements. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	12 Interest Rate Risk Adverse effect on fluctuating interest rates need to be minimized as it has a significant impact on profitability and cash flow.	M	M	<ul style="list-style-type: none"> - Reduce finance cost by utilising concessionary and advantageous lending rates. - Seek possibilities of obtain intercompany borrowings. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	13 Foreign Currency Fluctuation Since the Company is an indirect exporter, foreign currency fluctuation directly impacts to the NSA and input material cost.	M	M	<ul style="list-style-type: none"> - Rubber - Secure more contracts for at least the next 03 months. - Tea - Change the product mix to achieve high NSA. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the weekly production meeting and monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.

Risk Identification		Risk Evaluation and Prioritisation		Risk Response Strategy	Risk Monitoring and Reporting
Risk Category	Risk Factor	Rating 2022/23	Rating 2021/22		
Information Technology	14 Cybersecurity	M	M	<ul style="list-style-type: none"> - Use of Antivirus and firewall software. - Secured backup systems. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly IT review meeting and management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	15 Employee pushback	M	M	<ul style="list-style-type: none"> - Increase the level of awareness regarding new technologies and benefits. Well planned. - Change management programmes to ease employee transition towards technology adoption. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly IT review meeting and management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.
	16 Inaccurate and delayed information	M	M	<ul style="list-style-type: none"> - HPL has an integrated information system with our estates and head office in order to produce accurate and reliable information. - The system integrity is reviewed constantly and maintained by the software provider and uses licensed software. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly IT review meeting and management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.

MANAGING RISK

Risk Identification		Risk Evaluation and Prioritisation		Risk Response Strategy	Risk Monitoring and Reporting
Risk Category	Risk Factor	Rating 2022/23	Rating 2021/22		
Compliance & Regulatory Risk and Other Risk	17 Legal Risk Legal risks are those risks resulting from legal consequences causing financial losses.	L	L	<ul style="list-style-type: none"> - The Company with the assistance of its legal advisers and secretaries ensures compliance of all legislative and regulatory requirements including corporate governance, labour relations and requirements of Security and Exchange Commission and Colombo Stock Exchange. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly management meeting conducted by Corporate Management team.
	18 Regulatory Risk including financial reporting Risk of non-compliance of regulatory requirements.	L	L	<ul style="list-style-type: none"> - The Company also obtain expert advice from Auditors, Tax consultants, Actuaries and advisory services of Tea Research Institute and Rubber Research Institute. 	<ul style="list-style-type: none"> - Communicated to the Board through the Board Audit Committee quarterly.
	19 Reputational Risk Reputation is considered as most valuable asset of the Company as non-compliance may lead to loss of reputation and financial loss.	L	L	<ul style="list-style-type: none"> - HPL's systems and procedures cover the areas such as maintenance of quality, health and safety and environmental issues and ensure that best practices are followed. - Culture of Ethics. - The Company maintains international standardisation accreditations such as Rainforest Alliance, Fairtrade, GHG Inventory Verification, ISO 22000:2018, ISO 22000: 2005, ISO 14001: 2015, ISO 9000:2015, Forest Stewardship Council (FSC TM), Fair Rubber and ECO Label. 	<ul style="list-style-type: none"> - Monitor the effectiveness and efficiency of the risk response strategies adopted at the monthly management meeting conducted by Corporate Management team. - Communicated to the Board through the Board Audit Committee quarterly.

OPTIMISING OUR PROCESSES AND CAPABILITIES

Tuberous roots store nutrients and water for plants to survive environmental stress. Similarly, our operational efficiency and effectiveness rely on these propagative roots. Looking ahead, we commit to leveraging our tuberous roots for continued growth and operational excellence.



REVIEW OF OPERATIONS

| Operating Environment **74** | Financial Capital **80** | Manufactured Capital **98** | Intellectual Capital **104** |
| Human Capital **110** | Social and Relationship Capital **130** | Natural Capital **142** |

OPERATING ENVIRONMENT

GLOBAL ECONOMY

As a key export income earner both Tea and Rubber prices are influenced by global developments. During 2022, high inflation was a global phenomenon, accelerating to 8.8 % according to the World Economic Outlook (WEO) update of the IMF for January 2023. In addition, the global economic growth for 2022 was down to 3.4% from the 6.2% growth recorded for 2021. These developments including the ongoing Russian-Ukraine War had direct impacts on international commodity prices.

Global Inflation

2022 : **8.8%**

2021 : **4.7%**

Global Economic Growth

2022 : **3.4%**

2021 : **6.2%**

World Merchandise Trade

2022 : **USD 25 Tn**

2021 : **USD 22 Tn**

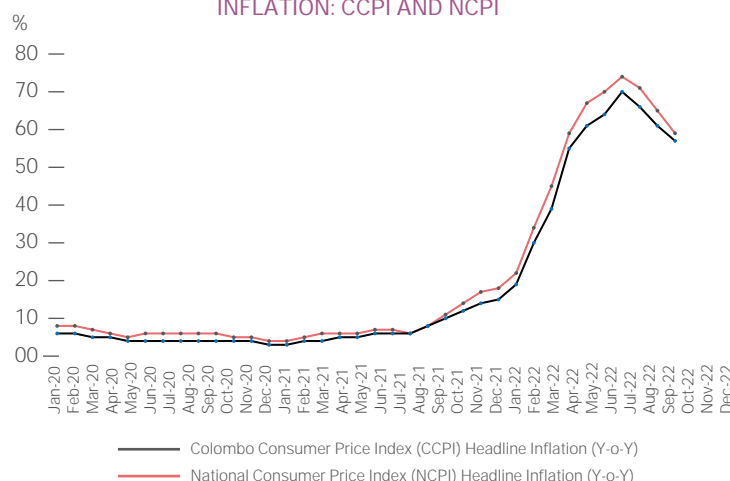
Source: World Trade Organisation statistic

THE SRI LANKAN ECONOMY

According to the Central Bank Annual Report 2022, the Sri Lankan economy contracted by a massive 7.8% in 2022 on a year-on-year basis. Agriculture activities contracted by 4.6%, compared to the growth of 0.9% recorded in 2021, while industry activities fell by 16.0% compared to the 5.7% growth recorded in 2021 and services activities, declined by 2.0 %, compared to the growth of 3.5% in 2021.

The annual average inflation, based on the CCPI (2013=100), soared to 46.4% in 2022, from 6.0% in 2021. Annual average inflation, based on the NCPI (2013=100), was recorded at 50.4% in 2022, compared to 7.0 % in 2021.

INFLATION: CCPI AND NCPI

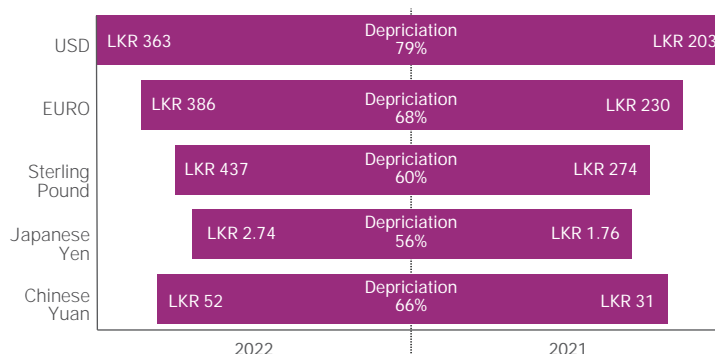


LENDING RATES



Source: Central Bank annual report 2022

COMPARATIVE EXCHANGE RATES AGAINST SRI LANKA RUPEE



TEA INDUSTRY

The severe shortage in fertiliser and agrochemicals caused National Tea Output to fall sharply by 16% against 2021 to 251 million kilogrammes. Tea export earnings declined by 5% or US \$ 65 Mn. National Sales Averages recorded this year could be perhaps mentioned as the highest ever in a given calendar year in the history of trading in the tea industry, whilst the Highest Sale Average in a calendar month being in the month of September 2022 at Rs. 1,599.49 (US\$ 4.46 per Kg.).

Annual Tea Production

2022 : **251 Kg Mn**

2021 : **299 Kg Mn**

Average Export Price (FOB)

2022 : **USD 5.3 Per Kg**

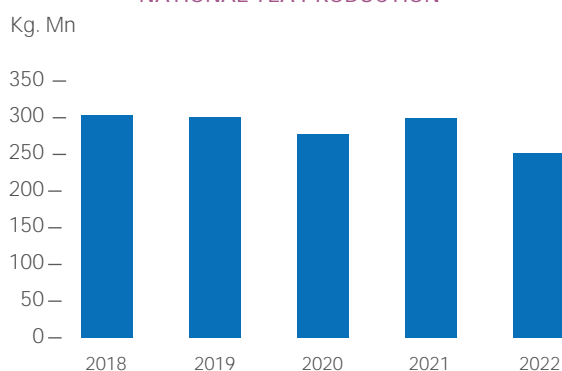
2021 : **USD 4.6 Per Kg**

Export Revenue

2022 : **USD 1,259 Mn**

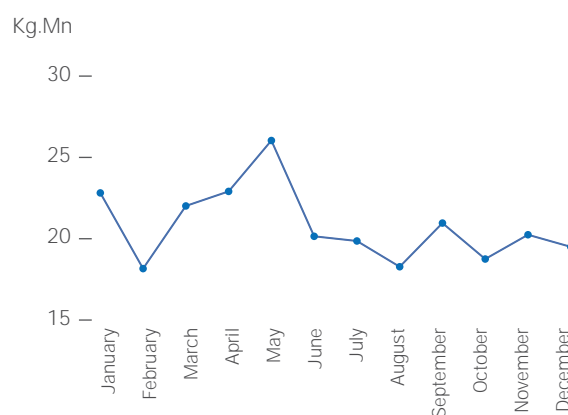
2021 : **USD 1,324 Mn**

NATIONAL TEA PRODUCTION

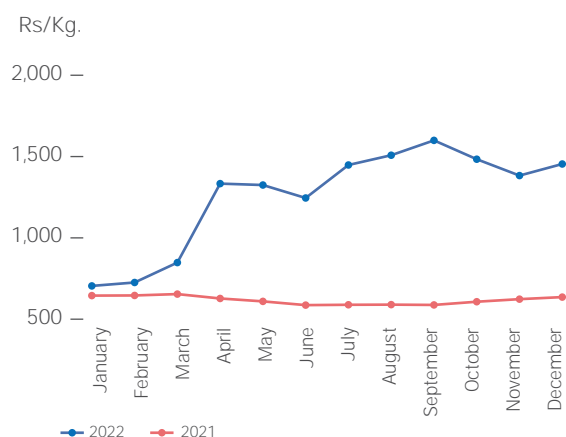


Source: Central Bank annual report 2022

NATIONAL TEA PRODUCTION 2022

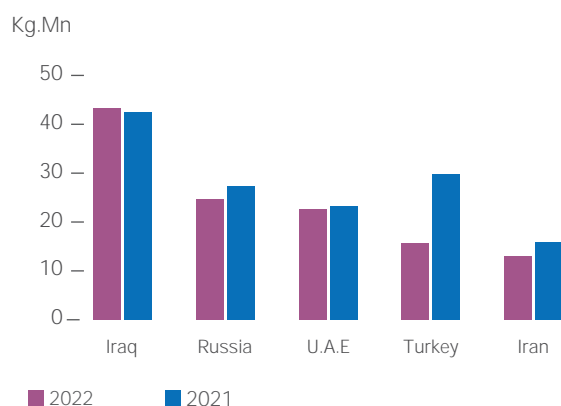


NATIONAL TEA PRICE MOVEMENT



Source: Sri Lanka Tea Board statistic

LEADING TEA BUYERS



OPERATING ENVIRONMENT

RUBBER INDUSTRY

Total Rubber production decreased by 7.8% to 71 million kilograms, year-on-year, in 2022 and export earnings declined by 1.8%.

Annual Rubber Production

2022 : **71 Kg Mn**

2021 : **77 Kg Mn**

Average Export Price (FOB)

2022 : **USD 2.73 Per Kg**

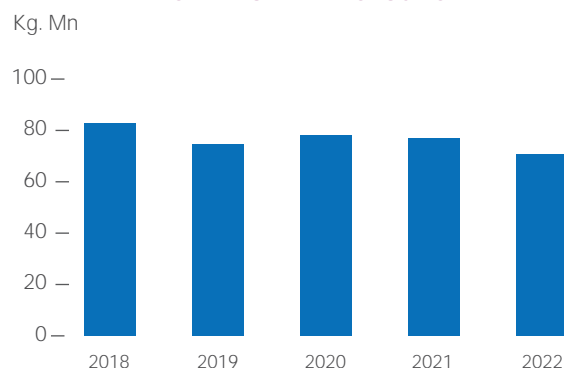
2021 : **USD 2.72 Per Kg**

Export Revenue

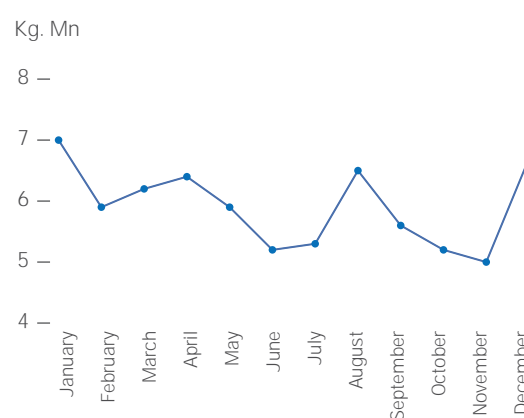
2022 : **USD 41.4 Mn**

2021 : **USD 42.2 Mn**

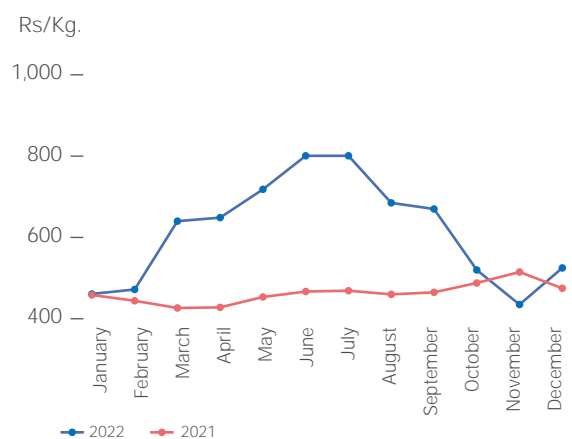
NATIONAL RUBBER PRODUCTION



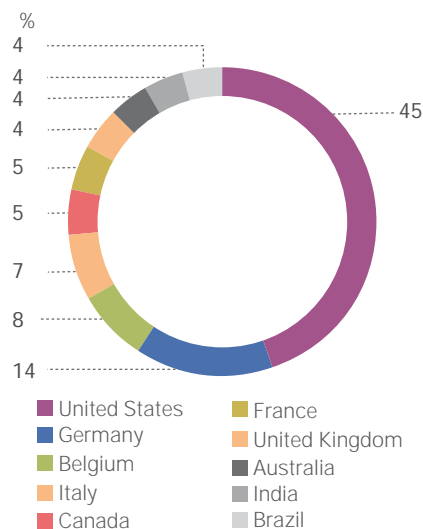
NATIONAL RUBBER PRODUCTION 2022



NATIONAL RUBBER PRICE MOVEMENT : RSS1



LEADING RUBBER BUYERS



Source: Central Bank annual report 2022

Source: Rubber Research Institute of Sri Lanka

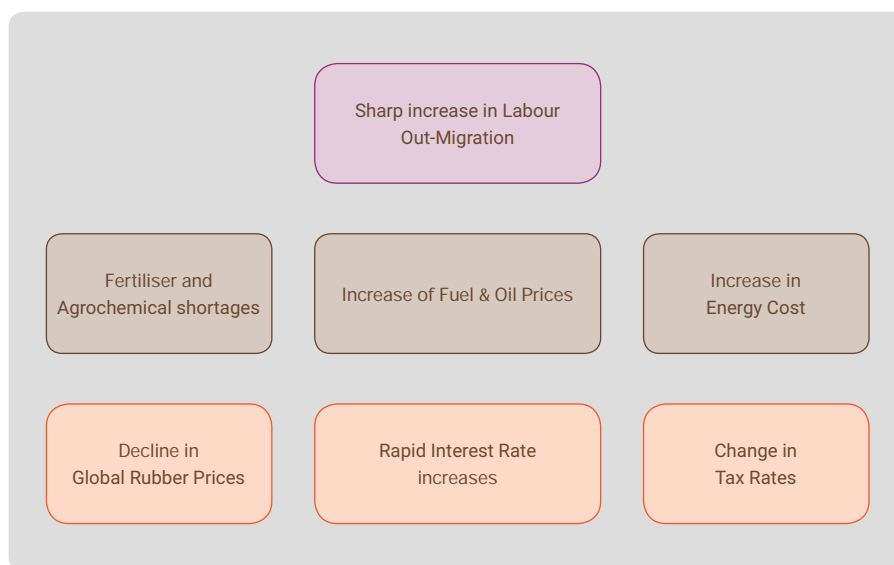
MAJOR THREATS FACED BY HPL IN 2022/23

Labour Out-Migration

During the year, the plantation sector in general experienced intensified losses of plantation labour as young people left estates in large numbers for foreign employment or other, perceived better employment opportunities, in response to the rising cost of living. HPL's estate labour force declined by 19% compared to the previous year.

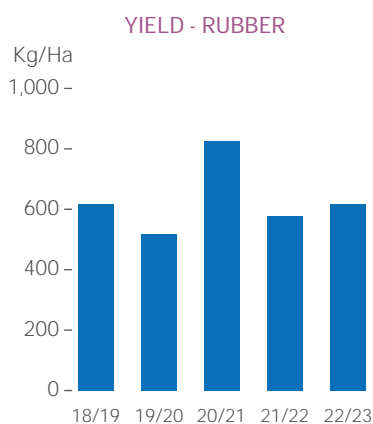
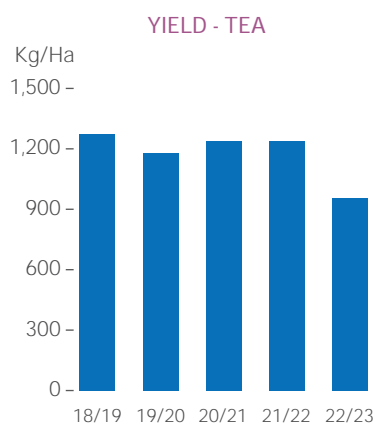
Fuel and Energy cost increases

The increases in fuel and energy cost during the year added to the HPL's cost of production and impacted to the bottom line.



Fertiliser and Agrochemical Shortages

Due to the government policy changes (import ban), shortage of fertilizer and chemical directly impacted HPL's production.



Decline in Global Rubber Prices

As a result of an increase in global inflation and slow economic growth, global Rubber prices have declined gradually from 3rd quarter of 2022. In correspondent to that trend, HPL's Rubber prices too decreased in the latter part of the year.

OPERATING ENVIRONMENT

Interest Rate Increase

Financial Year	2022/23	2021/22	Change	Change %
Interest Rate AWPLR (12 Months Average for the financial year)	24%	7%	17% ↑	242
Company's Finance Expenses (Rs.)	331 Mn	134 Mn	197 Mn ↑	147

Change in Tax Rates

2021/22	2022/23
Agro Farming : Exempt	Agro Farming : Exempt
Agro Processing : 14%	Agro Processing : 30% (first 06 months of the financial year - 14%)
Other Income : 24%	Other Income : 30% (first 06 months of the financial year - 24%)
25% reduction in tax on the Agro Processing	

Cost of Production 2021/22 vs 2022/23

The overall impact of the prevailing economic conditions was reflected in an unprecedented increase in the cost of production.

Crop	2022/23 Rs/Kg	2021/22 Rs/Kg	Change Rs.	Change %
Tea	940	598	342 ↑	57
Rubber	707	602	105 ↑	17
Oil Palm	43	29	15 ↑	53

OPPORTUNITIES

Rupee Depreciation
- increase in Tea sales prices

Restrictions on Edible Oil
imports caused demand for
local Palm Oil

Rupee Depreciation

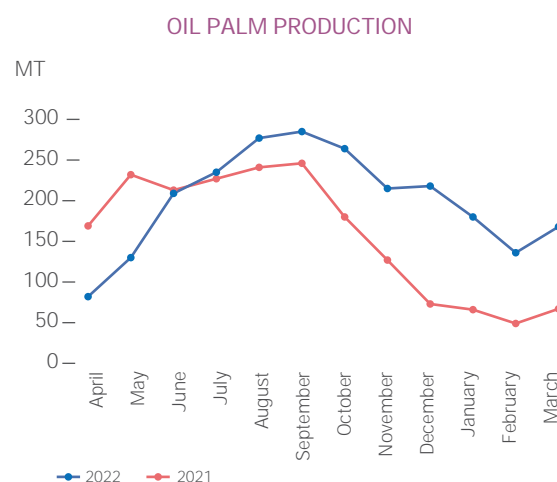
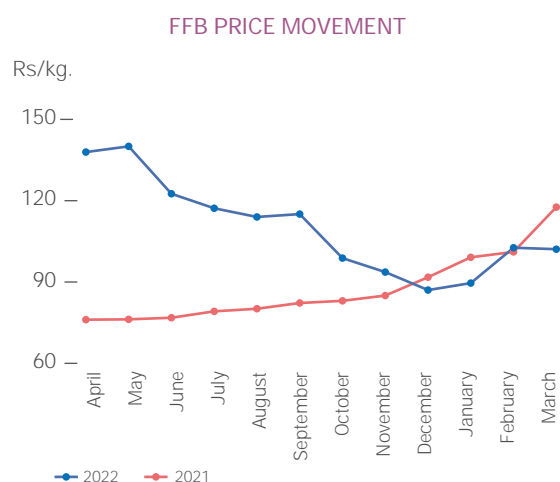
Since HPL is an indirect exporter, rupee depreciation has indirect positive impact on its Net Sales Average and total revenue.

Financial Year	2022/23 Rs.	2021/22 Rs.	Change Rs.	Change %
Average Exchange Rate for the year (Rs/USD)	325	199	126 ↑	63
Company Tea GSA (Rs/kg)	1,311	625	686 ↑	110
Colombo Tea Auction Average GSA (Rs/kg)	1,234	615	619 ↑	101

Restrictions on Edible Oil Imports

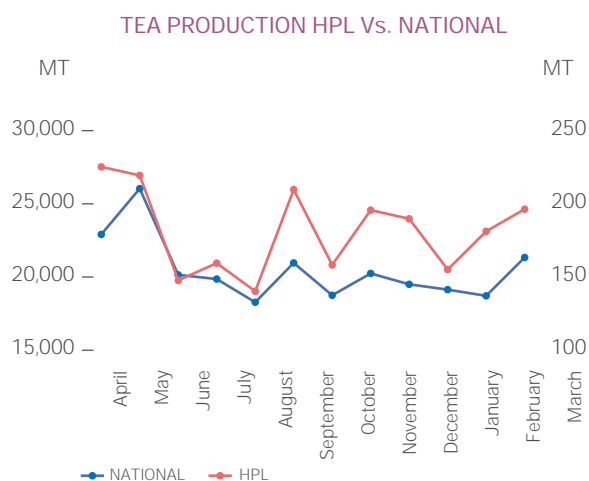
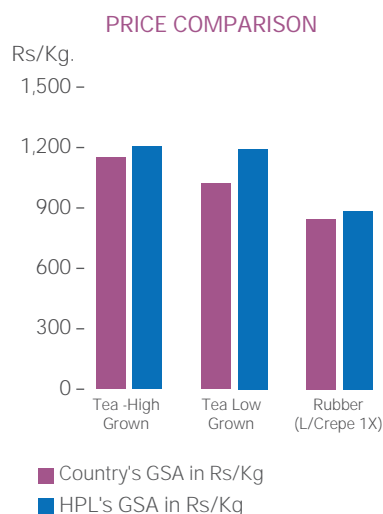
Restrictions on edible oil imports caused demand for local Palm Oil. As a result of that HPL's FFB prices increased by 30%.

Year	2022/23 Rs/kg	2021/22 Rs/kg	Change %
FFB NSA	107	82	30



HPL VS INDUSTRY PERFORMANCE

Despite the obstacles faced across the production process from shortages of fertiliser to spiralling costs and labour outflows, HPL has outperformed the industry average prices during the year 2022.





FINANCIAL CAPITAL



The Effective management of financial capital is vital for business survival, growth and achieving financial objectives. It is essential for planning, organising, controlling and monitoring the financial resources in order to achieve our business objectives.

HPL's financial capital consists of only the two components of debt and equity. During the financial year 2022/23 the Company's financial position continued to strengthen as demonstrated by key financial ratios.



STRENGTHENING OUR CAPITAL BASE

Although the Company was faced with an exceptionally challenging and unpredictable operating environment, we are pleased to announce that we have strengthened our financial base during the year, by reducing both the interest-bearing borrowings and short-term borrowings. Our total equity increased from 30% to 36% of the capital base. Given the uncertain external environment and rapid changes to interest rates, the reduction of the share of borrowings in our capital structure, has enhanced the financial stability of the Company.

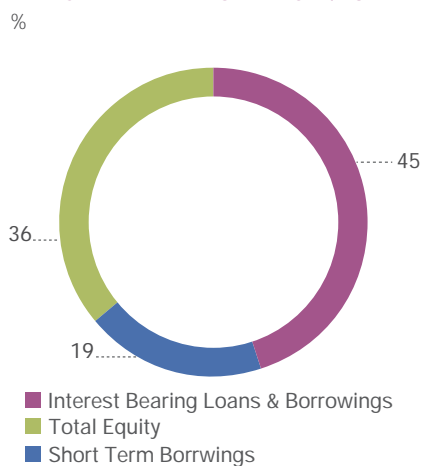


FINANCIAL GOVERNANCE

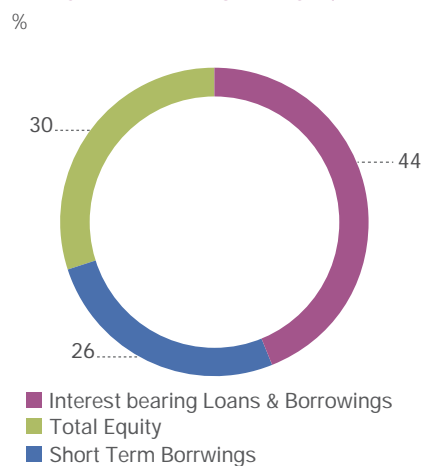
The Financial Statements of the Company are prepared and presented in compliance with all applicable laws, regulations and guidelines. The significant accounting policies used in the preparation of the Financial Statements are deemed appropriate and have been consistently applied by the Company. Significant accounting estimates that involved a high degree of judgment and complexity were reviewed by the Audit Committee and External Auditors.

Capital Structure	2022/23 Rs.Mn	Capital Employed %	2021/22 Rs.Mn	Capital Employed %
Interest bearing Loans & Borrowings	1,191	45	1,200	44
Short Term Borrowings	497	19	702	26
Total Equity	930	36	796	30
	2,618	100	2,698	100

CAPITAL EMPLOYED 2022/23



CAPITAL EMPLOYED 2021/22



PBT



Rs. 657 Mn

PAT



Rs. 170 Mn

ROE

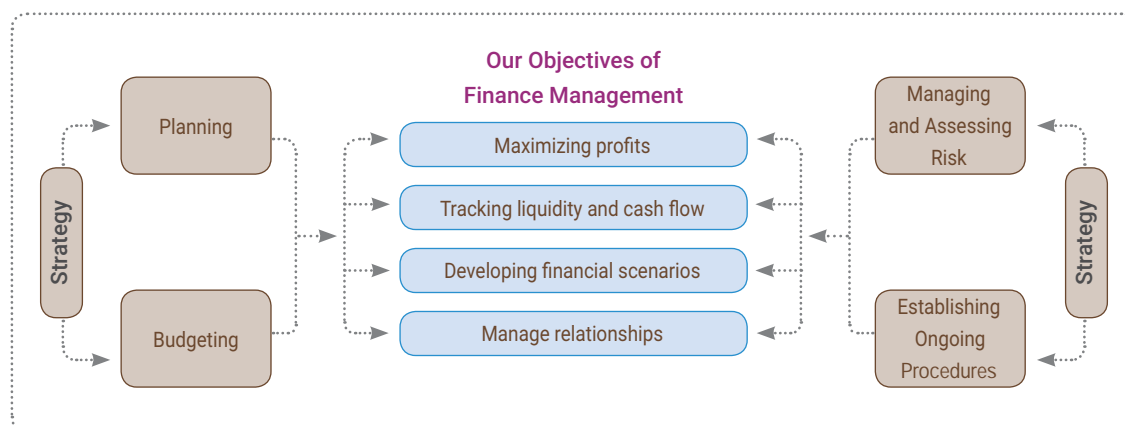


18%

Effective Management of Financial Capital

The effective management of financial capital is vital for business survival, growth and achieving financial objectives. It is essential for planning, organising, controlling and monitoring the financial resources in order to achieve our business objectives.

HPL's Strategy and Objectives of Finance Management,



FINANCIAL CAPITAL

HPL'S STRATEGY TO MANAGE ITS FINANCIAL CAPITAL EFFECTIVELY

Developed a Clear Business Plan

The business plan establishes where HPL is now, and where HPL wants to be over the next five years. It is highly detailed and includes information on all aspects of the business, including the operations, marketing, finance, human resource and diversified operating procedures. Furthermore, it directs the HPL finance team on strategic actions and on targets for meeting established financial goals.

Effectively Monitoring the Financial Position

Our business progress is under regular monitoring by tracking the bank balances, sale volumes and inventory levels. Finance Department, Marketing Department and Purchasing Department work closely to determine fund requirements and set priorities.

Capital Structure and Working Capital Management

We maintain a positive and trusting relationship with Tea brokers and buyers. A proper debtor management system is in place to monitor collection of sales proceeds. We maintain efficient inventory controls and ensure right amount of inventory in the right estate, at the right time, covering all the estates. It ensures capital is not tied up unnecessarily, and smooth functioning of supply chain.

Get the Right Funding

We managed the overdraft facility and loan portfolio effectively, to minimise the interest cost by utilising low interest sources and negotiations with fixed interest funding in a way that benefits the Company.

OUR RECOVERY TRAJECTORY

HPL recorded a net profit growth on 301% year on year, reaching Rs. 170 Mn, in spite of the multitude of obstacles faced during the year, demonstrating the potential of the Company.

The Directors are continually monitoring the existing and the anticipated effects of economic instability, the circumstances of the external environment as well as the resultant consequences to the Company and taking appropriate measures to manage the impact.

Despite the rising cost of input materials, such as fertilizer, chemical, packing material, fuel and energy etc., operational teams have focused on improving production efficiencies. With the prudent financial strategy, HPL maintained its recovery trajectory for the second consecutive year, with key investment ratios showing marked improvements. Contribution by our employees have also continued to increase.

During the year, HPL implemented the following measures to strengthen its growth.

- Expand the business through new business opportunities while maintaining the existing business portfolio.
- Implement cost controls and manage overhead expenses despite high inflation
- Prudent Risk Management policy and identify business risk in advance and take corrective and precautionary action to avoid possible losses.

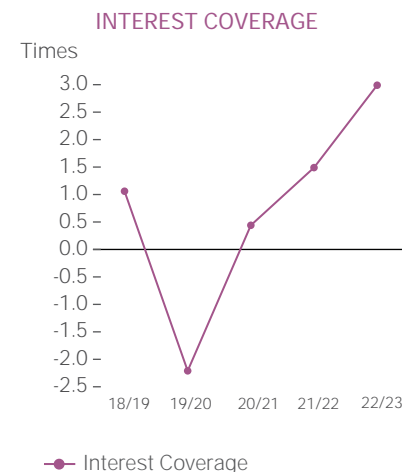
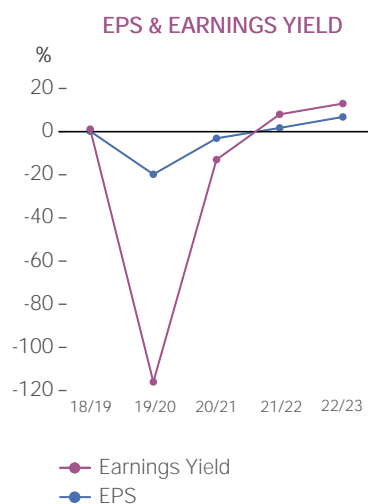
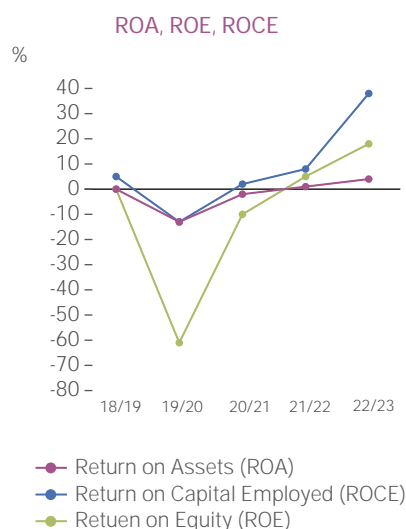
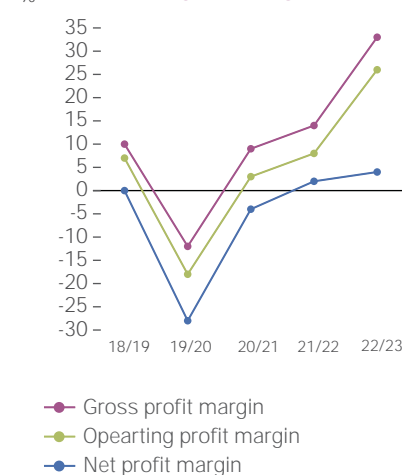
Employee Productivity and Value

	2022/23	2021/22	2020/21
No. of Employees	3,434	4,186	4,895
Remuneration/Employee (Rs.)	0.36 Mn	0.28 Mn	0.24 Mn
Revenue/Employee (Rs.)	1.10 Mn	0.61 Mn	0.43 Mn
Net Profit/Employee (Rs.)	0.05 Mn	0.01 Mn	(0.01 Mn)

FINANCIAL PERFORMANCE

	2022/23	2021/22	Change %
Gross Profit Margin	33%	14%	136
Operating Profit Margin	26%	8%	225
Net Profit Margin	4%	2%	100
Earnings per Share (EPS -Rs/Share)	6.80	1.70	300
Earning Yield	13%	8%	63
Interest Coverage (Times)	2.99	1.49	101
Return on Assets (ROA)	4%	1%	300
Return on Equity (ROE)	18%	5%	260
Return on Capital Employed (ROCE)	38%	8%	375

GROSS PROFIT/ OPERATING PROFIT/ NET PROFIT MARGIN



The ROA, ROE and ROCE also significantly improved to 3.90% (1.07% last year), 18.29% (5.33% last year) and 37.69 (7.98% last year) respectively. Higher ROA, ROE and ROCE depicts the company's ability to efficiently utilise its capital, which includes both debts as well as equity. Higher ROA would indicate that the company can produce relatively higher earnings in comparison to its asset base. Company ROE build the strong confidence of shareholder.

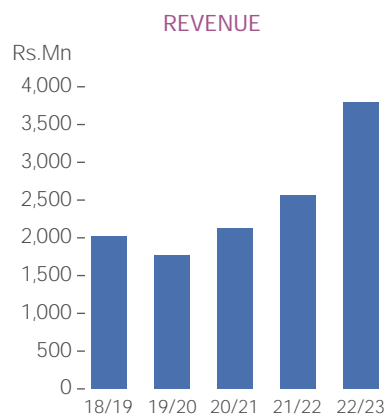
EPS increased to Rs.6.80 from Rs.1.70. With the favourable performance the shareholder value has increased.

FINANCIAL CAPITAL

PROFIT OR LOSS

Revenue

Revenue maintained its upward movement of 48% during the year under review, reaching Rs. 3,794 Mn.



Segmental Revenue

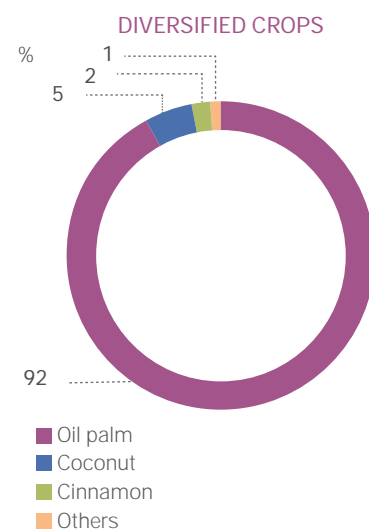
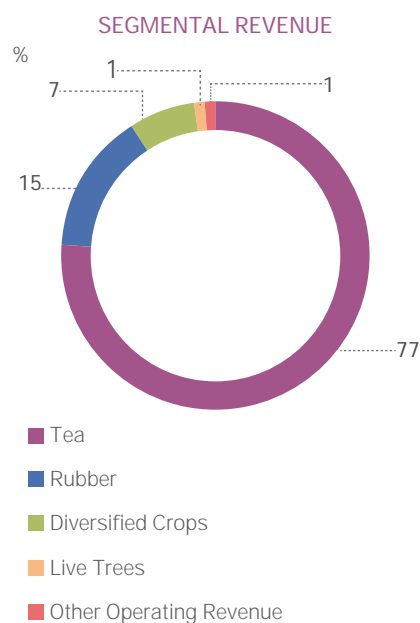
	2022/23 Rs.Mn	2021/22 Rs.Mn	Change %
Tea	2,912	1,857	57
Rubber	558	430	30
Diversified crops	279	177	58
Live Trees	20	86	-77
Other operating revenue	25	13	91
	3,794	2,563	48

Segmental Revenue

The contribution to revenue from tea has increased to 77% from 72% in the previous year, despite 23% reduction in Tea crop. The National Average Price for Western High Grown Tea was Rs. 1,150.52 per kg, while Western High Grown average price of HPL was Rs. 1,204.85 per kg. The National Average Price for Low Grown Tea was Rs. 1,020.20 per kg, while Low Grown Tea GSA of HPL was Rs. 1,192.97 per kg.

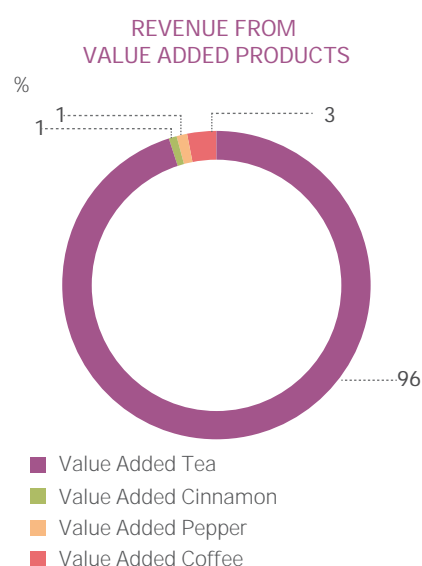
The revenue contribution from Rubber, declined from 17% last year to 15% in the current year.

While revenue from diversified crops, which include Oil Palm, Coconut, Cinnamon and Other Ancillary Crops, also increased by a strong 58%, while sale of Live Trees declined sharply by 77% as harvesting programme was delayed due to the prevailing situation of the Country.



Value Added Products

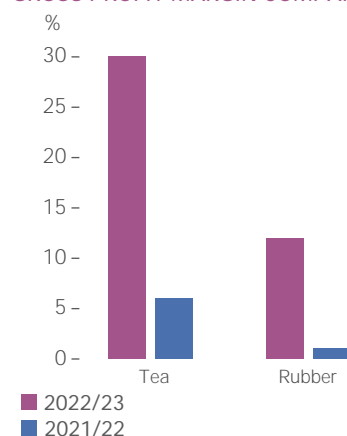
We are pleased to report that our Value Added Tea volume has contributed 96% during the year, demonstrating the effectiveness of our strategy and potential for growth in this sector.



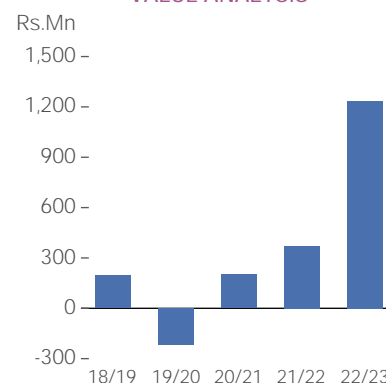
Cost management initiatives to control other variable costs included:

- Use of solar power to mitigate impact of escalating electricity and fuel costs.
- Improved the vehicle running efficiency using a GPS Tracking System.
- Introduced fuel efficient motor cycles for estate supervision.
- Maintained the buffer stocks of input materials and fuel.
- Reduced labour cost using RSM plucking system and mechanisation of harvesting.
- Increase the internal sourcing of firewood.

GROSS PROFIT MARGIN COMPARISON



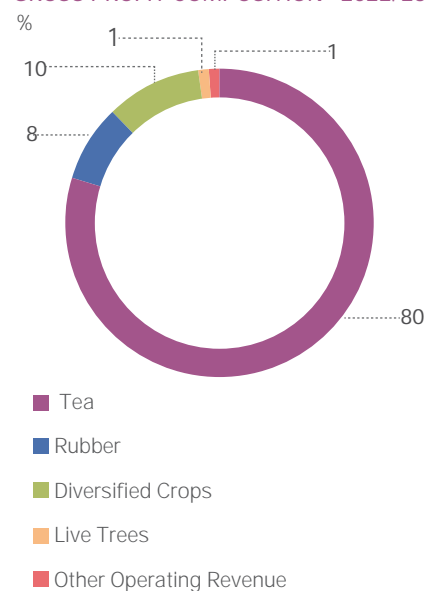
FIVE YEAR GROSS PROFIT VALUE ANALYSIS



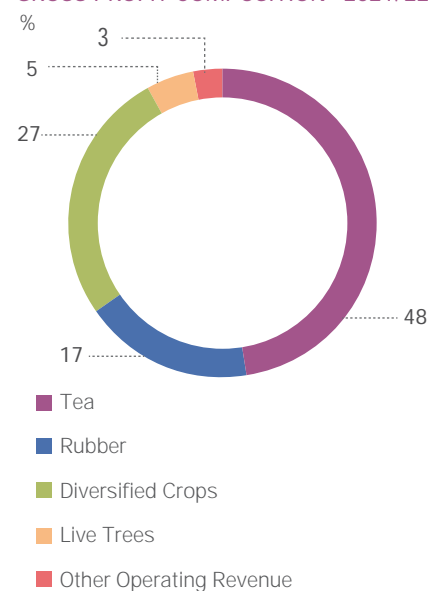
Gross Profit

The gross profit increased by 233%, to Rs. 1,235 Mn, from Rs.371 Mn, mainly due to an increase of revenue and effective cost management initiatives that outpaced the 17% increase in gross profit margins. The contribution to gross profit from Tea increased by 455% to Rs.981 Mn, from Rs.177 Mn in the previous year, while gross profit from Rubber grew by 58%, to Rs.103 Mn, from Rs.65 Mn and gross profit contribution from Oil Palm increased by 55% to Rs. 152 Mn from Rs.98 Mn, demonstrating the effectiveness of cost management initiatives.

GROSS PROFIT COMPOSITION - 2022/23



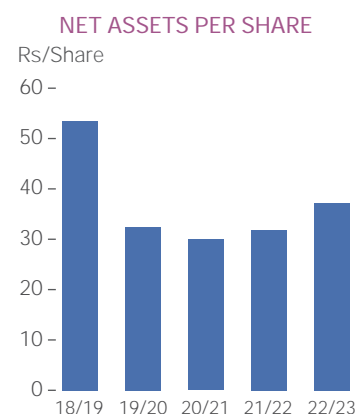
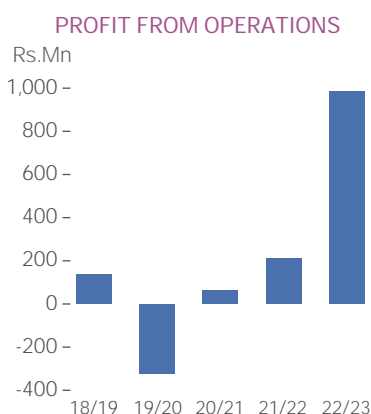
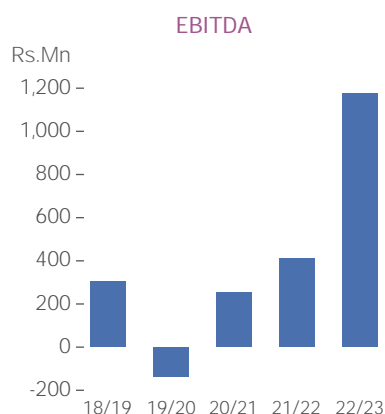
GROSS PROFIT COMPOSITION - 2021/22



FINANCIAL CAPITAL

Profit from Operations

Administrative expenditure in the period under review increased by 27 % to Rs. 234 Mn from Rs. 185 Mn in 2021/22. However, Operating Profit margin improved to 26% from 8% and the Operating Profit increased by 373 % to Rs. 987 Mn from Rs. 209 Mn.

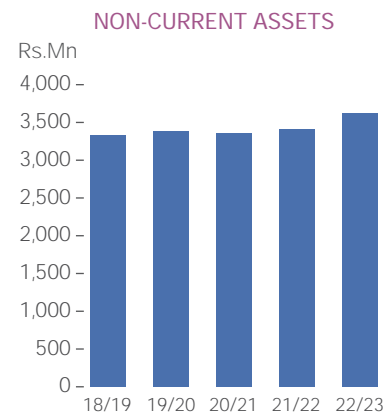


Profit for the year

The Profit Before Tax increased by 862 % to Rs. 657 Mn from Rs. 68 Mn. Net Finance Expenses for the year ended 31 March 2023 is Rs. 329 Mn, which is an increase of 135% (Rs. 189 Mn) compared to the previous year, which is mainly due to the increase in interest rates. HPL effectively managed its working capital requirement and borrowing position to minimise the exposure from increase in interest rates. We recorded a Net Profit of Rs.170 Mn, which is 301% increase on Rs. 42 Mn profit of 2021/22.

by 6% to Rs.3,625 Mn with biological assets increasing by 6% mainly due to additions made to immature plantations which have increased by 63% compared to the previous year. The additions made to coconut crop have also contributed Rs.160 Mn over 202 hectares. Current Assets increased by 31% to Rs.731Mn with inventories and trade receivables representing 92% of total current assets.

The total equity increased by 17% to Rs. 930 Mn from Rs. 796 Mn, while total liabilities increased by 8% to Rs. 3,425 Mn from Rs. 3,168 Mn.



Taxes

Tax expense increased by a staggering 1,783 % to Rs. 487 Mn, from Rs. 25 Mn in the previous year mainly due to the high deferred tax charge as a result of change in tax rate, with effect from 01 October 2022.

FINANCIAL POSITION

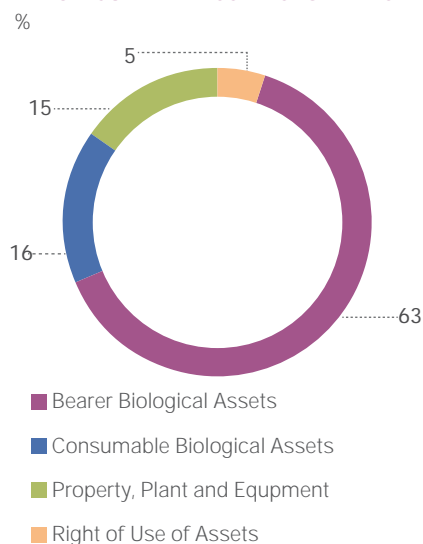
Assets and Liabilities

Total Assets grew by 10 % to Rs. 4,355 Mn from Rs. 3,964 Mn in previous year with total Non-Current Assets increasing

Loans and Borrowings

Borrowings consists of Interest Bearing Loans and Borrowings and Short Term Borrowings including Bank Overdraft. Total loans and borrowings have decreased by 11% compared to the previous year. During the period, HPL has repaid Rs. 663 Mn for both long term loans and short term loans. Further, short term borrowings have decreased to Rs. 497 Mn (29%).

NON-CURRENT ASSET SEGMENTS

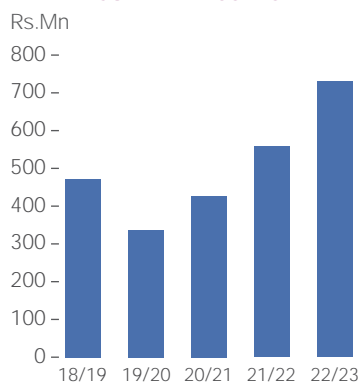


Cash Flow

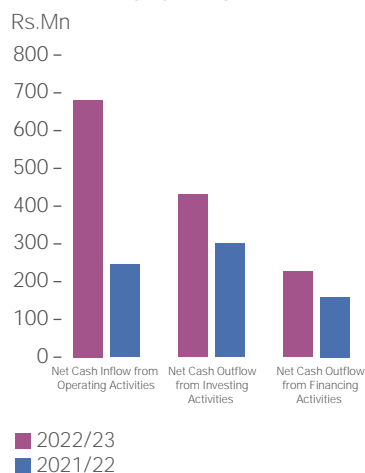
Backed by the healthy financial performance for the year, net cash inflow from operating activities increased to Rs. 682 Mn, more than double compared to the previous year operating cash flow of Rs. 246 Mn. The net cash outflow from investing activities and financing activities was Rs. 430 Mn and Rs. 227 Mn respectively. Cash and cash equivalents increased by 11% to Rs. 24 Mn.

Cash Inflows	2022/23 Rs.Mn	2021/22 Rs.Mn	Change Rs.Mn	Change %
Net Cash Inflow from Operating Activities	682	246	436	177
Net Cash Outflow from Investing Activities	430	301	(129)	-43
Net Cash Outflow from Financing Activities	227	159	(68)	-43

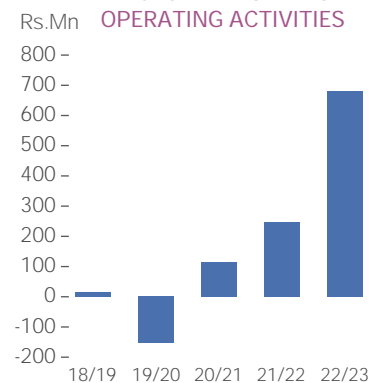
CURRENT ASSETS



CASH FLOW



NET CASH INFLOW FROM OPERATING ACTIVITIES



FINANCIAL CAPITAL

OUR ECONOMIC IMPACT

GRI 201:

ECONOMIC PERFORMANCE 2016

GRI 3-3

Management of Material Topics

a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights	<p>Potential negative impacts could arise due to:</p> <ul style="list-style-type: none"> • Negative environmental impacts such as pollution, soil degradation, land clearing, through our operations. • Employment losses • Fraud and misuse of funds <p>Potential positive impacts outweigh the negative impacts due to sustainable agriculture policies and social and employment policies.</p> <p>Positive impacts include:</p> <ul style="list-style-type: none"> • Contribution to National export earnings • Contribution to National GDP • Employment generation • Employment opportunities for women
b. Report whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships;	<p>There were no negative impacts reported during the year due to economic performance or due to business relationships.</p>
c. Describe its policies or commitments regarding the material topic;	<p>We have made commitments under,</p> <ul style="list-style-type: none"> • UNSDG 5 Gender equality • UNSDG 8 for decent work and economic growth • UNSDG 9 for responsible consumption and production <p>Please refer the strategies and policies chapter for details</p>
d. Actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts;	<p>Actions to prevent or mitigate potential negative impacts include:</p> <ul style="list-style-type: none"> • Sustainable agricultural practices • Equal employment opportunities • Grievance management systems • Reporting and monitoring mechanisms

ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	There were no negative impacts from our economic activities reported during the year. However, we have a strong established grievance management system and customer complaints management system in place for remediation of any negative impacts. Environmental regulatory parameters are monitored regularly to prevent negative environmental impacts.
iii. Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • We conduct regular reviews of operations • Regular supplier reviews • Regular environmental audits • Compliance with environmental and social accreditations
e. Report the following information about tracking the effectiveness of the actions taken:	Processes used to track the effectiveness of the actions include: <ul style="list-style-type: none"> • Regular internal audits • Annual independent external audits
i. Processes used to track the effectiveness of the actions;	
ii. Goals, targets, and indicators used to evaluate progress;	<ol style="list-style-type: none"> 1. Goal: Be No. 01 in the national GSA ranking Indicator – We review the monthly GSA ranking of the company 2. Goal - Attract foreign buyers for HPL to enter into the export market and increase our foreign currency earnings. Indicator – Number of new markets reached
iii. The effectiveness of the actions, including progress toward the goals and targets;	<ul style="list-style-type: none"> • HPL Tea and Rubber have maintained high quality standards
iv. Lessons learned and how these have been incorporated into the organisation's operational policies and procedures	<ul style="list-style-type: none"> • By evaluating buyers' expectations, we identify new quality aspects expected by buyers and incorporate the buyer requirements into the Company's best practises.
f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<ul style="list-style-type: none"> • Employee engagements and trade union demands are taken into account in signing the collective agreement which sets estate staff salaries and other employee benefits. • Regular communications are maintained with suppliers and customers to meet their requirements

FINANCIAL CAPITAL

GRI 201-1

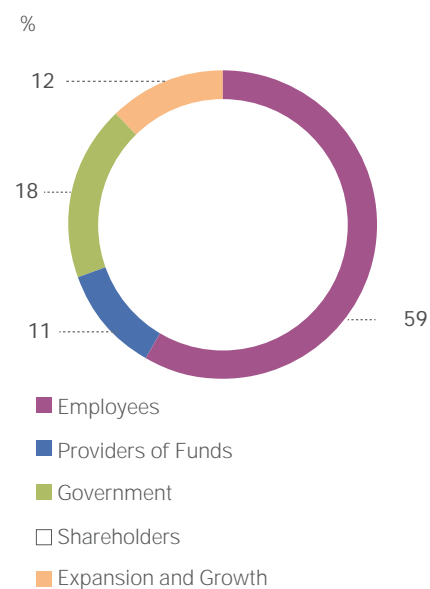
Direct Economic Value Generated and Distributed

A major share of our economic value created was distributed among employees in the form of Salaries and Other Benefits, which accounted for 59% of total value creation, compared to 77% in the previous financial year. Of the value created 18% went to the government in the form of taxes and 11% was paid to providers of funds. We invested 12% towards Company expansion and growth.

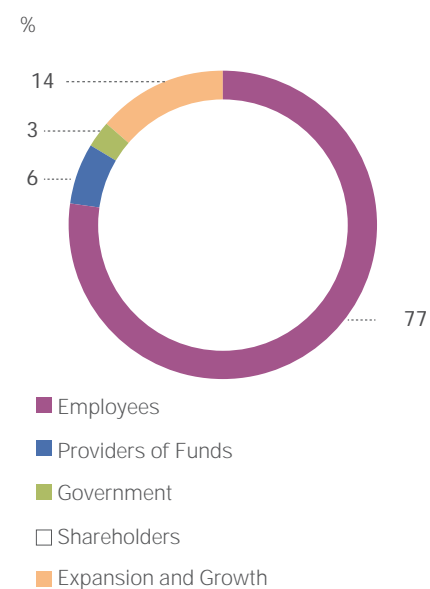
Direct economic value generated and distributed (EVG&D) on an accrual basis.

For the year ended 31st March	2022/23		2021/22	
	Rs'000	%	Rs'000	%
Revenue	3,794,035		2,563,636	
Other Income	3,405		39,028	
	3,797,440		2,602,664	
Cost of Materials and Services Obtained	(1,097,407)		(758,171)	
Value Addition	2,700,033		1,844,493	
Distribution of Value Addition:-				
To Employees				
Salaries and Other Benefits	1,576,049	59	1,427,689	77
To Providers of Funds				
Interest Cost	305,792	11	118,105	6
To Government				
Income Tax	471,503		26,555	
Lease Interest	23,626		22,259	
	495,159	18	48,814	3
To Shareholders				
Dividends to Shareholders	-	-	-	-
To Expansion and Growth				
Profit Earned	133,830		48,314	
Depreciation	189,202		201,571	
	323,033	12	249,885	14
	2,700,003	100	1,844,493	100

DISTRIBUTION OF
VALUE ADDITION - 2022/23



DISTRIBUTION OF
VALUE ADDITION - 2021/22



GRI 201-2

FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

<p>a. Risks and opportunities from climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:</p> <p>i. A description of the risk or opportunity and its classification as either physical, regulatory, or other;</p>	<p>Risks from climate change:</p> <p>HPL identified climate change (unpredictable weather conditions) as a strategic risk which directly impacts the Company's operations.</p>
<p>ii. A description of the impact associated with the risk or opportunity;</p>	<p>Unpredictable weather condition is a significant inherent risk associated with plantations, which directly impacts activities such as harvesting and planting. As a result, quality of the products and production volumes may fluctuate according to climatic changes.</p>
<p>iii. The financial implications of the risk or opportunity before action is taken;</p>	<p>If we do not take any action, there will be a significant drop in production volume and product quality. As a result of that, we will be unable to achieve our targeted revenue (low NSA due to poor quality).</p> <p>Cost of production will also increase as there are no economies of scale. Therefore, gross profit margins will decrease, and it will finally reduce profitability of the Company.</p>
<p>b. The methods used to manage the risk or opportunity;</p>	<p>We have adopted multiple strategies to manage climate change risks. These are:</p> <ul style="list-style-type: none"> • Crop diversification to reduce the dependency on Tea and Rubber. • The Company adopts prudent agricultural practices such as TRI recommended clones. • Rain guards for Rubber trees in order to minimise the loss of crops due to adverse weather conditions. • Increase the number of Rain Water Harvesting Ponds in anticipation of dry spells. • Improving soil conditions by applying relevant fertilizer on time and promoting organic fertilizer. • The Company strives to produce high quality Tea and Rubber products whilst maintaining internationally accepted certifications to retain competitive positioning in the market.
<p>c. The costs of actions taken to manage the risk or opportunity.</p>	<ul style="list-style-type: none"> • Investment on Diversified Crops – Rs. 188 Mn • Tea and Rubber replanting cost – Rs. 91 Mn • Cost incurred on fixing Rain Guards – Rs. 18 Mn • Cost to establish Rain Water Harvesting Ponds – Rs. 1 Mn • Investment made on organic fertiliser – Rs. 11 Mn • Cost of obtaining new certifications and maintaining existing certifications – Rs. 10 Mn

FINANCIAL CAPITAL

GRI 201-3

DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

a. If the plan's liabilities are met by the organisation's general resources, the estimated value of those liabilities.	<ul style="list-style-type: none">Retirement Benefit Obligations as at 31st March 2023 is Rs. 505 Mn (based on Actuarial Valuation).The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's Provident Society (ESPS)/ Employees' Provident Fund (EPF).All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.									
b. Is there a separate fund to pay the plan's pension liabilities	Not Applicable									
c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, to work towards full coverage	Not Applicable									
d. Percentage of salary contributed by employee or employer	<ul style="list-style-type: none">Gratuity payment amount fully contributes by the employerDefine Contribution Plan, <table><tr><th>Capital Structure</th><th>Employee Contribution</th><th>Employer Contribution</th></tr><tr><td>CPPS/ESPS/EPF</td><td>10% & 8%</td><td>12%</td></tr><tr><td>ETF</td><td>-</td><td>3%</td></tr></table>	Capital Structure	Employee Contribution	Employer Contribution	CPPS/ESPS/EPF	10% & 8%	12%	ETF	-	3%
Capital Structure	Employee Contribution	Employer Contribution								
CPPS/ESPS/EPF	10% & 8%	12%								
ETF	-	3%								
e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact	<p>Both Defined Benefit Plan and Defined Contribution Plan are mandatory participations,</p> <ul style="list-style-type: none">Defined Benefit Plan - Payment of Gratuity Act No 12 of 1983Defined Contribution Plan – EPF Act and ETF Act									

GRI 201-4

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

a. Total monetary value of financial assistance received by the organisation from any government agencies during the reporting period	
i. Tax relief and tax credits	<p>During the year – Nil</p> <p>(However, Agro Farming Sector is exempt from income tax from 1st April 2019 to 31st March 2024)</p>
ii. Subsidies	<p>Tea Replanting Subsidies – Rs. 0.4 Mn</p> <p>Rubber Replanting Subsidies – Rs. 0.2 Mn</p> <p>Rubber Tree Rain Guards –Rs. 2.8 Mn</p>

iii. Investment grants, research and development grants, and other relevant types of grant	Grants - Agri Equipment - Rs. 0.3 Mn
iv. Awards	None
v. Royalty holidays	None
vi. Financial assistance from Export Credit Agencies (ECAs)	None
vii. Financial incentives	None
viii. Other financial benefits received or receivable from any government for any operation	Interest Subsidy received for Bank Loan on Rooftop Solar Panels installation.
b. Whether, and the extent to which, any government is present in the shareholding structure	1 Golden Share held by Secretary to the Treasury of the Government of Sri Lanka.

GRI 204:

PROCUREMENT PRACTICES 2016

GRI 3-3

Management of material topics

a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights	<p>Potential negative impacts could arise due to</p> <ul style="list-style-type: none"> • Fraud • Supplier violations of sustainability guidelines <p>Positive impacts include</p> <ul style="list-style-type: none"> • Employment generation by supporting supply chains • Support local industries • Support estate communities with additional incomes by including them in our supply chain wherever possible
b. Report whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships;	There were no negative impacts reported during the year due to our procurement practices, or due to our business relationships.

FINANCIAL CAPITAL

c. Describe its policies or commitments regarding the material topic;	<p>We have made commitments under</p> <ul style="list-style-type: none"> • UNSDG 8 for decent work and economic growth • UNSDG 9 for responsible consumption and production <p>Please refer the strategies and policies chapter for details</p>
d. Actions taken to manage the topic and related impacts, including: i. Actions to prevent or mitigate potential negative impacts;	<p>Actions to prevent or mitigate potential negative impacts include:</p> <ul style="list-style-type: none"> • Supplier training on our sustainability policies and accreditation requirements • Supplier audits
ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	<p>There were no negative impacts from our procurement activities reported during the year. However, supplier or other stakeholders negatively impacted through our procurement activities can lodge a complaint with our purchasing department.</p>
iii. Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • We conduct regular supplier audits
e. Report the following information about tracking the effectiveness of the actions taken: i. Processes used to track the effectiveness of the actions;	<p>Processes used to track the effectiveness of the actions include</p> <ul style="list-style-type: none"> • Regular internal audits • Annual independent external audits
ii. Goals, targets, and indicators used to evaluate progress;	<p>Goal - Widen the local suppliers base</p> <p>Indication – Number of local suppliers registered during the year (categorisation - small, medium and large, and material suppliers and service suppliers)</p>
iii. The effectiveness of the actions, including progress toward the goals and targets;	<ul style="list-style-type: none"> • During the year the company registered 195 new suppliers. • We encourage local suppliers through supplier awareness programs to enhance the quality and the service of the supply.
iv. Lessons learned and how these have been incorporated into the organisation's operational policies and procedures	<ul style="list-style-type: none"> • We take note of any quality variances in the supplies, different after sale services and supplier payment methods. These are evaluated and incorporated into the company's procurement procedures.
f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<ul style="list-style-type: none"> • Regular communications are maintained with suppliers and customers to meet their requirements • We also take into account advice from accreditation agencies to maintain an ethical supply chain

GRI 204-1

PROPORTION OF SPENDING ON LOCAL SUPPLIERS

a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).	100% locally purchased
The organisation's geographical definition of 'local'.	Country of operation (Sri Lanka)
The definition used for 'significant locations of operation'.	Regions within the country of operations <ul style="list-style-type: none"> - Up Country Region - Low Country Region

GRI 416:

CUSTOMER HEALTH AND SAFETY 2016

GRI 3-3

Management of Material Topics

a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights	<p>Potential negative impacts could be</p> <ul style="list-style-type: none"> • Loss of company/brand credibility and reputation • Loss of certifications • Customer health problems • Employee health problems <p>Positive impacts include</p> <ul style="list-style-type: none"> • Efficient and safe production systems • Creation of value added products
b. Report whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships;	There were no negative impacts reported during the year with regards to customer health and safety from our operations or operations of our business partners.
c. Describe its policies or commitments regarding the material topic;	<p>We have made commitments under</p> <ul style="list-style-type: none"> • UNSDG 9 for responsible consumption and production <p>Please refer the strategies and policies chapter for details</p>

FINANCIAL CAPITAL

<p>d. Actions taken to manage the topic and related impacts, including:</p> <p>i. Actions to prevent or mitigate potential negative impacts;</p>	<p>Actions to prevent or mitigate potential negative impacts include:</p> <ul style="list-style-type: none"> • We comply with stringent health and safety requirements • Employees are trained on product safety and quality • Safety procedures are followed during customer/buyer visits
<p>ii. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;</p>	<p>There were no negative impacts reported with regards to customer health and safety . However, we respond to any customer complaints.</p> <p>Please refer the Social Capital chapter for details on our customer care.</p>
<p>iii. Actions to manage actual and potential positive impacts</p>	<ul style="list-style-type: none"> • We align all production activities with health and safety requirements
<p>e. Report the following information about tracking the effectiveness of the actions taken:</p> <p>i. Processes used to track the effectiveness of the actions;</p>	<p>Processes used to track the effectiveness of the actions include</p> <ul style="list-style-type: none"> • Regular health and safety audits • Regular quality checks
<p>ii. Goals, targets, and indicators used to evaluate progress;</p>	<p>Goal - Zero customer complaints on health and safety - 100% Customer satisfaction</p> <p>Indicator - Number of complaints per annum</p>
<p>iii. The effectiveness of the actions, including progress toward the goals and targets;</p>	<ul style="list-style-type: none"> • We conduct regular sample quality checks by an accredited laboratory • We check the Maximum Residue Level (MRL) in both Tea and Rubber to ensure no harmful chemical impacts on customers • We obtain and maintain health and safety certifications from recognised bodies
<p>iv. Lessons learned and how these have been incorporated into the organisation's operational policies and procedures</p>	<ul style="list-style-type: none"> • Through the above actions, we are able to detect quality variances and deep inspections are carried out to resolve any potential or existing negative developments. All identified new factors are incorporated into the company's best practices.
<p>f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).</p>	<ul style="list-style-type: none"> • Regular communications are maintained with and customers to meet their requirements • Recommendations and regulatory guidelines from regulatory bodies, with regards to food/product health and safety are immediately implemented.

GRI 416-2

INCIDENTS OF NON-COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES

HPL faced no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period.

OUTLOOK

The Sri Lankan tea industry for the period January 2022 to March 2023 shows a decrease in production and exports although export earning increased due to price increases. Total tea production for the period January 2023 to March 2023 declined by 4.58 Mn/Kgs in comparison to the same period of 2022. Total value of tea exports increased to Rs. 110.22 Bn (USD 313.77 Mn) up by USD 286.55 Mn against January 2022 to March 2022 (Source: Ceylon Tea Brokers, 1Q, 2023)

According to the IMF, global inflation is expected to decline to 6.6% in 2023 and to 4.3% in 2024. Nonetheless, this is still higher than the pre-pandemic levels of around 3.5%. Sri Lanka could also be affected by an economic downturn in the United Kingdom, the European Union, and the United States, which will cause external demand for Sri Lankan exports to decline. In addition, any further escalation of the Russia-Ukraine War could impact global supply chains, thereby increasing import expenditure. Therefore, HPL believed the outlook for 2023/24 must remain cautious.

With regard to demand for Tea, the World Tea News anticipates a pretty soft tea market in 2023 with healthy production levels in general but with less predictable demand. Lack of funds in Iran and other

Middle East countries, the continued war in Ukraine (impacting but not stopping trade in Russia), and the change in consuming habits (formats and channels) will impact demand.

Consequently, Sri Lanka's traditional tea markets may not remain loyal, as they have tasted alternatives and found them to be acceptable. This will open the door for competition from anywhere capable of orthodox manufacturing.

Against this backdrop, HPL will continue to focus on efficiency in cost management and productivity gains to support the topline.



MANUFACTURED CAPITAL



As a cultivator and a manufacturer of Tea, Rubber, Oil Palm and Other Ancillary Crops, HPL's primary manufactured asset base comprises its Biological Assets, Equipment and Machinery used in Cultivation, Factories and Machinery used in processing and the actual output in the form of bulk teas, value-added Tea, Rubber and Other Produce.

HPL's ability to produce high-quality Tea and Rubber for the export market relies on a combination of core infrastructure assets. These assets consist of Biological, Structural, and Technological components. The biological assets of the company include the Tea, Rubber, Oil Palm, Cinnamon, Coconut and Other Ancillary Crops cultivated in 14 estates. Structural assets are represented by 9 Tea factories where green leaf is collected and subjected to various layers of value addition. The combination of biological and structural assets results in the manufactured output of our range of Tea, Rubber and Other Produce.



FUTURE PLANS

- Process Automation and Digitalise all the Tea factories by 2030.
- Achieve diversification strategy targets to increase production volume of other crops.

Expand Value Added Product Portfolio,

- Introduce a Specialty Tea Production Unit
- Expand Cinnamon Oil Extraction and Processing Unit
- Expand Coconut Oil Extraction Unit
- Open a Coffee Processing Unit

Tea Factories



Rubber Factories



Our commitment to enhancing our Biological, Structural, and Technological assets is a continuous effort to establish a flexible and sustainable foundation for accomplishing the Company's strategic goals. This, in turn, would increase our contribution towards Sri Lanka's export revenue. We strive to improve and reinforce our assets to create a scalable platform that would support the growth and development of our business operations. By investing in these assets, we aim to achieve long-term success and sustain our position as a valuable contributor to Sri Lanka's economy.

Investment Plan

At HPL, we have a well-structured investment planning and review process in place to ensure that all developmental initiatives align with our strategic objectives. Our process is designed to ensure that any major capital investments are thoroughly assessed and approved by the Board of Directors. This includes

proposals for new machinery and equipment, which are presented at quarterly Board Meetings for review and approval.

For routine interventions, project proposals are developed by senior management at the estate level. These proposals are then reviewed for feasibility and budgetary allocation by the Company's Finance Division, before being presented to the Managing Director and Chief Executive Officer for final review and approval.

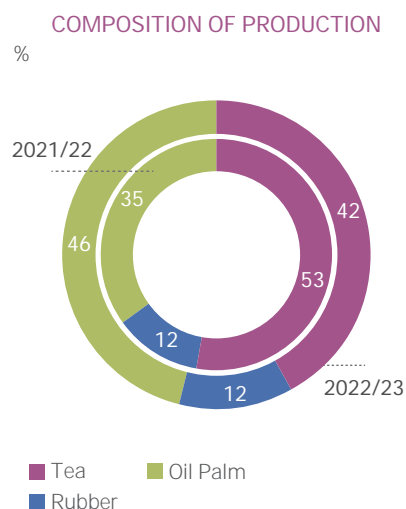
Our process is designed to ensure that all investment decisions are made after careful evaluation, and that they align with the Company's strategic objectives. This enables us to allocate resources effectively and efficiently, and to ensure that all developmental initiatives contribute towards achieving our long-term goals.

Manufactured Outputs

Our manufactured outputs are the final outcome of our manufactured capital. They are the result of the optimum utilisation of our biological assets and our manufacturing and fixed assets.

It is noteworthy that our value-added product portfolio has continued to expand.

Crop	Total 2022/23	Total 2021/22	Change %
Tea (Kg.)	2,178,357	2,830,198	(23)
Rubber (Kg.)	629,984	626,187	1
Oil Palm (Kg.)	2,404,000	1,890,650	27
Coconut (Nuts)	216,586	212,122	2



Biological Asset Additions



Rs.282Mn

Replanting Extent



155Ha

Upkeep Extent



360Ha

MANUFACTURED CAPITAL

VALUE ADDED PRODUCT PORTFOLIO

- Value Added Tea
- Value Added Coffee
- White Coconut Oil
- Cinnamon Oil
- Bee Honey-Bottled
- Value Added Cinnamon and Pepper
- Green House Products (Scoth Bonnet, Bell Pepper and Tomotos)



Value Added Tea

Our most recent value addition is the range of single origin teas for the international market. We have signed up with Delmege Forsyth & Co., Ltd, to leverage their marketing expertise in order to promote these single origin teas in overseas markets. Value added tea sales value in 2022/2023 was Rs. 2.245 Mn.

1. Black Tea

a. Black Tea 6 in one pack

- Stockholm Early Grey Pack
- Fairlawn Cinnamon flavoured pack
- Eildon Hall English breakfast pack
- Gouravilla Ginger flavoured pack
- Alton Strawberry flavoured pack
- Minicinglane Green Tea with jasmine



b. Stockholm Black Tea Pack

- Available as 100g, 250g and 400g packs

c. Minicinglane Tea Bag pack

- 50g pure black tea pack

d. Stockholm Special Blend pack

- 1kg Black Tea Pack



2. Tillicoultry Handmade Green Tea Packs

a. Handmade Green Tea pack

b. Flavoured Handmade Green Tea pack

Value Added Rubber

Frocester, Neuchatel and Mirishena factories are renowned for sole crepe and crepe manufacture. Coloured crepe that we manufactured are exported.

1. Crepe Rubber

a. Sole Crepe

- White Sole Crepe- Pebbly, Smooth
- Colour Sole Crepe- Black, Green, Yellow, Honey, Red

b. Pale Crepe-

- Thick Crepe- 1X, 1, 2, 3, 4,
- UFUB, FUB – Wet Laces
- Thin Crepe- White, Non fraction, Non bleached

2. Scrap Crepe

- 1, 2, 3, 4

3. Smoke Sheets

- RSS1, RSS2, RSS3, RSS4



Value Added Coconut

Horana Plantations has commenced operations of its first White Coconut Oil Factory in Frocester Estate.

- White Coconut Oil (500ml bottle)
- Coconut Trickle (750ml bottle)

Coffee

- We have established a Coffee Processing Centre in Tillicoultry Estate and we have successfully introduced full city roasted coffee beans and powder to the market in an attractive packaging of 100g pack

Cinnamon

- We have introduced cinnamon quills to the market in attractive packaging.
- Processed in Mirishena Estate
- Cinnamon Oil- 50ml bottle
- Cinnamon Sticks pack- 150g pack



Pepper

- Produced in Millakanda Estate
- Black Pepper pack - 100g pack

Scotch Bonnet pack

- Produced in Stockholm Estate - 100g/500g pack

MANUFACTURED CAPITAL

BIOLOGICAL ASSETS

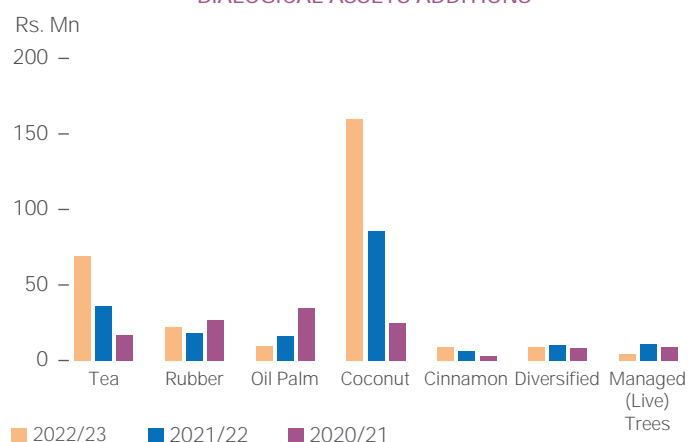
As at 31st March 2023	Hectares	Value (Rs.Mn)
Tea		
Mature	1,973	573
Immature	25.25	143
Rubber		
Mature	1,022	852
Immature	29.51	23
Oil Palm		
Mature	250	238
Coconut		
Mature	36.34	48
Immature	343.16	286
Cinnamon		
Mature	68.24	67
Immature	17.02	14
Diversified Crops		
Mature	28.94	31
Immature	65.98	24
Managed (Live) Trees		
Mature	447.23	578
Immature	93.72	13

Enhancing our Biological Assets

In developing our Tea and Rubber lands, we have traditionally followed a crop diversification strategy focused on complementing Tea and Rubber growing through replanting or infilling. However, we decided to expand our crop diversification strategy with the aim of enhancing land productivity through crop mixing.

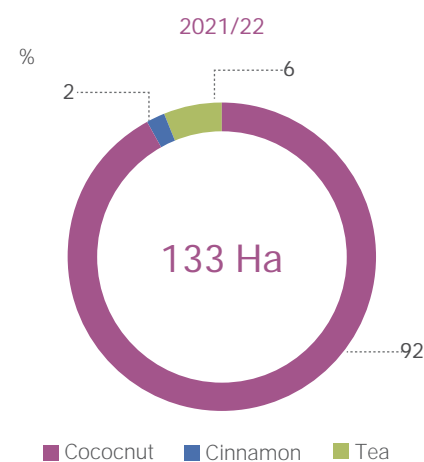
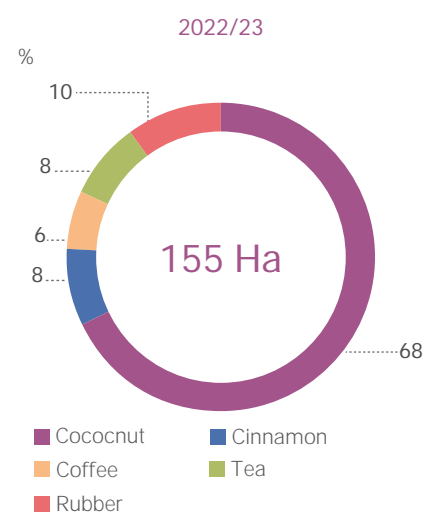
Additions	2022/23 Rs. Mn	2021/22 Rs. Mn	2020/21 Rs. Mn
Tea	69	36	17
Rubber	22	18	27
Oil Palm (Upkeep)	10	16	35
Coconut	160	86	25
Cinnamon	9	6	3
Diversified	9	10	8
Managed (Live) Trees	4	11	9

BIALOGICAL ASSETS ADDITIONS



Replanting Mix

As part of the extending this exercise, we introduced Ancillary Crops such as Coffee in high grown Tea areas and began growing Cinnamon and Coconut in low grown areas. Additionally, we focused on extensive crop mixing to minimise risk.





Reclaimed Marshy Land for Coconut Planting at Hillstream Estate

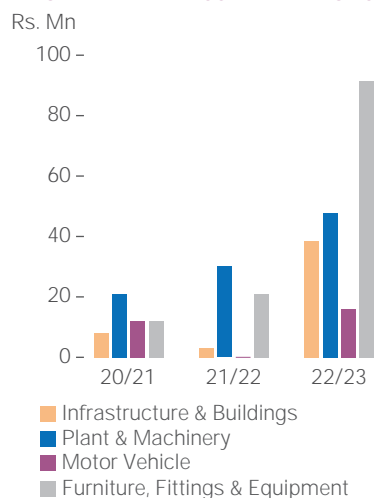
OTHER FIXED ASSETS

	2022/23 Carrying Value (Rs.Mn)	2021/22 Carrying Value (Rs.Mn)
Infrastructure & Buildings	248	220
Plant & Machinery	118	86
Motor Vehicles	19	11
Furniture, Fittings & Equipment	162	83

OTHER FIXED ASSET ADDITIONS

	2022/23 (Rs.Mn)	2021/22 (Rs.Mn)	2020/21 (Rs.Mn)
Infrastructure & Buildings	39	3	8
Plant & Machinery	48	30	21
Motor Vehicles	12	-	16
Furniture, Fittings & Equipment	91	21	12

OTHER FIXED ASSET ADDITIONS



Upgrading Machinery and Equipment

We understand that a sustainable approach to manufacturing extends beyond just crop diversification, and we committed to implementing sustainable practices throughout our entire value chain, including our procurement of Machinery and Equipment.

In addition, two Mini Hydro Power Plants have been refurbished at Fairlawn and Bambrakelly Estates, incurring cost of Rs.10.7 Mn and Rs.13.5 Mn, respectively.

MAINTENANCE AND UPKEEP OF FACTORIES

In the current financial year, we undertook a major preventive measure to maintain the highest quality standards in our tea production. We tiled all factory floors as a way to avoid microbial contamination of teas, which can lead to safety and quality hazards.

PROCESS AUTOMATION AND DIGITALISATION

HPL has initiated the implementation of end-to-end automation at all nine of its factories. The goal of automation is to reduce production costs, optimise the quality of teas, and improve compliance oversight.

Tea Collection Automation Solution

HPL has implemented a Green Leaf Collection Automation Solution, a comprehensive technology platform that leverages IoT and Artificial Intelligence to provide an accurate and secure green leaf collection and attendance system. This cloud-based solution offers field-to-factory traceability, which enables HPL to reduce the overall cost of production and improve management oversight by providing greater visibility into field collection activity. By incorporating automation into its operations, HPL can streamline processes, reduce errors, and ensure consistent quality across its production lines.

Investment on Maintenance of Factories



Rs. 13 Mn



INTELLECTUAL CAPITAL



Our Research and Development activities are conducted to incorporate science based solutions to increase productivity, cost reduction, nature conservation, increase efficiency and effectiveness and achieve more diversification.

Our intellectual capital comprises Research and Development (R & D) efforts and their outcomes in the form of field applications and value-added products that have unique characteristics specific to our agro-climatic conditions, innovations across the production process, the collective learning and organisation knowledge created through the above activities, and systems and processes unique to our Company.

Our R & D activities are conducted to incorporate science based solutions to increase productivity, cost reduction, nature conservation, increase efficiency and effectiveness and achieve more diversification. Ultimately, all these should be accepted by the end users.



Caffeine content test - Coffee



MODERNISATION TARGETS 2030

- Get GI Certification for HPL teas
- Make our tea Carbon Neutral
- Fully Automate all our tea factories
- Shift to 30% machine plucking and 20% machine tapping
- 100% agrochemical spraying by drones
- Reduce 50% paper usage for office works
- Replace 25% inorganic foliar by of vermi- compost and vermi-cast.

INVESTING IN RESEARCH AND DEVELOPMENTS

Within the last few years, we have expanded our resource allocations for R & D conducted by the Company, and in collaboration with universities and research institutions. The scope of our R & D extends across the manufacturing process with an emphasis on sustainability through circular economy initiatives, adoption of technologies, and process innovations.



Green House Project - Stockhom Estate

MOU WITH WAYAMBA UNIVERSITY

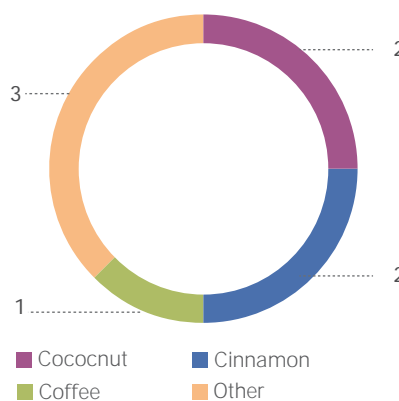
HPL signed an MoU with the Wayamba university in 2021/22. Our collaboration with the university facilitates experimentation in tea, coffee and oil palm, to continually modernise our production systems.



Signing MOU with the Wayamba University

As a core aspect of modernising and inculcating science-based plantation management and production practices, we are investing heavily in training our employees, in addition to encouraging research collaborations.

VALUE ADDED PRODUCT DEVELOPMENTS



SUCCESSFULLY CONCLUDED R&D PROJECTS:

- Analysing the chemical profile of high grown tea
- Cost effective fertilizer project
- Soil compost project
- Rebreath solution
- Vermi-wash project
- Project to develop organic fertilizer compounds

Certifications and Licences



10

Memberships and Affiliations



19

Value Added Product Developments



8

INTELLECTUAL CAPITAL

The objectives of the MoU are to:

- Jointly develop collaborative research programs
- Jointly design training projects
- Mutually provide use of the rich technical expertise available within both institutions
- Mutually provide physical resources (residential facilities, research facilities)
- Jointly organise seminars, webinars and discussions
- Jointly share the outcomes of collaborative research
- Provide internship and industrial training for undergraduates.

On-going research studies under the MoU:

- Determining the effect of firewood moisture in the firing process of black tea manufacturing
- Evaluation of ideal firewood mix as the thermal energy source for tea drying in up-country Sri Lanka
- Determination of sugar content (Glucose, Fructose and Sucrose) on the quality of seasonal teas
- Determination of caffeine content

and the quality of coffee by changing processing aspects

- Impact of incorporating bee-keeping in Oil Palm plantations
- Effect of vermi-wash and inorganic liquid fertilizer on the yield and cost of production of tea
- Development of an automated temperature controlling system to reduce withering time



Caffeine extraction in Coffee



Coffee quality test



Temperature Controlling System



Effect of vermi-technique



Fire-wood moisture determination

Total No. of Research and Developments

 **13**

ENHANCING ORGANISATION KNOWLEDGE

As a core aspect of modernising and inculcating science-based plantation management and production practices, we are investing heavily in training our employees, in addition to encouraging research collaborations.

During the year we organised training programs with the Tea Research Institute, Rubber Research Institute, Coconut Research Institute, Export Agriculture Department and other specialised agencies to transfer technical knowledge to our employees.

- Our estate Managers and Assistant Managers exposed to training and knowledge sharing from the Wayamba University.
- Our employees equipped with overseas training programs and international forums. Fundamentals in GIS remote sensing, GEO-Spatial applications and Fairtrade trainings etc.
- Arranged coffee training at Amberley Place Coffee Academy to enhance coffee processing techniques knowledge among employees
- Knowledge sharing by facilitating and arranging field demonstration to Wayamba University undergraduates in our tea estates
- Mr. and Mrs. Krunch visited the low country for Fair Rubber knowledge dissemination and distribute practical and technical knowledge.
- DSI buyer visited the rubber factories to give knowledge regarding overseas buyer requirements and new rubber manufacturing technologies.



Dr. Martin Kunz Fair-Rubber visit – Frocester Estate



Demonstration for Wayamba University Undergraduates



Coffee Training – Amberley Place Coffee Academy

CREATING AN INNOVATION CULTURE

We encourage employees to participate in learning activities and to contribute innovative ideas. Following experimentation, we are practically utilising a number of innovative concepts. These include:

- Successful application of vermi-technologies to increase yields
- Use of drones for agrochemical spraying
- GIS mapping of estates
- Digital weather stations established in Alton, Gouravilla and Mahanilu estates
- Controlled farming techniques (polytunnel cultivations)
- Solar powered water pumping systems



GIS Map – Bambarakelly Estate



Polytunnel Project

INTELLECTUAL CAPITAL

AUTOMATION AND DIGITALISATION

We have fast tracked our automation and digitalisation strategy, to revolutionise our plantation management and production.

Green Leaf Collection and Digitisation Process

The traditional green leaf collection process for the past 50 years, involves manual scales and field officers using paper to record check roll and attendance. We have modernised this process through a Tea Collection Automation Solution, using state of the art technology including IoT solutions and Artificial Intelligence, to speed up the process and eliminate errors and bias. In addition, this cloud-based solution allows management to view all field collections from the head offices. The system also provides field to factory traceability and reduces the cost of production.

Field to Factory Digitisation

- Digital weighing of tea green leaf at field level and factory
- Digital weighing of fired teas, to increase ease of monitoring the out-turn
- Worker attendance marked digitally
- Solar power generation monitoring by the Sunny Portal digital platform
- Digital weigh bridges for accurate details of each dispatch leaving our factories
- Automation of tea manufacturing in 7 factories(rolling to shifting sections)
- Automated temperature controlling system for troughs in Bambrakelly Tea Factory to reduce withering time

- Introduced "Nowcast" Weather App to obtain accurate weather data to support more informed operational decision making for selected tea and rubber estates. The Nowcast App is a pilot project implemented at HPL's Fairlawn, Bambrakelly, Neuchatel and Halwatura estates.
- Machine Plucking :We use motorised machines in all plantations, to overcome the shortage of manual harvesters.
- Machine Tapping: We are using machines for rubber tapping to overcome labour shortages and rising labour costs.

- Mechanised Foliar Application: Foliar application using mist blowers and tractor mounted machine is a faster method to quickly correcting deficiency symptoms.

Latex Collection Digitisation

Traditional rubber collection from the field remains a manual process of using dipsticks and lacto-meters. Due to the manual nature of this method, there is room for manipulation. HPL is currently experimenting with the use of the latest IoT technology with UV scanners and sensors, to measure the volume, instead of dipsticks and using computer vision to identify the density from the lactometer. This will eliminate any manipulation and provide more accurate data.

Accu Weather App

We have adopted the Accu Weather app for decision making such as, the application of fertilizer, planting tea, rubber and other crops, plucking operations, processing tea and nursery operations.

In particular, the use of the app in rubber estates, to decide when to commence rubber tapping and collection of latex etc., has proved effective.



Sunny Portal – Solar power generation monitoring platform

VALUE ADDED PRODUCTS

In 2022, HPL developed a number of innovative value-added products that have contributed to our bottomline.

These value-added products were developed through our research findings, such as the caffeine content and the quality of coffee by changing processing aspects, and determining the sugar content (Glucose, Fructose & Sucrose) which effect on quality of seasonal tea.

We are currently working with Wayamba University to improve our value-added coffee offering. We will also expand value additions through our polytunnel produce such as scotch bonnet, bell pepper and tomatoes.

- **Value Added Tea**

Our most recent value addition is the range of single origin teas for the international market. We have signed up with Delmage Forsyth & Co., Ltd., to leverage their marketing expertise in order to promote these single origin teas in overseas markets.

- In addition, we have also entered the local market with green tea bags, Mincinglane tea bags, flavoured tea six packs.

- **Value Added Rubber**

Frocester and Neuchatel factories are renowned for sole crepe and crepe manufacture. Coloured crepe that we manufactured are exported.

- **White Coconut Oil**

HPL has commenced operations of it first white coconut oil factory in Frocester estate.

- **Coffee**

We have established a coffee processing centre in Tillicoultry estate and we have successfully introduced medium roasted coffee beans to the market in attractive packaging.

- **Cinnamon**

We have introduced cinnamon quills to the market in attractive packaging.



HUMAN CAPITAL



As a core component of our modernisation drive, we emphasised the acquisition of new skills through training and re-training across the organisation hierarchy.



Horana Plantations PLC Certified as "Great Place to Work" and recognised as one of the top 15 companies amongst the 45 companies who were certified as great place to work in 2023.

Our human capital base comprises all our employees ranging from the Chief Executive Officer and senior management to our estate workers, who contribute towards our value creation process both individually and collectively by operationalising our growth strategies at ground level. During the year, we continued to develop our human capital base by fostering a performance culture of equal opportunities. As a core component of our modernisation drive, we emphasised the acquisition of new skills through training and re-training across the organisation hierarchy.



PLANS FOR THE FUTURE

- Training on GMRs and GAPs
- Initiatives on Capacity Building on Worker Community
- Appointment of Female Supervisory Staff – Gender Equality
- Safe and Affordable Housing
- Provide Safe and Nutritional Food
- Access to Vocational and Higher Education
- Implementation of HRIS – ORACLE IT Solution

Incidents of Child Labour - NONE

Incidents of Forced Labour - NONE

Incidents of Discrimination - NONE

STATEMENT OF COMPLIANCE

HPL did not face any significant fines or penalties during the year under review for non compliance or delays in compliance with any applicable labour regulations. All statutory payments have been made on time.

HUMAN CAPITAL GOVERNANCE

All Human Resource related matters are handled centrally under the stewardship of the HPL's HR function. The role of HR:

- Establishing, reviewing and updating the Company's HR policies and practices to reflect all applicable covenants under current employment labour laws and labour agreements.
- Communicating corporate values and maintaining effective two-way communication to enable employees to address any grievances.
- Recruitment process, assessment, screening, appraisal / performance evaluation, career progression.
- Training and development, hours of training, aspects trained in.

Total Remuneration



Rs. **1,258**Mn

Total Employees



3,434

Female



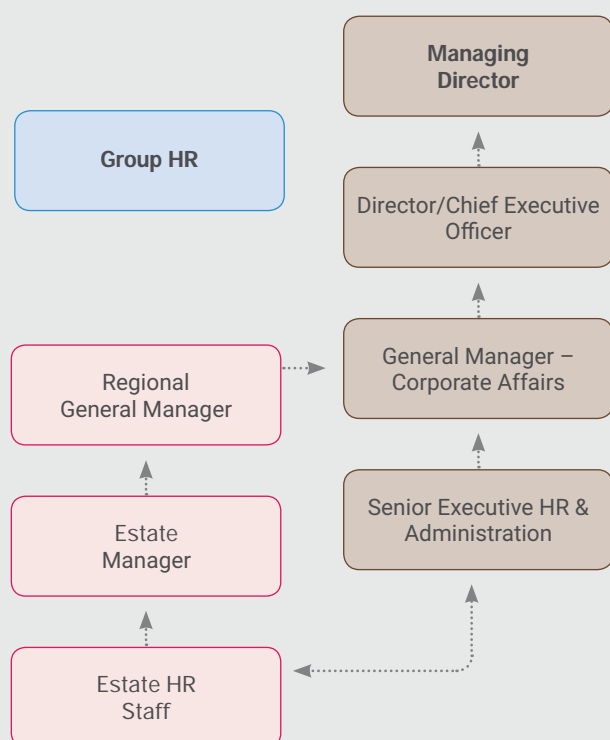
1,954

Male



1,480

HUMAN CAPITAL STRUCTURE



LABOUR LAWS

- Staff Collective Agreement
- Shop and office act no 19 of 1954
- Wage Board Ordinance
- Provident Fund Acts (ETF, EPF, CPPS & ESPS)
- Payment of Gratuity Act No. 12 of 1983
- Factories Ordinance No. 45 of 1942

HUMAN CAPITAL POLICY FRAMEWORK

- Employment Policy
- Occupational Health and Safety Policy
- Sexual Harassment Prevention Policy
- Child Labour Policy
- Gender Equality Policy
- Anti-discrimination and Anti-harassment Policy
- Anti-forced Labour Policy
- Freedom of Association Policy
- Youth Policy
- Contagious Diseases Policy

HUMAN CAPITAL

OUR EMPLOYEE PROFILE

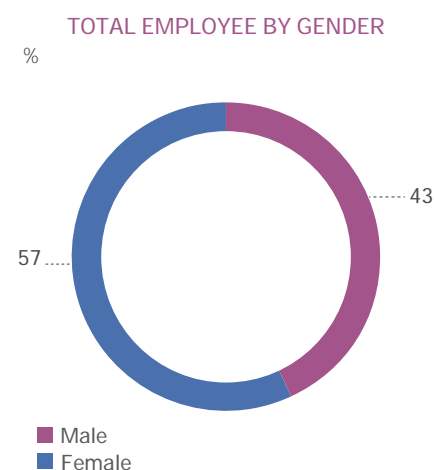
GRI 2-7

EMPLOYEES

- a. Total number of employees and a breakdown of total by gender and by region

Total employees by Gender

Male	1,480
Female	1,954
Total	3,434



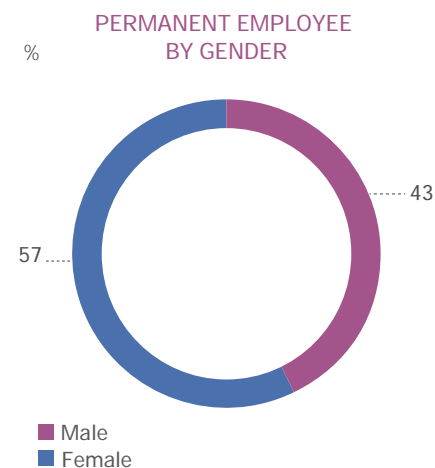
Total employees by region

Up Country	
• Upcot	1,567
• Lindula	564
Low Country	1,272
Head Office	31
Total	3,434

- b. (i) Permanent employees, and a breakdown by gender and by region

Permanent employees by Gender

Male	1,393
Female	1,844
Total	3,237



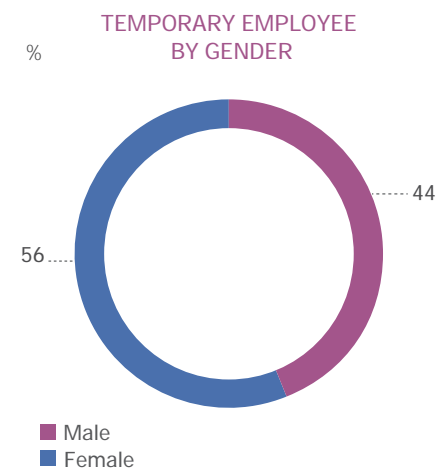
Permanent employees by region

Up Country	
• Upcot	1,563
• Lindula	558
Low Country	1,088
Head Office	28
Total	3,237

- (ii) Temporary employees, and a breakdown by gender and by region

Temporary employees by Gender

Male	87
Female	110
Total	197



Total employees by region

Up Country	
• Upcot	7
• Lindula	3
Low Country	184
Head Office	3
Total	197

(iii) Non-guaranteed hours employees, and a breakdown by gender and by region

- (iv) Full-time employees, and a breakdown by gender and by region
- Same as permanent employees

(v) part-time employees, and a breakdown by gender and by region

- b. Methodologies and assumptions used to compile the data including whether the numbers are reported in head count, full-time equivalent (FTE), or using another methodology
- Monthly reports are received from estates in which relevant employee details are included. Further, monthly HR meetings are conducted in the regions and relevant details are discussed.
- Estate employee head counts are counted by-annually, at a general muster by the management, and reconciled with the records in the IT system. Estate workers who have not reported to work for 30 days continually without proper notice are automatically deleted from the system. This is a physical count which is certified by the estate management

GRI 2-8

WORKERS WHO ARE NOT EMPLOYEES

i. The most common types of worker and their contractual relationship with the organisation;	We employ approximately 200 contractual workers, mainly in our estates. They are been paid on pre agreed tasks.
ii. The type of work they perform	<ul style="list-style-type: none"> • Harvesting • Sundry work such as – Weeding/Fertilization/Draining/ Forking/ Replanting • Watchers • Kanganies
Methodologies used to compile the data, including whether the number of workers who are not employees is reported	<ul style="list-style-type: none"> • Method used is a physical count and the numbers are recorded and reported

GRI 2-30

COLLECTIVE BARGAINING AGREEMENTS

a. Percentage of total employees covered by collective bargaining agreements	<p>100% of HPLs estate staff is covered by collective agreements.</p> <p>The minimum wage standards stipulated by the Wages Board Ordinance serves as the overarching mandate for determining wage structures for our estate workforce.</p> <p>The collective agreement between the company and the Trade Unions provide for the revision of wages and benefits every 2 years.</p> <p>Industrial Relations</p> <p>In all our plantations workers have freedom to engage in the collective bargaining process, with active trade unions.</p> <p>Further being a member of Ceylon Planters' Association, HPL also participates in broader industry-level forums with Unions, Commissioner of Labour, Ministry of Plantations Industries etc., to resolve issues pertaining to workers. We also arrange for regular awareness sessions to be conducted by the Labour Department of the Sri Lanka to educate our estate workforce on labour rights and the solutions available to them.</p> <p>Meanwhile executive and middle management level employees are given ample opportunities to join in key meetings such as the Managing Director's review meetings, both at the corporate level and the group level.</p> <p>Operational changes are communicated to all employees upon receiving approval of the corporate management. Managers are responsible for communicating such changes to their respective teams and are required to inform employees at least 01 month prior to any changes being implemented.</p>
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HUMAN CAPITAL

b. For employees not under collective bargaining agreements, whether working conditions and terms of employment are based on collective bargaining agreements that cover other employees, or based on collective bargaining agreements from other organisations

Salary scales for executive level employees are market competitive and reflect our commitment to merit-based pay. As a non-discriminatory employer, we maintain a 1:1 ratio in the remuneration provided to men and women in similar roles.

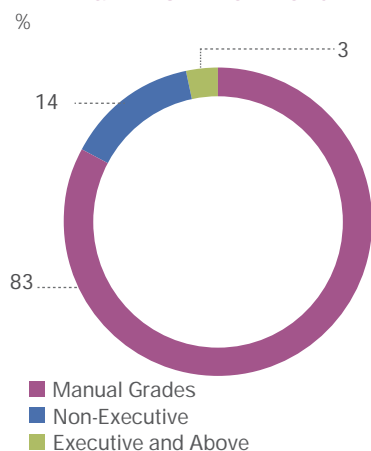
The benefit structures for executives are based primarily on the Shop and Office Employees Act of 1954, EPF Act, ETF Act and the Payment of Gratuity Act of Sri Lanka. Accordingly, we contribute 12% of an employees' basic salary to the Employees Provident Fund and a further 3% to the Employees Trust Fund. As specified under the Act, we make provision for Gratuity Payment annually for all employees who have been employed by the Company for over 60 months.

In addition to the statutory benefits, all permanent employees are entitled to the following benefits;

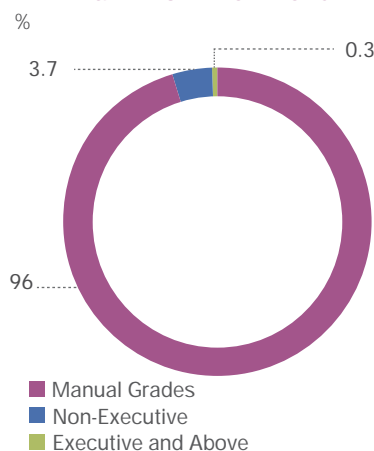
- Medical
- Workmen's Compensation
- Attendance incentive
- Opportunities for other income generation such as Outgrow Model, Buy Back weeds
- Healthcare insurance - outpatient medical expenses
- Production, attendance, shift and grading incentives
- Bonus/Incentive

Category	Male	Female	Total
Executive	46	5	51
Non-Executive	205	76	281
Manual	1,229	1,873	3,102
Total	1,480	1,954	3,434

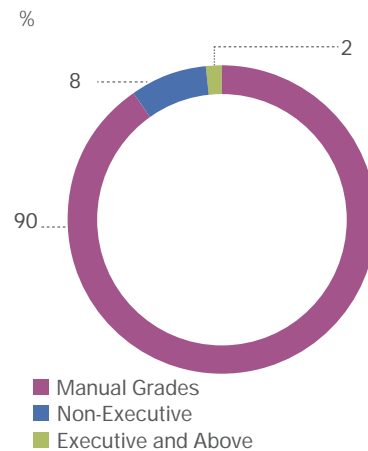
MALE EXECUTIVE, NON-EXECUTIVE & MANUAL WORKFORCE



FEMALE EXECUTIVE, NON-EXECUTIVE & MANUAL WORKFORCE



EXECUTIVE, NON-EXECUTIVE & MANUAL WORKFORCE



GRI 401:

EMPLOYMENT 2016

GRI 3-3

Management of material topics

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>HPL has a very strong human resource governance system that prevents any potential negative impacts of employment such as child labour, forced labour, gender discrimination and workplace violence, mistreatment and sexual harassments.</p> <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • We generate decent work opportunities for estate populations and others • We enhance quality of life of estate populations thorough employment creation • We contribute to the national GDP • We provide equal opportunities for women
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	<ul style="list-style-type: none"> • HPL and its business partners were not involved in any negative impacts of employment during the year under review • However, due to shortage of estate workers, there is a negative impact on the national production and thereby, the economy.
c. Policies or commitments regarding the material topic	<ul style="list-style-type: none"> • HPL Social Policy <p>The policy is based on national legislation and international instruments including the UNGC and ILO.</p> <ul style="list-style-type: none"> • In hiring personnel, administrators will avoid discrimination based on race, colour, religion, sexual overtures or civil status and will not limit the workers' right to organise in to worker councils or trade unions & recruitment would always be to national age requirements, preferably employing those who are inhabitants of neighbouring communities. • All resident and non-resident employee families have access to education and health services. • Recruitments will not be done through intermediaries or contractors. • Overtime, days off, vacations and other rights established by law are recognised for all temporary and permanent workers. • HPL is committed to uphold the Plantation Industry Collective Bargaining Agreement. <p>To maintain gender equity:</p> <ul style="list-style-type: none"> • Parental leave options to both men and women • Flexible working arrangements • Breastfeeding facilities within plantations • Maintain awareness around family and domestic violence

HUMAN CAPITAL

<p>d. (i) Actions to prevent or mitigate potential negative impacts</p>	<ul style="list-style-type: none"> • We arrange for regular awareness sessions by the Labour Department of the Sri Lanka to educate our estate workforce on labour rights and the solutions available to them. • Plantation Executives to conduct weekly discussions with union leaders on matters of concern and meet the unions on request • Awareness programs are conducted for both employees and estate communities on gender rights and child protection • Company Code of Conduct is communicated to all employees • Training programs are conducted on correct application of quality standards to prevent any negative impacts on production • Regular review of policy, procedures and strategies to ensure gender equity principles are maintained • Ensure gender representation in all cross functional teams, interview and assessment panels • Ensure that gender equity exists with regard to remuneration of employees • Seek opportunities to encourage gender diversity in positions historically filled by gender stereotypes
<p>(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;</p>	<p>Grievance management</p> <p>Being part of the broader Hayleys umbrella, HPL has also adopted the formal grievance procedure of the Group. The grievance procedure is maintained by the HR Department. Employees can escalate any concerns directly to the HR head. Estate management teams educate their workforce in their local language regarding the mechanics of the grievance procedure.</p> <p>Workers can raise grievances through union leaders or through discussions with the Child Development Committees, Kovil Committees, Voluntary Worker Committees and Sport Committees.</p> <p>Plantations Executives also meet union representatives on request to discuss and settle matters related to industrial disputes and worker welfare.</p>
<p>(iii) Actions to manage actual and potential positive impacts</p>	<ul style="list-style-type: none"> • Training and Development programs have been implemented to improve productivity • Employees are given with KPI s to achieve, those have been monitored by the management.
<p>e. (i) Tracking the effectiveness of the actions taken</p>	<ul style="list-style-type: none"> • Progress Reports/ Review Meetings • Company has a robust methodology to monitor the effectiveness of the actions, wherein all KPIs are monitored estate wise action taken accordingly

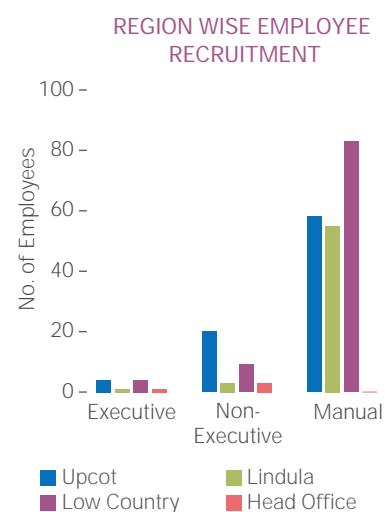
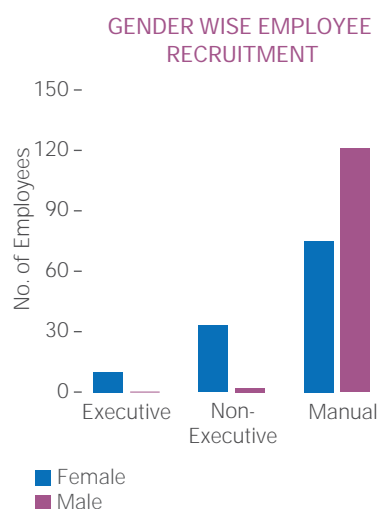
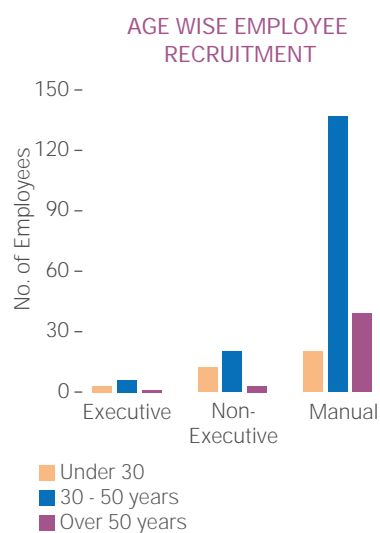
(ii) How lessons learned are incorporated into policies and procedures	During our monthly reviews, lessons learned and good practices are discussed and recorded. Management incorporate all lessons learned in operational policies and procedures and amend policies when necessary.
f. How engagement with stakeholders inform actions	<ul style="list-style-type: none"> Designated Plantations Executives conduct weekly discussions with union leaders on matters of concern in the areas of work, welfare, disputes etc. Recorded minutes of these meetings are summarised and presented to the Top Management for review and necessary action. Plantations Executives also meet union representatives on request to discuss and settle matters related to industrial disputes and worker welfare.

GRI 401-1

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.

Category		Executive	Non-Executive	Manual	Total
Age Group	Under 30 years	3	12	20	35
	30-50 years	6	20	137	163
	Over 50 years	1	3	39	43
	Total	10	35	196	241
Gender	Male	10	33	75	118
	Female	-	2	121	123
	Total	10	35	196	241
Region	Up Country	4	20	58	82
	Lindula	1	3	55	59
	Low Country	4	9	83	96
	Head Office	1	3	-	4
	Total	10	35	196	241



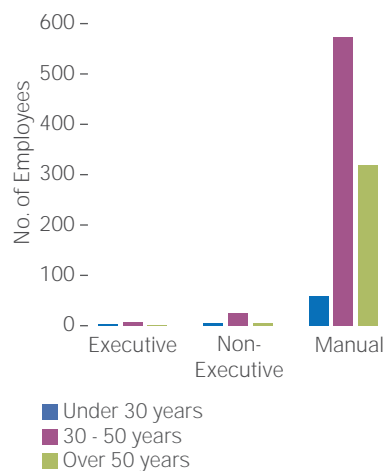
HUMAN CAPITAL

b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.

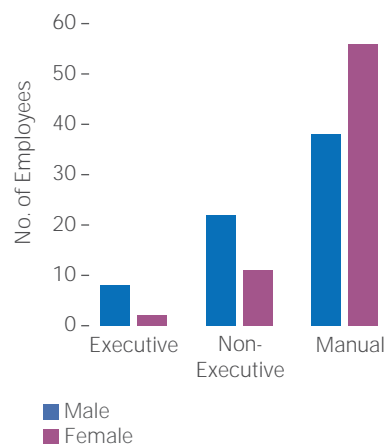
Category		Executive	Non-Executive	Manual	Total
Age Group	Under 30 years	2	4	59	65
	30-50 years	7	24	572	603
	Over 50 years	1	5	319	325
Total		10	33	950	993
Gender	Male	8	22	382	412
	Female	2	11	568	581
Total		10	33	950	993
Region	Up Country	4	14	422	440
	Lindula	2	7	268	277
	Low Country	1	9	260	270
	Head Office	3	3	-	6
Total		10	33	950	993

We experienced a higher rate of employee turnover during 2022/23, mainly in the manual category, as employees went abroad or to find other employments, due to the escalating cost of living and difficulties faced by the plantation sector, due to shortage of fertiliser and fuel.

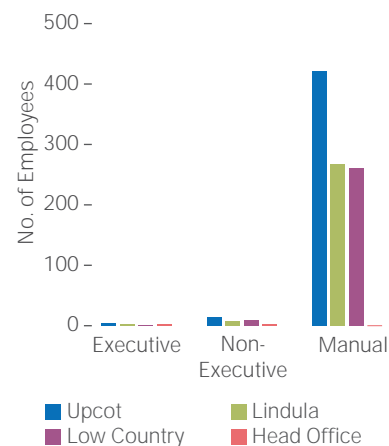
AGE WISE EMPLOYEE TURNOVERS



GENDER WISE TURNOVERS



REGION WISE TURNOVERS



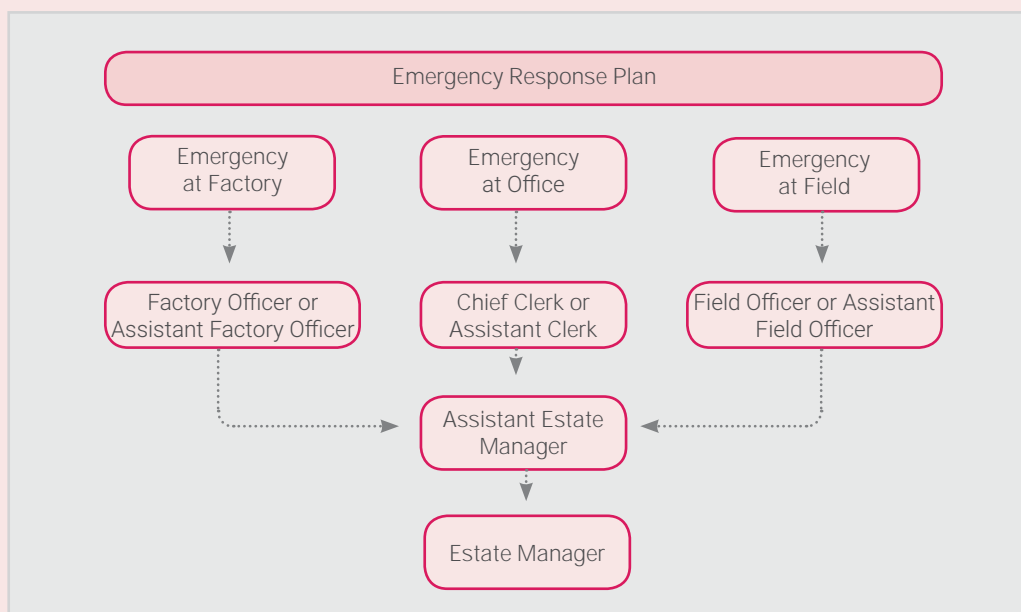
GRI 403:

OCCUPATIONAL HEALTH AND SAFETY 2022

GRI 3-3

Management of material topics

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>Negative impacts could include injuries and fatalities to employees</p> <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Employees are trained on how to work safely and on health and hygiene aspects • This learning is carried back to estate families by estate workers, improving community quality of life
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts were reported during the year
c. Policies or commitments regarding the material topic	<p>A comprehensive Safety Policy is in place under our "Safety First" concept, at every level of the business.</p> <p>All employees are aware of their duties and responsibilities to work towards our commitment to achieve zero accidents and injuries in the workplace.</p>
d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • HPL has undertaken safety training for executives/staff and labour force – Safety Training Programmes Hours - 225 hrs. • We have provided Personal Protective Equipment to all our sprayers/factory workers • We have set up an Emergency Response Plan to handle Health and Safety Issues



HUMAN CAPITAL

(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	<ul style="list-style-type: none"> • All regulatory health and safety standards are maintained in all our facilities • Executives are covered with a Personal Accident Insurance Cover • Executives are covered with Surgical and Hospitalisation Insurance • Workers are covered under the Workmen's Compensation Act and receive medical Incentives. • We introduced a new accident cover policy for workers in partnership with a leading insurance company.
(iii) Actions to manage actual and potential positive impacts	<p>HPL OHS Plan</p> <p>The key components of our Safety Policy are operationalised through an Occupational Health & Safety (OHS) Plan. The OHS plan was drawn up by an independent professional Occupational Health and Safety officer, and is based on an holistic risk assessment of HPL's business model and value chain. As per the OHS plan:</p> <ul style="list-style-type: none"> • Estate and factory workers who deal with machinery and agrochemical application have been categorised as high risk in terms of health exposure and provided with all required Personal Protective Equipment. • Special shower stations have also been installed within each division to store PPE, chemical supplies and facilitate necessary clean up protocols after handling the chemical. • All high risk workers are further required to present themselves for annual medical tests to verify their health status. • Every estate has qualified medical assistants who provide first aid and basic medical treatment to workers in case of emergencies. • Ambulances services are also available at all our estates so as to manage emergency situations. • All employees are required to undergo specific training inclusive of first aid and fire drill procedures which are conducted by qualified professionals from the Sri Lanka Red Cross society. • Trainings from external sources such as Red Cross are given to all categories of manual workers. • Annual Medical Tests are carried out for factory and agro chemical sprayers
e. (i) Tracking the effectiveness of the actions taken	<p>Our target is zero accidents and injuries in the work place. The record of accidents for the year under review is given below.</p> <ul style="list-style-type: none"> • Fatalities : 1 • Serious injuries : 0 • Minor injuries : 8 • Lost work days : 0
(ii) How lessons learned are incorporated into policies and procedures	<p>Lessons learned are disseminated among staff, and incorporate in policy statements</p>

f. How engagement with stakeholders has informed the actions	<ul style="list-style-type: none"> Any feedback from regulatory bodies such as the Labour Department and Central Environmental Authority, on health and safety, are immediately adopted. Advice from accreditation bodies are implemented Consumer/customer requirements on ethical work place practices are adopted In seeking to build a strong safety awareness culture, we encourage greater employee participation in hazard identification at our factories. We have also incorporated OHS as a key topic in our discussion forums with employee representatives. Stemming from this, we introduced a new accident cover policy for workers in partnership with a leading Insurance Company.
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GRI 403-1

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

a. Whether an occupational health and safety management system has been implemented	Yes. Please refer above responses to the Management of the Material Topic
(i) Whether the safety system is because of legal requirements and, if so, a list of the requirements;	<p>HPL's occupational health and safety management system complies with Sri Lankan labour regulations including:</p> <ol style="list-style-type: none"> The Factory Ordinance No 45 of 1942 Workmen Compensation Act Occupational Health and Safety Policy 2014 Compliance to MSDS criteria in agro chemicals <p>In addition, our occupational health and safety management system incorporates international best practices in health and safety.</p>
(ii) Whether the safety system based on recognised risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines	<ul style="list-style-type: none"> HPL's Occupational Health and Safety Plan was designed and implemented following a formal health and safety risk assessment conducted by a professional, independent health and safety specialist. The safety system complies fully with Part 11 and 111 of the Factories Ordinance of Sri Lanka.
b. Description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.	<ul style="list-style-type: none"> All workers are covered by the OHSS Estate and factory workers who deal with machinery and agrochemical application have been categorised as high risk in terms of health exposure and provided with all required Personal Protective Equipment. All high risk workers are further required to present themselves for annual medical tests to verify their health status.

HUMAN CAPITAL

GRI 404:

TRAINING AND EDUCATION 2016

GRI 3-3

Management of material topics

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>Health and safety risks due to lack of awareness on correct handling of equipment/machinery</p> <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Improved safety standards • Higher productivity • Less wastage • Cost savings • Maintain/improve product quality • Maintain food quality and safety standards (Ensure Maximum Residue Levels of black tea) • Better customer satisfaction • Introduce process and system innovations
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts related to training was reported during the year
c. Policies or commitments regarding the material topic	HPL is an equal opportunity non-discriminatory employer and provides training and development opportunities for all employees regardless of race, age or gender.
d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Monitoring all training activities, to prevent any abuse or discrimination • Ensure qualified training partners and resource persons to provide correct training and information for employees • Obtain employee feedback on the quality of training
(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No negative impacts related to training have been reported. However, employees can provide feedback on training, which can address any negative impacts.
(iii) Actions to manage actual and potential positive impacts	<p>An annual training calendar sets out our training priorities covering all HPL employees including the estate workforce.</p> <p>Training programs for estate workers typically focus on Tapping and Plucking techniques, while factory teams, field teams , HR teams , office staff receive job-specific technical and operational training.</p> <p>Plantations Executives are trained locally or overseas in deferent aspects, to innovate and contribute positively towards decision making.</p>

	<p>Plantation Staff are offered training in various aspects, facilitated by the HR division of the Hayleys Plantation Sector.</p> <p>The pandemic situation in this past year prompted us to implement a new digital learning platform to conduct training for our executives, staff and estate management teams.</p> <ul style="list-style-type: none"> • Executives are mostly trained at NIPM and Research Institutes • Labour Department conducted sessions for Manual Workers on Labour Laws and related topics • Follow ups on trainings are been carried out periodically. • In addition we encourage employees with scholarships and funding schemes for education. • Employees are also encouraged to subscribe to memberships in professional associations.
e. (i) Tracking the effectiveness of the actions taken	<ul style="list-style-type: none"> • The annual training plan is reviewed quarterly. • Corporate Management monitors the program. • We obtain feedback from the participants on how effective the training has been • Appraisals are used to measure performance before and after training to identify improvements in performance.
(ii) How lessons learned are incorporated into policies and procedures	<ul style="list-style-type: none"> • Training programs are continually updated, improved or newly created based on lessons learned • Executives and staff are encouraged to share their learning and training experiences with their colleagues and the management. Training assignments also serve as an important tool for knowledge sharing.
f. How engagement with stakeholders has informed the actions taken	<ul style="list-style-type: none"> • Product and service related feedback is obtained regularly from customers and buyers which are used to identify training needs and develop training programs • Employee feedback on training needs are obtained during appraisals and from trade unions • Feedback from universities and research institutions are used to provide training on modern scientific methods • Feedback from regulatory bodies such as the Labour Department, are immediately adopted • We also collaborate with leading external training specialists such as JESTICA, NIPM, ETP and Labour Department to implement technical, soft skill and leadership training for Executives/ Non-Executives and Staff. Such programmes are usually followed by impact assessments to establish how the business is benefiting from these targeted interventions.

HUMAN CAPITAL

GRI 404-1

AVERAGE HOURS OF TRAINING PER YEAR, PER EMPLOYEE

a. Average hours of training that the organisation's employees have undertaken during the reporting period,

The Company encourages Executives/ Staff to participate in various trainings. Some sessions are done in house.

Head Count	Estate Management and Head Office Executives	Staff	Workers	Total
Head Count	51	281	3,102	3,434
Training Head Count	105	710	2,810	3,625
Training Person Hours	502	1,756	3,232	5,490

TRAINING AND DEVELOPMENTS

Investment



Rs.5.4Mn

Field training for Estate Staff/ Manual Workers during the year

- Mechanical Harvesting of tea and rubber
- Good Agriculture Practices
- Agro Chemical Spraying. Training given to Agro Chemical Sprayers contributes towards ensuring MRL (Maximum Residue Levels) of Black Tea is at acceptable levels.

Average hours of training by gender

Gender	Average Hours
Male	1.47
Female	1.55

Average hours of training by employee category

Employee category	Average Hours
Executives	4.76
Non Executives	2.47
Manual Workers	1.15

TRAINING EVENTS DURING THE YEAR

Training in collaboration with NIPM, JESTICA

HPL collaborated with organisations such as JESTICA, NIPM, ETP to provide training in Management, Motivation and Skill Development for Executives and Non-Executives. The Company also provides training for estate workers on Plucking, and Export Based Agri Products as well as in-house and operational skills improvements.

In addition to the above, we provided:

- Training for workers in collaboration with the Tea Research Institute, and Rubber Research Institute, and the Agriculture Department
- Vocational training for field workers and family members



Pluckers Training Program – Up Country

Health and safety training during the year



Health and safety training included first aid training and fire drill procedures



Leopard Awareness Program Collaboration with Wildlife and Nature Protection Society & Rainforest Alliance - Upcountry

Training on Coconut Cultivation & Value Added Products from Coconut in Thailand



Training on Coconut Cultivation

Evening with an expert



Evening with an expert

PERFORMANCE MANAGEMENT

All permanent employees face regular performance evaluations. These evaluations help to determine the growth potential of each employee and identify leadership capacity of each individual. A fully fledged performance management system is in place to facilitate target setting, ongoing monitoring and a mid-year review and concluding with the annual performance appraisal.

The findings of the annual performance appraisal are used to determine bonus entitlements and also form the basis on which promotions are established. The annual performance appraisal mechanism is an important tool in identifying training gaps of individual employees.

The performance of the labour force is evaluated as per the conditions outlined under the collective agreement.

Each level of employees is evaluated, and the evaluation criteria are included below.

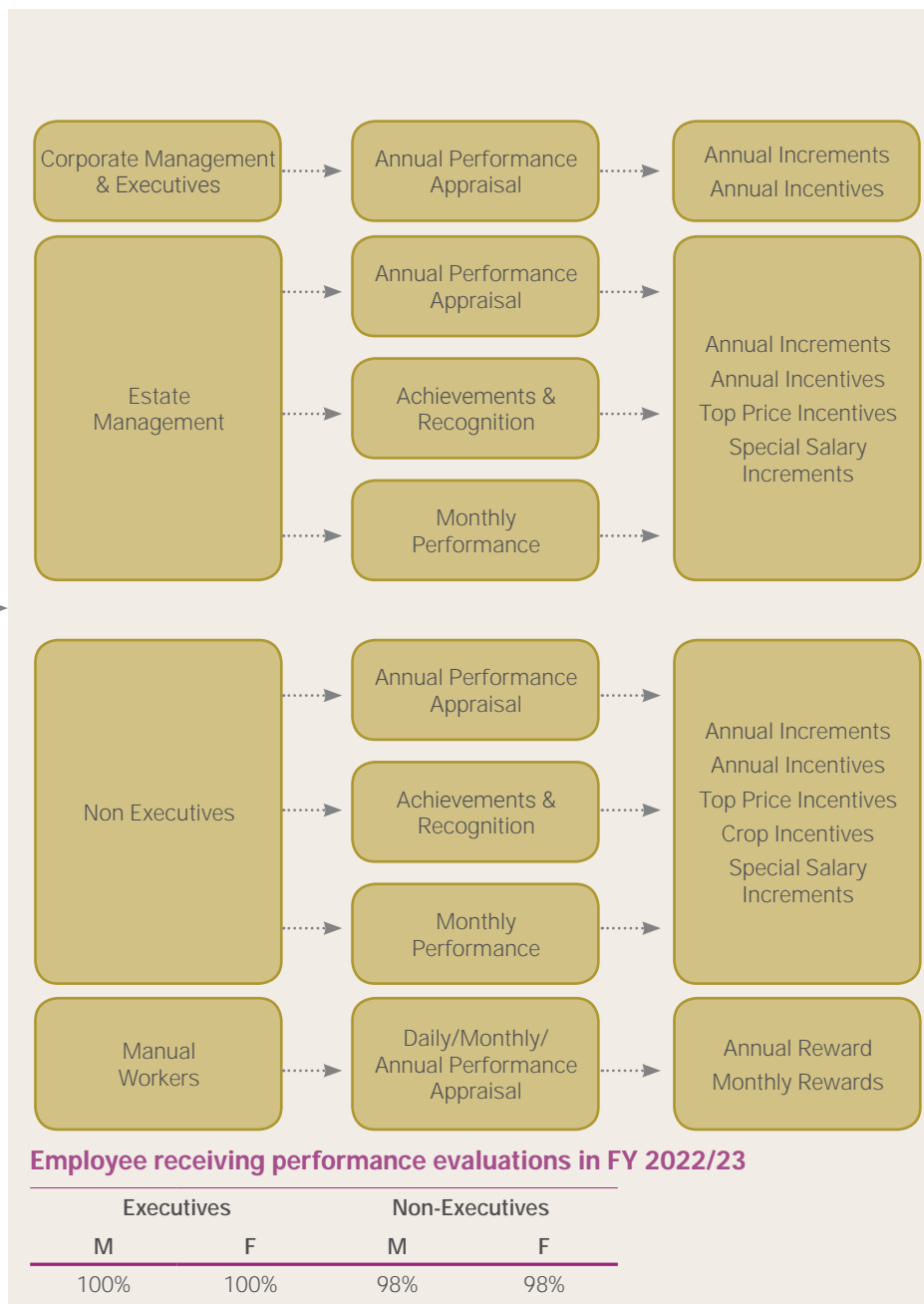
HUMAN CAPITAL

Every employee level is evaluated, and the evaluation criteria included below,

Location	Level of Management	Appraiser	Appraisee	Key Performance Indicator	
HEAD OFFICE	Corporate Management	Board of Directors MD/CEO	MD/CEO Senior Management	Company Profit ROE ROCE Earning per Share	
HEAD OFFICE	Executives	Senior Management	Executives	Company Profit ROE ROCE Earning per Share	
PLANTATIONS	Managers/ Asst. Managers	Regional Head (Director Plantation/ Regional General Manager)	Managers/ Asst. Managers	Financial Perspective Business Process Perspective Customer Focus Perspective	
PLANTATIONS (Non- Executives)	Production Staff	Manager	Production Staff	Gross Sale Average Labour Output Firewood Output Electricity Output	
PLANTATIONS (Non-Executives)	Supervisory Staff	Manager	Supervisory Staff	Labour Out-turn Plucker Intake Yield Leaf Standard	
PLANTATIONS (Non-Executives)	Supportive Staff	Manager	Supportive Staff	Vehicle Condition Fuel Efficiency Machinery Maintaining Cost Electricity Cost	
PLANTATIONS (Non-Executives)	Health & Welfare Staff	Manager	Health & Welfare Staff	Worker Out-turn % of Child Attendance % of Registered Children Applicability to Key Value Drivers	

Rewards are based on performance of employees on following criteria:-

Key Performance Indicator	
Market Position Awards & Employee Productivity Rate Industry Rank	
Job Knowledge Cost Control Job Commitment Planning & initiatives	Use of Resource Target Achievements Human Management Honesty & Integrity
Learning & Development Perspective Competencies Values	
Gross & Net Out-turn Refuse Tea % Grade Mix Top Prices	Job Knowledge Cost Control Job Commitment Planning & Initiatives Use of Resource Target
Plucking Rounds Progress of Cultivation Work Replanting Crop Achievement	Achievements Human Management Honesty & Integrity
Progress of Human Development Health of Estate Community	



HUMAN CAPITAL

MOTIVATION AND RECOGNITION

Our estate workforce are entitled to receive productivity incentives, where high performing harvesters who achieve beyond the norm (i.e.) < more than 18 kg harvested per day, are granted an additional allowance. HPL has made it a priority to provide this incentive to each one extra kilo which has been harvested.

Attendances incentives are also provided to pluckers who regularly report to work, while profit sharing incentives are granted based on the respective estate profits. Appreciation incentives are provided for good standard of work –plucking, field and cultivation Every month, the best Plucker of the Estate is rewarded with household gifts or rations.

We recognise our workers on their retirement with an appreciation letter issued by our Managing Director.

Great Division to Work

Hayleys Plantations organised Great Division to work Competition to assess their estate wise divisional work under following ten criteria.

1. Health & Nutrition
2. Maternal Care
3. Child Care & Development
4. Clean & Tidy Homes & Workplaces
5. Training & Development
6. Motivation & Team Work & Engagement
7. Productivity Improvements
8. Enhanced Earning
9. Improved Quality of Work Life
10. Improve Quality of Non-Work Life

Each divisions of separate estates prepared presentations according to above criteria that they have done during last period of time. Panel of judges assessed according to marking criteria through physical visits and presentations. Selected divisions rewarded with valuable medals and certificates.



The Winner – Eildon Hall Estate (Eildonhall Division)

Best Plucker Competition

'Annual Best Harvesters' or Best Plucker competition identifies the best harvester per division and train them for the final competition by motivating them and take caring of their nutrition etc. Final competition organised in grand manner under the direction of Managing director. Best Plucker selected according to the selection criteria such as leaf quantity, leaf quality, bush maintenance etc. Winners are awarded with certificates and gifts. Ultimate goal of this competition is to motivate and encourage them actively engage with harvesting activities.



Best plucker Competition

Staff Symposium

Company organises a Staff Symposium annually to conduct annual staff awards ceremony and motivate staff members. In the staff awards ceremony, company identified best staff members under the five areas including office staff, field staff, factory staff, HR staff and welfare staff. Selection was done based on the performance ranking. Selected staff members rewarded with awards and valuable gifts.



Staff Symposium

Management Symposium

Hayleys Plantation Sector organised management symposium for estate management above executive grade based on "Innovative Business Thinking and Applications". Participated estate teams were assessed based on their presented new ideas, concepts of new development. Panel of judges evaluate presentations under following criteria and selected best presentations for rewards.

- Relevance to the business and value addition
- Impact to the company business to transform to the new normal situation and sustainability of the concept
- Creativity and innovation in the practices
- Research skills
- Overall case presentation

Fairlawn, Bambarakelley estate managers have been rewarded in the Management Symposium in 2022 for their innovative business applications.

WORK-LIFE BALANCE

Work-life balance initiatives for our workforce are centred on holistically supporting the needs of estate communities (Refer Social and Relationship Capital for more details).

Meanwhile HPL aligns with the Group initiatives to enable its executive employees to benefit from a better work-life balance.



SOCIAL AND RELATIONSHIP CAPITAL



Our social capital is the intangible, but vital asset of goodwill and good reputation within our industry and also wider society. We maintain and enhance our goodwill primarily by fostering a network of cooperative relationships with our business partners, customers, estate communities and other external groups that interact with us in our daily operations.

These interactions are vital for the sustainability of Company, as the Company cannot function without the cooperation and support of this network. Therefore, we make all attempts to foster positive relationships with these groups. This chapter will describe how we added value to our social capital during the year under review and should be read in conjunction with the GRI stakeholder engagement disclosures.



COMMUNITY WELFARE TARGETS BY 2030

- Increase the Literacy rate up to 90%
- Provide Separate housing units for each worker family
- Provide Safe drinking water facilities for all family units
- Provide individual sanitation units facilitate to all family units
- Open e-learning centres in all estates
- Open Skill Development Centres in 3 regions
- Zero Anemia of all workers
- Empowerment of 50% of women in all estates
- Increase Revenue share to 80% of the workers
- Zero school dropouts

Beneficiaries



25,000+

Estate Community

OUR SOCIAL CREDIBILITY

Our credibility continued to strengthen during the year under review, by receiving both local as well as international recognition for our sustainable operational and production standards. In addition, we have continued to maintain a level of social compliance which is above and beyond the national regulatory framework.

We have continued to invest in international quality accreditations to maintain the quality of our products and production processes.

Quality accreditation	Environmental safety accreditation	Ethical business accreditations
ISO 9001 : 2015	ISO 14001: 2015	Fair Trade
ISO 22000: 2018	ISO 14064- 1: 2018	Fair Rubber
HACCP	Eco Label	Ethical Tea Partnership
Chain of Custody (COC)	Rainforest Alliance	Mother and Child friendly Seal for responsible Business
	Forest Stewardship Council	

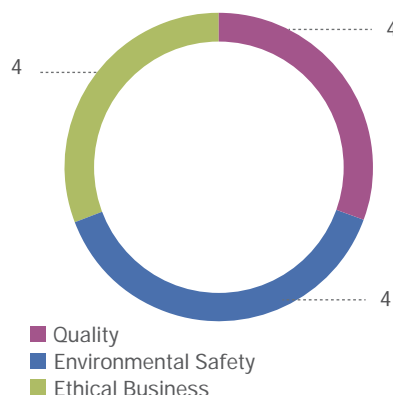


We have expanded our social responsibility to incorporate international environmental standards and globally recognised ethical business practices, into our supply chain and value chain



Horana Plantations PLC has implemented its Child Protection Policy across all its estates to provide a safe environment to live in for children and mothers.

ACCREDITATIONS



No. of New Suppliers



195

No. of Nutrition Programs



4

No. of Home Gardening Project



224

SOCIAL AND RELATIONSHIP CAPITAL

REGULATORY COMPLIANCE

HPL did not face any fines or penalties for delays or non compliance with any regulations pertaining to customer health and safety, labelling and marketing or any other applicable regulations.

Fostering customer relationships

Our customers are mainly in the B2B category purchasing bulk products, but we are gradually developing the B2C category through our value-added range. Either way, we consider our customers to be the end consumers of our products. Hence our approach to building Customer Capital is to provide high quality, safe, sustainably produced goods.

We are proud to record only 10 instances of quality related customer complaints during the entire 12 month period covered in this report, which is a clear testimony of our product quality. Our efficient traceability system for each product makes it possible to eliminate a recurrence in defective products.

Consumer safety

All our teas are manufactured in accordance with ISO 22000 : 2018 Food Safety Management Systems, under UKAS accreditations and industry specific standards issued by the respective governing bodies. In addition, our teas strictly adhere to the maximum residue levels stipulated by Japan, USA & EU. As per the Sri Lanka Tea Board requirements, we periodically test our teas for maximum residue levels from accredited laboratories.

Marketing and Labelling

There were no incidents of non compliance with regulations concerning product labelling during the reporting year.

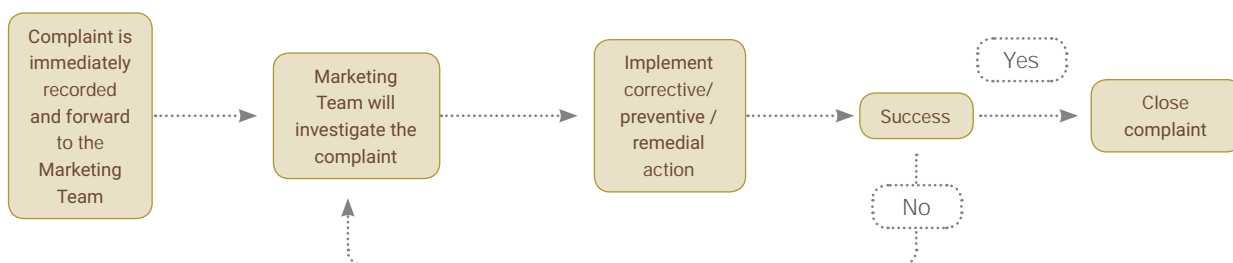
Our teas are mainly sold in bulk form at the Colombo tea auction and comply with the product labelling guidelines set out by The Sri Lanka Tea Board and Ceylon Tea Traders Association. Beyond this, our tea and Rubber products labelled as such ISO 22000 : 2018, Rainforest Alliance, Fairtrade, FSC and Fair rubber certified.



Customer care

We respond immediately to any customer inquiry or complaint.

Customer complaint management process

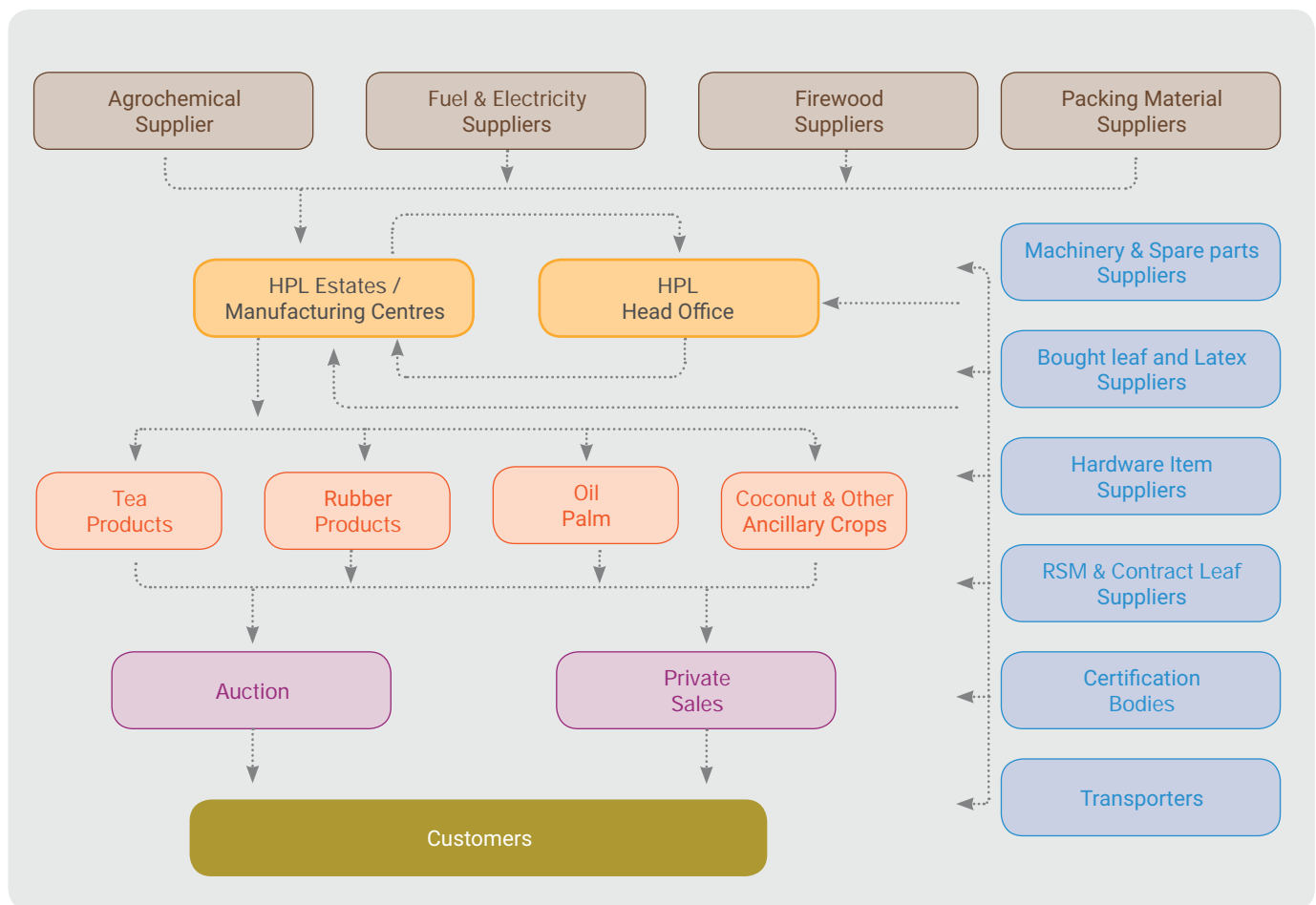


Defects are detected rarely, however in the case of defects, or if a complaint is justified, HPL will provide or replacement.

STRENGTHENING BUSINESS PARTNERSHIPS

Our approach to building ties with business partners/suppliers is based on the principle of shared value. Our main business partners are the bought leaf suppliers, Revenue Share Model leaf suppliers and out growers who account for more than 32% of our annual procurement spend.

HPL supply chain



SOCIAL AND RELATIONSHIP CAPITAL

Procurement Best Practices

We have Board approved, standardised, procurement practices, with digital transaction capabilities that enhance transparency, traceability and merit based contracts, while discouraging corruption and fraud. All procurement activities are subject to regular internal audits. Procurement practices have been developed based on industry best practices.

All procurement done centrally, because of the transparency and quality controlling.

- All selected suppliers are required to follow company policies and accreditation standards and agree to an annual audit by the management.

- We conduct regular due diligence activities to ensure continued alignment with accreditation standards and HPL business ethics.
- From time to time, we also conduct social and environmental impact assessments to identify potential negative impacts across our supply chain. Based on our findings, we offer guidance to suppliers to help them rectify shortcomings and improve their social and environmental credentials. We follow up and review, implementation of recommendations via the due diligence process.

A total of 2,342 suppliers were subjected to social and environmental assessments in financial year 2022/23.

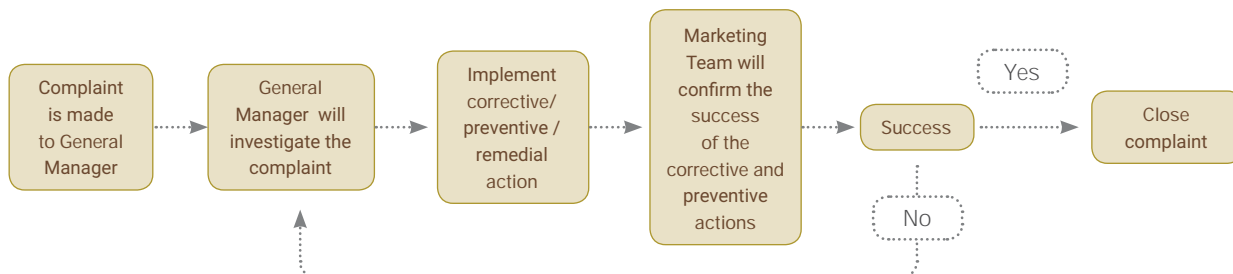
Supplier training

As all bought leaf suppliers are either tea small holders registered with the TSHDA (Tea Smallholders Development Association) or micro entrepreneurs who have collective representation, HPL works with relevant groups to provide training and share knowledge on best practices for mutual benefits.

Credit line

We have opened up a special credit line to extend financial assistance to high performing bought leaf suppliers to help scale up their businesses.

Supplier compliant/grievance management process



Community Development

Our estates are home to over 25,000 men, women and children, and we engage with them through a range of social and economic welfare programs that come within the framework of our community development strategy. While some welfare facilities are provided by the Company, others are delivered by partnering with both government and non-government organisations to channel both funding and specialised technical expertise.



Social Development Program – Eildon Hall Estate

GRI 413:**LOCAL COMMUNITIES 2016****GRI 3-3****Management of material topics**

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>There are no significant negative impacts on local communities due to HPL's business activities during the reporting period.</p> <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Employment opportunities and recognition • Livelihood partnership opportunities • Community development opportunities, including education and health support for estate children and adults.
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts through our activities or business partnerships
c. Policies or commitments regarding the material topic	<ul style="list-style-type: none"> • Child protection policy • Mother and Child Friendly Seal for Responsible Business
d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Training and awareness for staff on gender rights and child rights • Women empowerment training programs • Awareness and training for members of the cooperatives and estate community committees
(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	Structures for reporting and remedial actions are available through community committees and estate managers. Please refer Strategies and Policies chapter
(iii) Actions to manage actual and potential positive impacts	Review mechanisms are available for all community activities involving multiple stakeholders. Activities and processes with positive outcomes are recorded and continued and also reused as part of the organisation knowledge base.
e. Tracking the effectiveness of the actions taken	<p>Effectiveness of actions are tracked through</p> <ul style="list-style-type: none"> • Stakeholder meetings • Number of grievance or complains of local community
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	Regular meetings with community representatives, and community committees provide information on how effective or not, our actions have been with regards to all our projects. Such feedback is used to adjust project delivery parameters in future.

SOCIAL AND RELATIONSHIP CAPITAL

GRI 413-1

OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS

Operations with local community engagement

- **Guaranteed buy-back programs:** We are the first plantation Company to successfully introduce the Revenue Share Model (RSM) among estate communities. The RSM allows estate residents to cultivate tea plots with the estate under a guaranteed buy back price from the Company. The weed buy-back arrangement works along the same principles.
- **Out grower model:** We provide land to estate communities for home gardening and technical knowledge to maintain poly-houses. We also engage with external partners to provide funds, technical support and seeds. Excess vegetables and fruits from poly-houses and home gardens are used to provide free, mid-day meals for children under 5-years in 17 CDCs in five estates. While supporting child nutrition, this system promotes healthy eating habits at a young age and familiarises estate youth and adults with modern cultivation techniques, creating job opportunities. Any additional vegetables and fruits are transported to the Hayleys Head Office and are sold to employees of the Company generating additional income for estate families.
- **Fair trade/ Fair Rubber :** HPL receives a premium for certified transactions from Fair Rubber/Fair Trade buyers. This payment is transferred directly to the estate's Fair Rubber/Fair Trade welfare accounts and used for community initiatives.



Mid-day meal for Child Development Centres



HPL Home Gardening Project

- **Partnering the Pekoe Trail -** We are partnering the Pekoe Trail by opening our estates to the participants of this 300km EU funded hiking project. By cutting across the central highlands, through the vast network of tea trails that make up the Sri Lankan tea country, the trail is expected to generate many tourism and hospitality related opportunities for local communities along its route.

Impact assessments

HPL conducts social impact assessments, including gender impact assessments, for our estates every 5 years with the help of external experts.

We have displayed the results of environmental impact assessments and social impact assessments in our website <https://www.horanaplantations.com/>

Development programs

Development activities, in HPL 2022/23

Social welfare activity	No of Units	Investments
Roads	5	By Ministry
Dental clinics	13	Rs. 0.021Mn
Child Development Centres	02	Rs.10 Mn , 1 funded by PHDT
New Houses built	34	Funded by Ministry and world vision
Water Scheme	5	Funded 4 – ADRA & 1- PHDT
Electrification housing units	47	Rs. 11.8 Mn
Sanitation - Toilets	41	Funded 40 – ADRA & 1- PHDT



New Housing Units



New Water Scheme



Development of Child Development Centres

Housing for estate communities

A major initiative towards empowering and de-stigmatising estate life, has been HPL's housing drive.

- Under HPL's Safe Haven for All' initiative, by now 64% of estate workers and their families, have moved out of traditional line houses, into individual housing units that are designed in line with national housing health and sanitation standards. The plots of estate land for these houses are released by the Company free of charge and ownership is transferred to the owners. HPL coordinates the process from land selection, selection of beneficiaries, to handing over the houses to selected families.



SOCIAL AND RELATIONSHIP CAPITAL

Child Protection

HPL PLC has implemented its Child Protection Policy across all its estates to provide a safe environment to live in for children and mothers.

Building on this initiative, in the current financial year, HPL signed up for the Mother and Child Friendly Seal for Responsible Business and started capacity-self assessments and action plan developments.

The Mother and Child Friendly Seal for Responsible Business, managed by The Centre for Child Rights and Business, supports business entities in undertaking a capacity self-assessment to better understand where they are currently at in terms of addressing potential risks to children in their own business operations as well as that of their supply chain and to make meaningful investments that will strengthen and address prioritised areas, collaborate with other stakeholders such as development agencies, CSOs and government institutions to promote and protect women and children's rights and to demonstrate the Sri Lankan tea industry's progress in its transformation as a family-friendly tea supply chain.



Healthcare & Nutrition

Safe water

- Rainwater harvesting ponds have been established in all estates, where collected water is diverted to plantations during the dry season and also for use by the estate community for their sanitation needs.
- Drinking water projects are implemented with help of ADRA, World vision and the Fair Trade Foundation.

Health Insurance

All our estate workers and their families are covered by a health insurance paid by the Company. First aid training is provided to selected members of the estate workforce in collaboration with the Red Cross Society.

Community Health Activities

HPL conducts medical camps (eye check ups), dental clinics, health screening programs (dengue and hemoglobin levels), awareness events on topics betel chewing', 'excessive alcohol consumption', 'better nutrition and food practices', to name a few. Worker families are encouraged to maintain a healthy and clean environment.



Commitment of Mother and Child Friendly Seal for Responsible Business



Medical Camp



Eye Screening – Gouravilla Estate

Stationery packs

School stationery packs were distributed to children at the Alton and Stockholm estates through Fair-trade organisation funds.



Health clinics for Pregnant Mothers – Bambrakelly Estate



Stationery Pack Distribution Program – Alton Estate

Education support

We maintain Child Development Centres and pay salaries to qualified child development officers who are experienced diploma holders. These pre-schools and day care centres for children below 5-years of age, play a key role in the development of children on estate families.

Online e-learning platform

During the COVID pandemic and school vacation period the company launched an e-learning platform, through DP Education, for 275 estate students from grade 1-10 which was well received by the estate community. The programme is currently ongoing.



DP education for estate students

SOCIAL AND RELATIONSHIP CAPITAL

Scholarships for university education

Five scholarships were provided to children of Alton estate who gained admission to university.

Youth Empowerment

We facilitated vocational training events for our estate workers, staff and their families to enhance their knowledge in,

- Home Gardening
- Bridal & Beauty Care
- IT Knowledge
- Small Business Management

We also provided sports related training for estate youth.



Youth Empowerment – Alton Estate

Gender quality

We uphold our Gender Equality policy by helping to change traditional prejudices and discrimination against women, within estate communities. Tea pluckers have traditionally been women, but estate women have also been traditionally marginalised within the estate communities. Estate women have been considered as important role – therefore treated well, women's day celebrations and mother's day celebrations have organised.

At HPL estate, we foster gender equality by ensuring that girls, as well as boys, have access to all Company funded educational facilities with no discrimination, and by implementing a merit based payment and reward system at work. We maintain equal pay structures for equal work for men and women and reward schemes are implemented purely on the basis of performance. In addition, we conduct training, including vocational training for both men and women and also specifically women empowerment programs.



Youth Empowerment – Neuchatel Estate










Women's Day Celebration – Gouravilla Estate

Partnerships for development

We have ongoing partnership projects with Fair Trade, Fair Rubber, ADRA- Sri Lanka, Oxfam foundation, Farm Foundation, Save the Children, Plantation Human Development Trust (PHDT) and the Labour Department

- PHDT: PHDT provides support in the areas of funding, advisory, training, technical support etc. Ongoing projects with the PHDT are:
 - 34 New Houses for estate families
 - Sanitation (toilets)- 41
 - 5 Water Schemes
 - Water filters for crèches
- Save the Children Fund: We collaborate with the Save the Children and their activities for funding for child well-being. Ex: Rs.1.5 M worth of School Bags & Stationery for Children.
- ADRA Organisation: Involved with the water project on Gouravilla, Stockholm and Alton estates.
- World Vision: Providing funds and support for Installation of Recycle Bins, water project and Distribution of 800 Food packs and Dry Rations.
- Sunera Foundation: Engaged in training for Special Children with special needs.
- Rainforest Alliance: RA funded water conservation project was carried out in the Tillicoultry estate, Lindula.
- Stockholm – Fairtrade – stationery distribution

PHDT	Save the Children	ADRA - Sri Lanka	World Vision	Sunera Foundation	Rainforest Alliance	Fair-trade
						



NATURAL CAPITAL



As a plantation company, our natural capital base is the largest and most valuable asset we own and comprises the fresh air of our estates, large swaths of land, water resources, flora and fauna located within these lands.

Our 14 estates accommodate large swaths of greenery – both cultivated and uncultivated - and surface and ground water systems that contribute directly towards maintaining climatic balance in the country. Annually, we invest large sums of money on a range of conservation and prevention efforts under our Environmental Vision 2050 program. Our progress in the financial year 2022/23, with regards to our year-2030 targets towards our Environmental Vision, is summarised in this chapter.



ENVIRONMENTAL TARGETS 2030

- Carbon neutral tea production
- Rooftop solar units at all factories and bungalows
- Generate 1,000 Mw of renewable energy annually
- Shift 20% of vehicle fleet to electric vehicles
- Reduce agrochemical application by 50%
- Alternative to Glyphosate
- Recycle 100% of inhouse waste
- Increase the conservation extent by 10%.
- Complete the Diversification Program
- Harvest of 500Mn Lts. of rainwater annually
- Plant 500,000 native plants

OUR NATURAL CAPITALS

The Company's 14 estates are spread over a total area of 6,519 hectares primarily in the Central and Western provinces of Sri Lanka.

Land extent	6,519 Ha
Cultivated	<ul style="list-style-type: none"> Tea- 2,003 Ha Rubber- 1,052 Ha Oil palm- 250 Ha Cinnamon- 89 Ha Coconut- 380 Ha
Timber and Forestry extent	715 Ha
Conservation Areas	75 Ha
Water sources	<ol style="list-style-type: none"> Maskeliya Starting from Fairlawn estate flows through Gouravilla, Alton, Mahanilu and Stockholm Estates to Maussakelle reservoir. It is one of the main water source for the Kelani river, Kalu river, Walawe rivers. Kalu river Flows through the Forester and Neuchatel estates The Fairlawn waterfall Many small waterfall, natural ponds and marshes
Ambient Air Quality	All tea factories are tested for air quality for better air quality for our estate worker community.
Carbon emissions	3,142 tCO ₂ e

CIRCULAR ECONOMY

Rain water harvesting ponds



22

Native Trees Planted



5,322



Rainwater Harvesting Pond – Hillstream Estate

ENVIRONMENTAL VISION 2050

- To be carbon neutral by 2050
- 2021: Signatory to Climate Neutral Now initiative
- 2021: Commit to UNGC Principles
- 2022: Signatory to the science-based targets
- Adopted UNSDG's
- 2022 : CEO water mandate

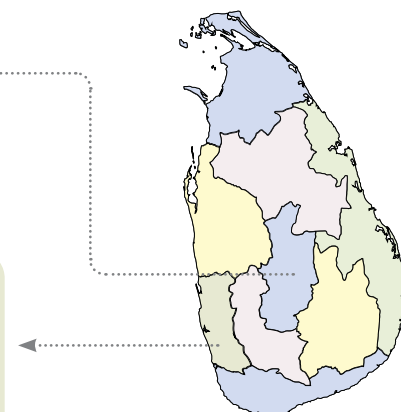


Up Country

Alton
Fairlawn
Gouravilla
Stockholm
Mahanilu
Bambrakelly
Eildon Hall
Tillicoultry

Low Country

Millakande
Halwatura
Hillstream
Neuchatel
Mirishena
Frocester/Kobowella



NATURAL CAPITAL

REGULATORY COMPLIANCE 2022/23

We complied with all relevant environmental regulations, including environmental protection license (EPL) granted to each of our factories by the central environmental authority. We did not face any fines or penalties for noncompliance, or delayed compliance, with any applicable environmental regulations or directives.

CERTIFICATIONS RELATED TO ENVIRONMENTAL MANAGEMENT

- ISO 14001:2015 EMS
- Rainforest Alliance
- Forest Stewardship Council
- Eco Labelling
- Our processing centres are ISO 14001: 2015 EMS certified for environmental management systems
 - Every year, we check the Boundary Noise levels, Indoor Environment Air Quality and furnace air emission, and maintain these parameters within acceptable levels.
 - Steam boilers and leaf hoisters are licensed annually by a government registered boiler inspection engineer for optimum performance.
 - All boiler operators have valid license to operate.
 - All employees are trained on correct handling and use of materials and equipment to minimise environmental damage.

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENTS (ESIA)

HPL conducts an ESIA covering all estates to determine the social and environmental performance of each estate vis-a-vis

water quality, soil profile, air quality, waste footprint, biodiversity impact, as well as employment credentials, labour rights and other social considerations and their possible impacts on local communities. The findings of these assessments are evaluated by HPL's central sustainability team to making necessary recommendations for enhancing the positive impacts and minimising the negative effects.

SUSTAINABLE AGRICULTURAL PRACTICES

Our sustainable agricultural practices extend across the cultivation process to minimise negative environmental impacts, while maximising land productivity and diversifying our risks. We employ a range of techniques including climate smart agriculture, soil conservation, crop diversification, integrated pest and weed management and integrated plant nutrient management. Under the integrated plant nutrient management program uses compost and active carbon dust, instead of chemical fertilizer.

Climate smart agricultural practices

- Coconut cultivation in marshy lands
- Coffee cultivation with seedling tea
- Greenhouse cultivation of selected vegetables. The controlled environment in green houses, where plants are grown in polybags, reduce environmental impacts as the external environment is not exposed to agrochemicals and other experiments. Productively land use for community.
- Beekeeping incorporated with oil palm
- Intercropping of vegetables and fruits with coconut
- Inland fisheries in rainwater ponds



Bee-keeping with Oil Palm – Neuchatel Estate



Coconut cultivation in Marshy Lands



Poly-house Cultivation Project



In-land Fisheries

Soil conservation activities include:

- Identifying and mapping soil erosion areas
- Identifying vacant spaces that require ground cover
- Preparation and implementation of an infilling program

WATER MANAGEMENT**UNGC CEO Water Mandate**

We have endorsed the UNGC CEO water mandate. By endorsing, we have committed to act across six key areas of water stewardship: Direct Operations, Supply chain & Watershed Management, Collective Action, Public Policy, Community Engagement and Transparency.

GRI 303:**WATER AND EFFLUENTS 2018****GRI 3-3 Management of material topics**

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>No actual negative impacts on the environment were reported due to HPL's business activities during the reporting period.</p> <p>However, potential negative impacts could include:</p> <ul style="list-style-type: none"> • Economy- High cost for management, • Environment- Environment pollution, water pollution, Soil degradation, biodiversity loss, loss of habitats • People- Unsafe drinking water, Health risk, water scarcity <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Economy- Increase the production, Partnership with UNGC, receive funds for water conservation projects, • Environment- rainwater harvesting ponds, Create New eco system, Water conservation • People- Water availability, Inland fishing,
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts through our activities or business partnerships
c. Policies or commitments regarding the material topic	<p>Water Conservation Policy</p> <p>Water is vital for agriculture and human existence. Hence, estates conduct activities to conserve and to avoid wasting of water. Estates have taken precaution to prevent contamination surface and underground water by treating and frequent monitoring of wastewater.</p>

NATURAL CAPITAL

GRI 3-3 Management of material topics

d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> Established effluent treatment plants Training and awareness programs on water conservation for staff and estate communities Continuous supervision and monitoring of water use and effluent disposal Water pollution is mitigated through maintenance of buffer zones Raising employee awareness in relation to handling chemicals such as washing equipment and sprayers of chemicals in allocated places and disposing chemical bottles in an appropriate method. Industrial wastewater generated during the manufacture of rubber is channelled to the wastewater treatment plant. Treated water is tested in line with CEA parameters for pH, BOD (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand) and TSS (Total suspended solids) before being channelled back for irrigation of our rubber lands.
(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No actual negative impacts during the year
(iii) Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> Carrying out regular water testing by accredited laboratories. Based on these water tests, corrective actions are carried out including proper wastewater disposal through establishing wastewater treatment plants. We have implemented rainwater ponds across all 14 estates. Water collected is diverted to plantations during the dry season apart from directed for the use of estate communities to fulfil their day-to-day water requirement. We have also made water maps available on estates to locate water sprouts, streams, ponds and water tanks for conservation and management. Implemented Riparian buffer zones and chemical free zones Established estate wise water management committees
e. Tracking the effectiveness of the actions taken	<p>i. Processes used to track the effectiveness of the actions;</p> <ul style="list-style-type: none"> Obtain drinking water and waste water testing reports through accredited laboratories. <p>ii. Goals, targets, and indicators used to evaluate progress;</p> <ul style="list-style-type: none"> Tested parameters: pH, COD, BOD, TSS, Oil and grease <p>iii. The effectiveness of the actions, including progress toward the goals and targets;</p> <ul style="list-style-type: none"> Maintain and even reduced effluents Successful water conservation strategies Successful water recycling and reuse initiatives <p>iv. Lessons learned and how these have been incorporated into the organisation's operational policies and procedures;</p>

GRI 3-3 Management of material topics

	<p>We have used the knowledge from our efforts to:</p> <ul style="list-style-type: none"> • Manage and implement water conservation strategies • Reduce effluents • Recycle and reuse the water • Increase implementation of water conservation projects • Buffer zone procedure
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<p>We obtain feedback from estate communities, unions/employees, NGOs and national regulatory bodies in implementing our water and effluent management strategies. The main stakeholders are:</p> <ul style="list-style-type: none"> • Central Environment Authority- Test water samples for EPL • NGOs- (ADRA, World vision, Farm Foundation- Water Projects) • PHDT- Provide new water Projects • Pradeshiyasaba- Water projects, Approvals for water projects • Worker Unions- Water project beneficiary list

GRI 303-2 Management of water discharge related impacts

a. Minimum standards set for the quality of effluent discharge, and how these minimum standards were determined	We are fully compliant with all CEA guidelines regarding water discharge and affluent treatment
b. How standards for facilities operating in locations with no local discharge requirements were determined;	No such locations. All HPL operational locations are under the CEA and all our operational locations are fully compliant with CEA guidelines and regulations.
c. Any internally developed water quality standards or guidelines;	All water quality standards and guidelines conform with CEA guidelines
d. Any sector-specific standards considered;	No
e. Whether the profile of the receiving waterbody was considered	Yes. This aspect is covered by CEA guidelines on water and effluent discharge.

ENERGY MANAGEMENT

Purchased electricity is identified as the company's main greenhouse gas emission source at 49%. Therefore, the focus of our energy management strategy is to gradually switch to renewable energy. We are investing in solar energy and hydropower as alternatives to fossil fuels and electricity from the national grid.

Managing energy consumption

- Monitor the energy usage monthly and maintain outputs
 - Energy Audits and corrective measures
 - Emission test for vehicles
 - Install more energy efficient machinery
 - Switching to renewable energy projects
 - Use electric vehicles or high-capacity vehicles
 - Use LED bulbs
 - Install VFD for factories increase the efficiency
- Practiced cleaner production safety energy concepts.

NATURAL CAPITAL

Go Green Energy - Solar Project



Our solar project under our Go Green Energy program, is registered with the Sri Lanka Climate fund, Ministry of Environment and is the 7th project in Sri Lanka to qualify for carbon credits under the Sri Lanka Carbon Crediting Scheme (SLCCS).

This project will provide 58, grid-connected and off-grid, roof top solar PV projects at our tea and rubber factories in all 14 estates, with a projected capacity of 2000Kwh by 2030. As at end of the current financial year, we added rooftop solar units to 5 tea factories and 18 bungalows with 2 solar powered water pumps for a total capacity of 700 Kw.

1st phase of on-grid solar power project is registered with Sri Lanka Climate Fund, Ministry of Environment and is the 7th Project in Sri Lanka to qualify for carbon credits under the Sri Lanka Carbon Crediting Scheme. (SLCCS)

Two garden marks (Alton and Gouravilla) have been carbon neutral.

(Refer- <https://www.climatefund.lk/slccs.html>)



On-grid solar generation at the end of 31st March 2023 – 811MWh

Off-grid solar generation at the end of 31st March 2023 – 4,335 KWh



Solar Power Project – Stockholm Tea Factory



Solar Power Project – Mahanilu Tea Factory

RENEWABLE ENERGY

On-Grid Solar Generation



811 MWh

Off-Grid Solar Units



18
Capacity 75kW

Hydro Power Plants



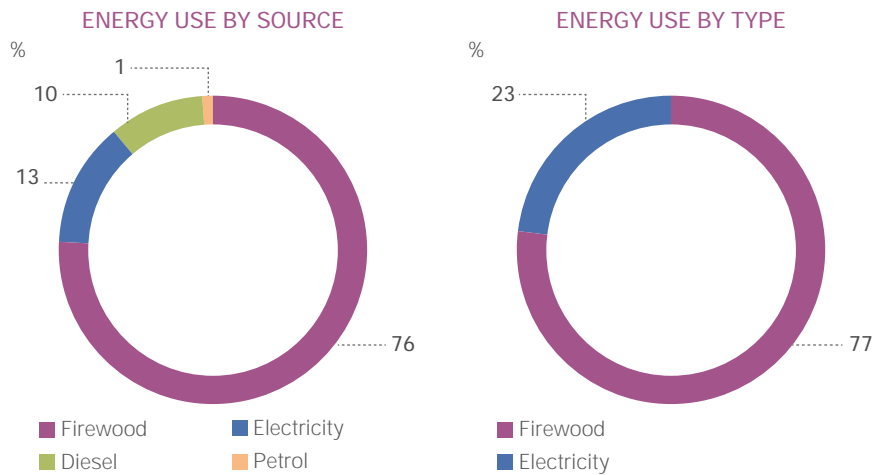
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Capacity 120kW

Go Green Energy- Hydropower

We are in the process of upgrading the old hydropower plants in Fairlawn and Bambrakelley estates. Capacity of these hydropower plants are 120Kwh.

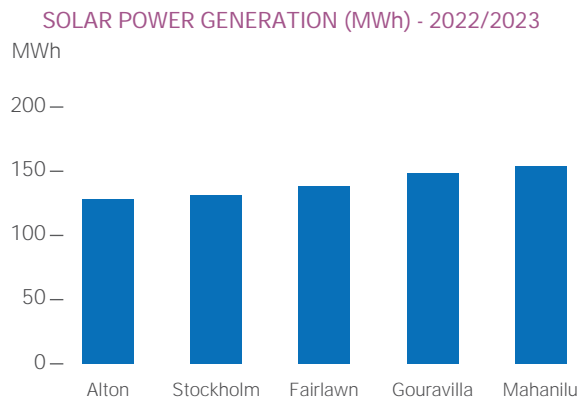


Hydro-Power Plant – Bambrakelley Estate



CLIMATE CHANGE RISK MANAGEMENT

- We have set up rainwater harvesting ponds in Upcountry Estates. Collected water is diverted to plantations during dry spells and also used by the estate community.
- Water Maps : We have drawn Water Maps on estates to locate water sprouts, streams, ponds and water tanks for conservation and management.
- We have planted shade trees and bamboo for green cover
- We have converted uneconomical and uncultivated lands into forestry, to protect catchment areas, which improves carbon sequestration.



Rainwater Harvesting Ponds



Shade Planting



Reforestation

NATURAL CAPITAL

GREEN PLANET TREE PLANTING PROGRAM

Under this reforestation project we have planted 5,322 native trees, as at December 2022. Our target is 500,000 trees by 2030. We have also planted 60,005 shade trees to prevent soil erosion, reduce the risk of earth slips, creates habitats for the birds and other species for nesting. The forest includes timber to increase biodiversity within our plantations.



Green Planet Tree Planting Program – Bambrakelly Estate

GRI 305:

EMISSIONS 2016

GRI 3-3 Management of material topics

g. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>No actual negative impacts on the environment were reported due to HPL's business activities during the reporting period.</p> <p>However, potential negative impacts could include: Pollution, climate change and global warming</p> <p>Actual and Potential positive Impacts</p> <p>Carbon cycle balancing positively contributes to economic growth, as CO2 emissions indirectly support photosynthesis in plants which results in higher yields</p>
h. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts through our activities or business partnerships
a. Policies or commitments regarding the material topic	<p>ENERGY MANAGEMENT POLICY</p> <ul style="list-style-type: none"> • Policy shall apply to all Horana Plantation estates, factories, employees, and contractors, in service to our portfolio • Signatory to Carbon Neutral Now Initiative • Committed to Science Based Targets
a. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Shift from non-renewable energy to renewable energy – Solar and Hydro power plants • Shift to electric vehicles • Reduce our GHG/Carbon footprint by reducing the use of inorganic fertiliser by 50%.

GRI 3-3 Management of material topics

(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No actual negative impacts during the year
(iii) Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Increase Compost Production – total compost production 339,582 Kgs • Increase Vermi-compost and Vermi-wash production • Expand the weed buy-back system
k. Tracking the effectiveness of the actions taken	<p>(i) processes used to track the effectiveness of the actions;</p> <ul style="list-style-type: none"> • Annually conduct carbon foot-print calculations • Measure the GHG emissions associated with each estate's operations <p>(ii) goals, targets, and indicators used to evaluate progress;</p> <p>Targets under the energy management policy</p> <ul style="list-style-type: none"> • Reduce carbon emissions associated with energy consumption by 50% in 2030 • Carbon Neutral our products in 2030 • Installing of Solar panel to all factory rooftops by 2024 • Switch to 100% LED bulbs by 2024 • 50% Reduction of Chemical and fertiliser usage by 2025 • Reopening of Fairlawn Hydro power Plant • Installing of Variable Frequency Drivers (VFD) to factories by 2027 • Construction of Rainwater Harvesting ponds in each division by 2026 <p>(iii) the effectiveness of the actions, including progress toward the goals and targets;</p> <ul style="list-style-type: none"> • Monitor GHG emissions annually <p>(iv) lessons learned and how these have been incorporated into the organisation's operational policies and procedures; Incorporate learnings from carbon footprint management into business processes in the form of investing in renewable energy, composting etc.,</p>
l. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<ul style="list-style-type: none"> • Obtain advisory services from external experts on GHG Inventory preparation • Engage with the Sri Lanka Climate Fund (SLCF) do the verification

NATURAL CAPITAL

GRI 305-1 Direct (Scope 1) GHG emissions

a. Gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent	1,318 tCO ₂ e
b. Gases included in the calculation; whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all.	CO ₂ , CH ₄ , N ₂ O
c. Biogenic CO ₂ emissions in metric tons of CO ₂ c. equivalent	
d. Base year for the calculation, if applicable	2020
(i) Emissions in the base year;	Total GHG emission – 1,930 tCO ₂ e
(ii) The context for any significant changes in emissions that triggered recalculations of base year emissions	
e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.	Ceylon Electricity Board (CEB). Statistical digest report (2021)
f. Consolidation approach for emissions; whether equity share, financial control, or operational control.	
g. Standards, methodologies, assumptions, and/or calculation tools used.	Prepared in accordance with ISO 14064-1: 2018 Assessment covers GHG emissions sources of – Direct GHG emissions: Operations from on-site diesel generator, Company owned diesel vehicles, Company owned off-road vehicles (diesel), Agricultural machineries (Petrol), Company owned petrol vehicles, LPG consumption, CO ₂ fire extinguishers, CO ₂ emission from Urea application, CO ₂ emission from dolomite application, N ₂ O emission from nitrogenous fertilizers.

GRI 305-2 Energy indirect (Scope 2) GHG emissions

a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent	159.55 tCO ₂ e
b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent.	1,531 tCO ₂ e
c. If available, the gases included in the calculation; whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all.	N ₂ O
d. Base year for the calculation, if applicable	2020
i. The rationale for choosing it;	Because we commenced GHG inventory and carbon foot print calculations from 2020 onwards
ii. Emissions in the base year	1401 tCO ₂ e

GRI 305-2 Energy indirect (Scope 2) GHG emissions

iii. The context for any significant changes in emissions that triggered recalculations of base year emissions.	None
e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source	The greenhouse gas protocol: A corporate accounting and reporting standard, WRI/ WBCSD Sri Lanka Sustainable Energy Authority (SLSEA), National Energy Balance (2018) Ceylon Electricity Board (CEB), Statistical digest (2021)
f. Consolidation approach for emissions; whether equity share, financial control, operational control.	Operational control
g. Standards, methodologies, assumptions, and/or calculation tools used.	Each month each estate conducts a stock verification and confirms that all the used values are accurate. Manager/ Ass. Manager of each estate is responsible for this verification and for all the invoice bills. By using this accurate data, GHG emissions were calculated according to the IPCC guidelines based on annual fuel usage

GRI 305-3 Other indirect (Scope 3) GHG emissions

a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO ₂ equivalent	133.47 tCO ₂ e
b. If available, the gases included in the calculation; whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all	N ₂ O
c. Biogenic CO ₂ emissions in metric tons of CO ₂ equivalent	Biogenic CO ₂ emissions are excluded from our GHG Inventory calculations
d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation	Loss of grid energy in transmission & distribution for supplying purchased grid electricity
e. Base year for the calculation, if applicable, including	2020
i. The rationale for choosing it	Because 2020 is the year that we commission GHG inventory
ii. Emissions in the base year	82.46 tCO ₂ e
iii. The context for any significant changes in emissions that triggered recalculations of base year emissions	None
f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source	The greenhouse gas protocol: A corporate accounting and reporting standard, WRI/ WBCSD Sri Lanka Sustainable Energy Authority (SLSEA), National Energy Balance (2018) Ceylon Electricity Board (CEB), Statistical digest (2021)
g. Standards, methodologies, assumptions, and/or calculation tools used	Assessment was done based on, Indirect GHG emissions from imported energy – purchased electricity Indirect GHG emissions from products used by organisation – N ₂ O emission from Nitrogenous Vitalisation, N ₂ O emission from Nitrogenous leaching & run-off Indirect emission from other sources – loss of grid energy in transmission & distribution for supplying purchased grid electricity

NATURAL CAPITAL

EMISSION SUMMARY

Emission Source	Total (tCO ₂ e) - 2022	Total (tCO ₂ e) - 2021	Total (tCO ₂ e) - 2020
Category 1: Direct GHG emissions in tonnes CO₂e	1,318	1,331	1,930
1.1 Direct emission from stationary combustion	101.02	51.42	47.61
Operation of on-site diesel generators	93.76	44.27	40.43
LPG Consumption	7.27	7.15	7.18
1.2 Direct emission from mobile combustion	399.45	290.7	252.4
Company owned diesel vehicles	168.84	112.32	97.22
Company owned petrol vehicles	38.96	19.95	19.04
Company owned off road vehicles(Diesel)	150.15	118.11	101.2
Agricultural Machineries (Petrol)	41.50	40.32	34.94
1.3 Direct emission from the release of GHG's in anthropogenic systems			
CO ₂ emission from Urea application	178.23	246.08	367.94
CO ₂ emission from Dolomite application	148.18	86.31	289.21
N ₂ O emissions from Nitrogenous Fertilizers	490.95	655.85	972.2
CO ₂ fire extinguishers	0.16	0.12	0.12
Indirect GHG emissions in tonnes CO₂e	1,824	1,751	1,401
Category 2: Indirect GHG emissions from imported energy			
Purchased electricity	1,530.59	1,421.12	1,001.93
Category 4: Indirect GHG emissions from product used by the organisation	159.55	213.15	
N ₂ O emissions from Nitrogen Volatilisation	49.09	65.58	97.22
N ₂ O emissions from Nitrogen leaching & run-off	110.46	147.57	218.74
Category 6: Indirect emissions from other sources	133.47	116.96	82.46
Loss of grid energy in transmission & distribution for supplying purchased grid electricity	133.47	116.96	
Total emissions in tones CO₂e	3,142	3,082	3,331

MATERIALS MANAGEMENT

GRI 301:

Materials 2016

GRI 3-3 Management of material topics

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>No actual negative impacts on the environment were reported due to HPL's business activities during the reporting period.</p> <p>However, potential negative impacts could include:</p> <p>Environment : GHG emissions, Usage of non-renewable materials</p> <p>People: Health issues due to pollution</p> <p>Actual and Potential positive Impacts</p> <p>Economy: Better management of materials and recycling could increased the profitability by reducing the cost of production and reducing inputs</p> <p>Environment: Management of materials can mitigate soil damage, reduce GHG emissions, reduce the atmospheric temperature.</p> <p>People : Chance to get additional incomes through recycling etc..</p>
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	<p>No negative impacts through our activities or business partnerships</p>
c. Policies or commitments regarding the material topic	<p>Waste Management Policy</p> <p>We segregate our waste at point of origin as organic, non-hazardous and hazardous waste.</p> <ul style="list-style-type: none"> • The non hazardous waste is metal, polythene, plastic and glass which is handed over to the Pradeshiya Saba. • The hazardous waste such as oil and grease, chemical cans, E-waste, CFL bulbs are handed over to CEA registered waste collectors • Organic waste is used for vermi-tech applications <p>PEST & WEED MANAGEMENT POLICY</p> <p>HPL maintains an integrated pest-management (IPM) plan, which is based on ecological principles for the control of harmful pests. Therefore, it also gives priority to the use of physical, mechanical, cultural and biological control methods, and the least possible use of agrochemicals</p> <p>AGROCHEMICAL POLICY</p> <p>Agro-chemical application is minimum at all estate of HPL. However, as a policy, HPL will not use any chemical banned by Sri Lanka Pesticide Registrar General, Sri Lanka Tea Board and WHO. In the case of use, HPL will follow strict regulations on the justification of using particular chemical/s, use of appropriate safety gear by the handlers and sprayers. Further, HPL will support the integrated pest management approaches. Chemical use records will be maintained by relevant offices.</p>

NATURAL CAPITAL

GRI 3-3 Management of material topics

d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Measure carbon-footprint, GHG inventory verification annually • Conduct internal audits and take corrective actions • Expand the implementation of solar panels in factory rooftops and bungalows • Re open mini hydro projects • Increase vermi-compost and compost production • Expand weed buy-back system
(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No actual negative impacts
(iii) Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Switch to circular economy • Increase the efficiency of material usage <ul style="list-style-type: none"> - Machine plucking and tapping - Reduce the wastage during field operations and transporting - Conduct ongoing R& D for alternatives • Increase the usage of renewable materials and renewable energy • Switch off non using appliances at the end of the day • Use energy efficient appliances
e. Tracking the effectiveness of the actions taken	(i) Processes used to track effectiveness of actions; <ul style="list-style-type: none"> • Prepare GHG inventory in accordance with ISO 14064-1:2018 • Once every month each estate conducts a stock verification and confirms that all the values are accurate • Manager/ Asst. Manager of each estate is responsible for this verification and for all the invoices of bills • Monthly monitor the material usage and material out-puts

GRI 3-3 Management of material topics

	<p>ii) goals, targets, and indicators used to evaluate progress:</p> <ul style="list-style-type: none"> • Monitor tea, rubber, coconut, coffee and cinnamon actual yields per hectare against targets to check effectiveness of composting etc.. • Track electricity output budget and actuals • Track firewood output- budgets and actuals • Track fuel output budgets and actuals • Track agrochemical output budgets and actuals • Track fertilizer outputs as N rations budget and actuals
	<p>(iii) the effectiveness of the actions, including progress toward the goals and targets; We budget the targets annually as above, and follow the progress monthly. If any deviation is observed, management takes action to correct it.</p> <p>(iv) lessons learned and how these have been incorporated into the organisation's operational policies and procedures;</p> <ul style="list-style-type: none"> • Developing the Energy Management Policy • Developing company policies and guidelines for agrochemical application for different crops • Deciding crop targets for budget guidelines • Material use guidelines are indicated in budget guidelines • Manage GHG risk and identify reduction opportunities
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<ul style="list-style-type: none"> • Feedback from the Sustainable Energy Authority, tea buyers and tea brokers are taken into consideration in developing environmentally sustainable actions. • Feedback from the Ministry of Plantation Industry, Tea Board, Rubber Development Board, Coconut Cultivation Board are used in developing crop production details, and agrochemical usage • Feedback from certification bodies are used in agrochemical usage • Feedback and advice from the Ministry of Agriculture is taken into account in crop prediction, fertilizer usage etc..

NATURAL CAPITAL

WASTE MANAGEMENT

GRI 306:

Waste 2020

GRI 3-3 Management of material topics

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>No actual negative impacts on biodiversity within our estates and in protected areas within our estates, were reported due to HPL's business activities during the reporting period.</p> <p>However, potential negative impacts could include:</p> <ul style="list-style-type: none"> • Environmental pollution • Loss of habitats • Damages to ecosystems • High cost of management <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Environmentally friendly and sustainable practices, • Reputational gains • Additional income from sustainable trade channels
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts reported during the reporting period due to HPL's actions or actions of our business partners.
c. Policies or commitments regarding the material topic	<p>Waste Management Policy</p> <p>We are committed to minimizing waste production by employing Reduction, Re-use, and Recycling techniques at every stage of our operation. We ensure that all operations and activities are fully compliant with all current waste management legislation.</p>
d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Training for employees on waste management standards and regulations • Practicing waste segregation • Compost production from waste • Apply the 3R principles across operations • Periodic testing of water and soil
(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No actual negative impacts

GRI 3-3 Management of material topics

(iii) Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Expand circular economy initiatives • Provide training on circular economy and 3R initiatives • Provide waste segregation bins. • Align factories with ISO 14001:2015. • Obtain 3rd party test report for parameters, from third parties • Adhere to Environment Protection Licensing requirements from CEA.
e. Tracking the effectiveness of the actions taken	<p>i. processes used to track the effectiveness of the actions;</p> <ul style="list-style-type: none"> • Check waste water samples through physical and chemical analysis – pH, COD, BOD, TSS, Oil and grease <p>ii. goals, targets, and indicators used to evaluate progress;</p> <ul style="list-style-type: none"> • Waste Water Parameters <p>iii. the effectiveness of the actions, including progress toward the goals and targets;</p> <ul style="list-style-type: none"> • We periodically check the waste water from accredited laboratories and maintain it below the hazardous levels <p>iv. Lessons learned and how these have been incorporated into the organisation's operational policies and procedures;</p> <ul style="list-style-type: none"> • Using our learning, we have implemented many circular economy initiatives and 3R practices involving our estate communities
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	We conduct regular meetings with employees, estate staff, estate communities, regulators and certification bodies to obtain feedback and advice on our ongoing initiatives.

GRI 306-2
Management of significant waste related impacts

- a. Actions, including circularity measures, taken to prevent waste generation in the organisation's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated.

Circular economy initiatives

We continued to expand our circular initiatives during the year by connecting our waste management projects with our sustainable agricultural practices. Some of these larger initiatives are described below.

GRI 301-2

Weed-buy-back for composting : We have successfully operationalised a weed-buy-back system with our estate workers. The weed is then recycled into compost. We produced 3 Mn Kgs of compost from bought-back weed during the year. We reused 493 Mn Kgs of buy-back weeds, and 339 Mn Kgs of compost.

NATURAL CAPITAL



Compost Production

Bio Char Project : We are working with a Swedish and New Zealand advisory team on a bio-char and carbon credit project which will reduce environment deterioration and carbon foot print supporting a circular economy. We plan to produce bio-char our own material such as bamboo, agricultural plant waste etc..., which will contribute to carbon sinking.

Inorganic fertilizer usage has been increased 19% when compared to last financial year – reason behind this is HPL adopt to crop diversification ex: coconut, fruit crops etc.

Vermi-wash production: This is an experimental initiative where we extract the nitrogen-rich secretion of worms to produce Vermiwash, a type of organic soil nutrient as an alternative to synthetic agricultural inputs. Spraying this onto the fields have shown significantly higher yields (10% - 14% increase) with healthier plant conditions, including extra tender tea flush that could withstand drought.

Vermi-compost production: Using vermi-compost mixture has increased the soil nutrient levels in our estates. We have been working with estate worker community to produce nutrients and micro-organisms' rich organic fertilizer.

Recycling factory ash: Ash generated from the factory are channelled towards the tea fields to maintain pH, for composting mixtures.



Vermi-wash Production – Mahanilu Estate

Waste impact management

- Waste water treatment plants, oil and grease generated in the factories are controlled by treatment plants. Industrial waste water generated from the manufacture of tea is channelled to the treatment plant.
- Establishment of Buffer Zones to prevent contamination of chemicals to water bodies & environment
- Waste water management and purification systems and testing and monitoring wastewater quality

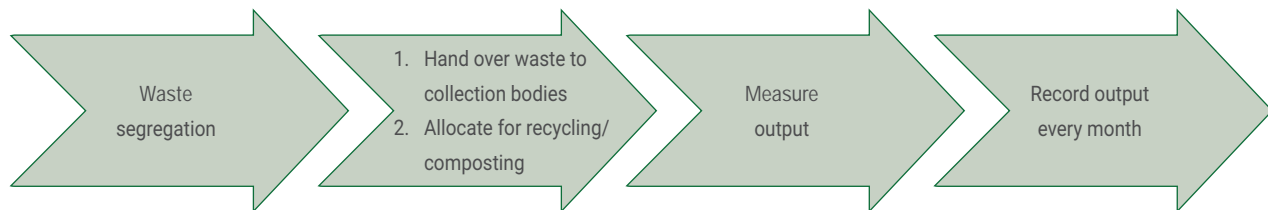
- Any form of spillage such as oil, chemicals and fertilizer is minimized by adopting proper storage practices.
- Cleaning and washing of machinery and vehicles in natural water sources such as streams and rivers are not permitted.
- b. Processes to determine whether third parties manage waste in line with contractual or legislative obligations.

Third parties involved in waste management are mainly national/ government bodies that are authorised to safely dispose specific types of waste, and other private organisations registered with the relevant government bodies and are authorised to dispose of specific types of waste. Therefore, HPL is assured of safe disposal of waste.

- Polythene, plastic, metal, glass and organic kitchen waste is segregated for collection by the local authorities and reputed waste disposal organisations in the country.
- Hazardous chemicals/ other chemical containers and personal protective equipment are handed over to the collectors.
- Used oil is stored in special containers and sent to professional disposal agencies.
- Clinical waste is sent to the Government hospitals for disposal by the Environmental Management Authority.
- E-waste, CFL collected by the estate are dispatched to the Central Environment Authority in Hatton or Maskeliya.

c. The processes used to collect and monitor waste-related data.

1. All HPL processing centres and commercial offices have installed separate waste bins for waste segregation.
2. Hazardous waste is segregated at origin and recorded
3. Hazardous, plastic and glass waste is measured, recorded and disposed through designated third parties.
4. Organic waste is recycled and output is measured
5. Monthly waste records are maintained at all processing centres and offices.



GRI 304

BIODIVERSITY PROTECTION

HPL's habitat restoration project nurtures a number of environment preservation action steps; including protecting existing forest patches, diversification of forestry patches, re-vegetation of underutilized and unutilised lands, developing home gardens as a refuge for native flora and fauna and establishment of habitat corridors along river banks. In addition, HPL together with 5 other nearby plantations maintain a peak ridge forest corridor to connect

WNPSPLANT remove and replace it as Wildlife Nature Protection Society



HPL signing MOU with Wild Life Nature Protection Society

MOU with Wildlife and Nature Protection Society

Hayleys Plantation sector, including HPL, are signatory to an MOU with Wildlife Nature Protection Society to protect wild animals and plants and to co-operate on nature conservation and provide support for study and research concerning wildlife.

Under this agreement HPL has committed to protect and develop forest eco system by implementing forest corridors, reforestation by re-planting etc.,

NATURAL CAPITAL

Leopard corridor

HPL supports the Peak ridge leopard corridor, which is a forest corridor spanning 18 Kms between Castlereagh and Maussakelle reservoirs to protect leopards and other species.



Bio-diversity Assessments

We conducted bio diversity assessments and compiled species lists on all our estates with external expertise, in order to map our biodiversity richness. The assessments discovered many endangered and endemic species that require habitat protection for their future survival. We have responded by initiating reforestation programs and other initiatives to address these needs.

Lists of species

Species	Assessment region	Investments	
	Up-cot, Maskeliya Near the Peak Wilderness Nature Reserve, which is designated a UNESCO a World Heritage Site.	Neuchatel Kalutara district, extent 902 Ha.	Frocester Kalutara district at an elevation between 165 and 330 feet. 1196 ha
Fauna			
Mammals	18 small, medium and large mammal species, including 3 endemic species, Purple faced leaf monkey (<i>Trachypithecus vetulus</i>), Toque monkey (<i>Macacasinica</i>) and Loris (<i>Loris lydekkerianus</i>)	19 species of mammals including 3 endemics, out of which the Sri Lanka red slender loris (<i>Loris tardigradus</i>) is listed as vulnerable in the National Conservation Status (NCS).	Same
Birds	57 species inhabiting of which 7 endemic species, 7 migratory species and 5 rare species	66 bird species belonging to 35 families including 10 endemics. 3 species are listed as threatened in the National Red List. The Pied Bushchat (<i>Saxicola caprata</i>) is listed as Critically Endangered (CR)	Same
Reptiles	16 Tetrapod Reptiles including 3 endemic and 2 threatened species	16 species of reptiles belonging to 10 families, 2 identified as endemic species – The Sri Lanka Wolf Snake and the endangered Sri Lanka Krait	Same

Amphibians	14 species and 12 endemics, and rediscovery of <i>Pseudophilautus leucorhinus</i> which has not sighted for many decades in Sri Lanka.	6 species belong to 4 families, with 4 endemics, with one species identified as endangered	Same
Fresh water fish	Endemic Stone Sucker/ Gal Pandiya (<i>Garra Ceylonensis</i>) a nationally threatened species of freshwater fish and native Malabar Danio <i>Devariomalabaricus</i> (Rathkailaya, Dankolasalaya)	13 species of fresh water fish from 8 families, four of which 8 species are endemic and 4 endangered. 1 exotic fresh water fish species.	Same
Butterflies	21 species, 3 endemic.	44 species from 5 families, 6 endemics and 2 endemics identified as threatened species	Same
Dragonflies and Damselflies	9 species of dragonflies and damselflies. Including Red-Striped Threadtail and Mountain Reedling that are endemic.	8 species of odonats, 1 one endemic	Same
Land Mollusks	6 species of exotic land mollusks, out of which 2 species are invasive.	-	-
Flora			
	<ul style="list-style-type: none"> Natural forests - 11 endemic species and 20 indigenous species. Ravines- 35 species and few endemic and indigenous species Old timber forests- 19 indigenous species Riverine forests - 34 species, including 11 endemic species and 16 indigenous species. Scrubland- poor in endemic and indigenous species but rich in exotic and invasive species, total of 8. 	97 species of flowering plants from 42 families, 18 endemic plants. 3 endemics, 2 indigenous plants are listed as endangered. 4 endemic plants identified as vulnerable plant species 4 species of invasive Alien species and a potentially invasive alien species were recorded.	

NATURAL CAPITAL



Project to Mainstream Biodiversity and Sustainable Land Management

HPL partners with the Ministry of Environment and the Ministry of Plantation Industries and UNDP Sri Lanka, in this project aimed at biodiversity conservation by improving land management practices in tea and rubber plantations areas in the wet climatic zones by managing our land areas coming under the project. The project is called the Partnerships and Innovative Financing to Mainstream Biodiversity and Sustainable Land Management in the Wet Climate Zones.

GRI 304:

BIODIVERSITY 2016

GRI 3-3 Management of material topics

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;	<p>Actual and Potential Negative Impacts</p> <p>No actual negative impacts on biodiversity within our estates and in protected areas within our estates, were reported due to HPL's business activities during the reporting period.</p> <p>However, potential negative impacts could include:</p> <ul style="list-style-type: none"> • loss of biodiversity <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Environmental conservation • Protecting of rare, threaten and endangered species • Habitat protection • Increase the aesthetic value of properties • Additional income generation from environmental values • Reputational gains • Partnership opportunities
b. Whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts through our activities or business partnerships
c. Policies or commitments regarding the material topic	<p>Ecosystem Restoration Policy</p> <p>Restoration will be maintained to protect the aquatic areas from erosion, pollution and other damages. Restoration zones will be established using live plant species such as bamboo and kumbuk, and other native trees, water conservation plants as per the SAN parameters. Any environmentally harmful activity, such as road construction, operation of heavy machinery, waste disposal, chemical use, uprooting of large trees etc., will be prohibited in the restoration zones. The environment quality of the restoration zones will be further improved by planting suitable native species whenever possible. Field Officers, Supervisors, Workers and Contractors will be thoroughly aware of the restored zones and the activities that are banned in those areas.</p>
d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Educate employees and resident communities • Adopt biodiversity conservation efforts • Reforestation – fighting against climate change • Tree planting programs
(ii) Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No negative impacts reported

NATURAL CAPITAL

GRI 3-3 Management of material topics

(iii) Actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Membership in biodiversity forums such as Biodiversity Sri Lanka and Wildlife and Nature Protection Society • Conduct biodiversity assessments and high conservation value assessments annually. • Maintain conservation areas • Do collaborative projects to conserve biodiversity
e. Tracking the effectiveness of the actions taken	<p>(i) processes used to track effectiveness of actions;</p> <p>Biodiversity assessment reports done by environment specialists to track the effectiveness of conservation.</p> <p>(ii) goals, targets, and indicators used to evaluate progress;</p> <p>Identifying flora and fauna within the categories of endemics, endangered, vulnerable, near threatened and least concern</p> <p>(iii) lessons learned and how these have been incorporated into the organisation's operational policies and procedures;</p> <p>lessons from activities have been used in developing eco system restoration activities and conservation activities</p>
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	We conduct stakeholder meetings annually to discuss results of the biodiversity assessment and to get their ideas about protection. In addition, we arrange training sessions with industry experts, stakeholders and local community.

GRI 304-3

Habitats protected or restored

- a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals.

Development programs

Development activities, in HPL 2022/23

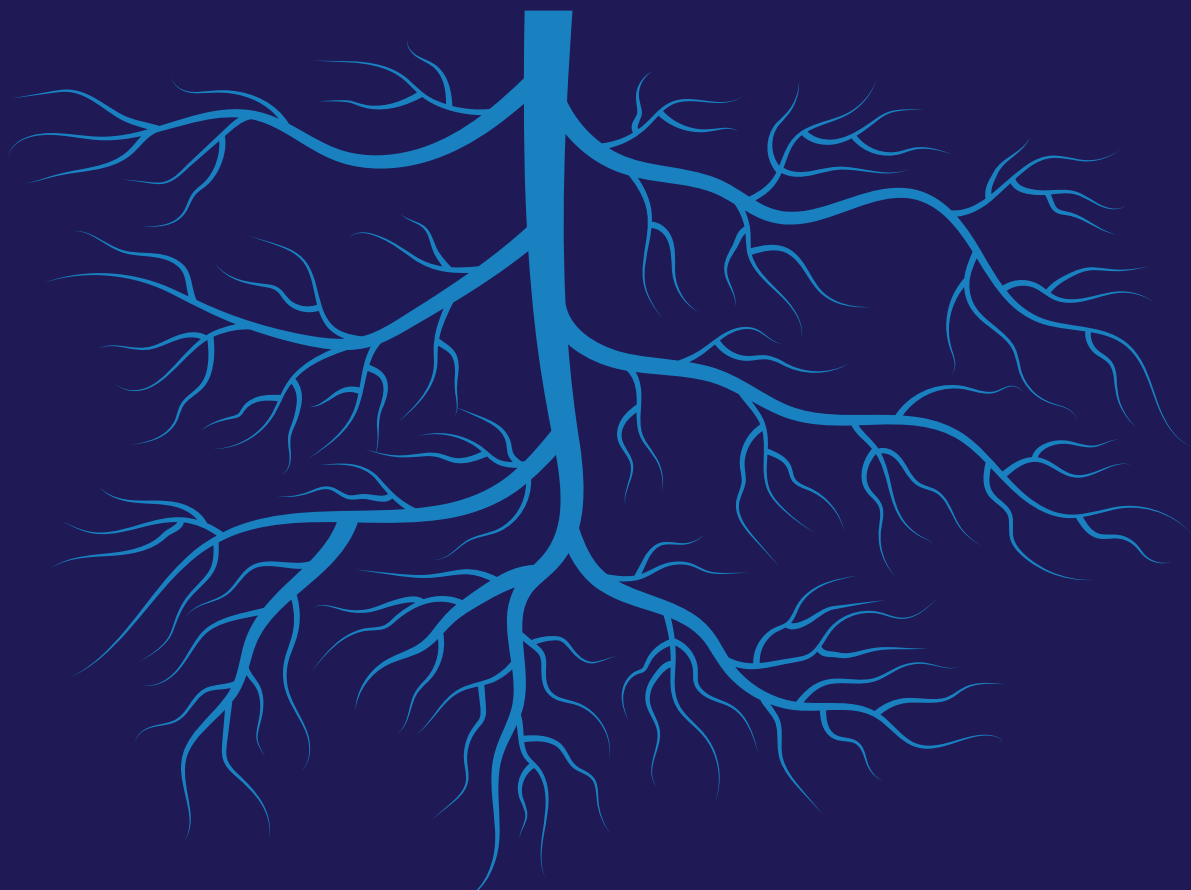
Estate	Place	Extent
Alton	Upper division conservation Block	2 ha
Halwathura	Kahagala and lower division	100 ha
Bambrakelley	9TC-1	8 ha
Frocester	Bodhikanda	2 ha
Hillstream	Wathurana	1 ha

External biodiversity assessments have been conducted to verify protection activities

- b. Whether partnerships exist with third parties to protect /restore habitat areas distinct from where the organisation has overseen and implemented restoration or protection measures: No
- c. Status of each area based on its condition at the close of the reporting period : All areas are in good condition without any loss of conservation extent.

EXPANDING OUR REACH AND DEEPENING OUR VALUE

Lateral roots provide anchorage and nutrient absorption, supporting plant growth and development. Similarly, our lateral roots enable us to adapt to changing market conditions and customer needs while maintaining our values and mission. Looking forward, we commit to expanding our reach, deepening our lateral roots, and driving sustainable growth to better serve our people.



GOVERNANCE

| Corporate Governance **168** | Annual Report of the Board of Directors on the Affairs of the Company **186** |

| Statement of Directors' Responsibilities **191** | Report of the Remuneration Committee **192** |

| Related Party Transactions Review Committee Report **193** | Audit Committee Report **195** |

| Directors' Statement on Internal Controls **198** |

| Managing Director's, Chief Executive Officer's and General Manager – Finance's Responsibility Statement **199** |

CORPORATE GOVERNANCE

GRI 2-9

GOVERNANCE STRUCTURE AND COMPOSITION

HPL's Corporate Governance Framework and governance structure together provide the foundation to support the Company growth strategy and the creation of stakeholder value.

HPL'S CORPORATE GOVERNANCE FRAMEWORK AND GOVERNANCE STRUCTURE

HPL has an exceptionally rigorous and wide-reaching corporate governance system.

1. The Company accommodates additional governance obligations to align with the good governance practices of Hayleys PLC
2. As a signatory to the UNGC, and by adopting the UNSDG's, HPL is committed to the UNGC corporate governance model of enhancing good governance by integrating corporate sustainability principles into our operations and relationships, allowing for greater transparency, accountability and inclusiveness.
3. Thirdly, the Company complies with domestic corporate governance standards, including regulatory compliance and the Code of Best Practice on Corporate Governance.

Therefore, the scope of HPL's corporate governance system extends well beyond traditional regulatory compliance, to encompass the ethical management of both financial and non-financial aspects of business operations, in addition to regulatory compliance.

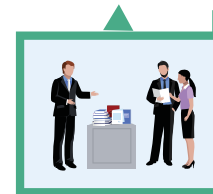
GROUP OVERSIGHT



DIPPED PRODUCTS PLC



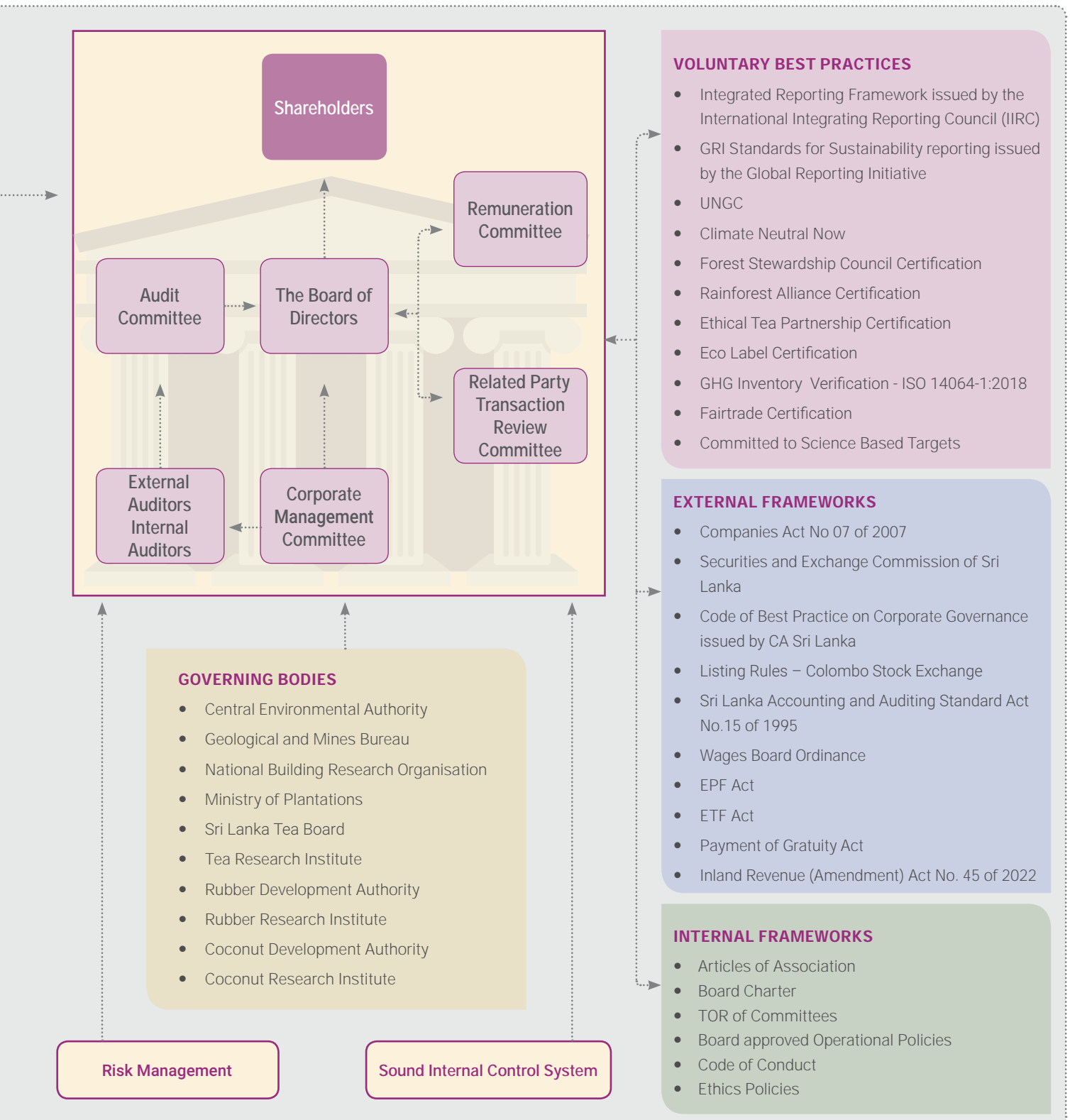
DPL PLANTATIONS (PRIVATE) LIMITED



HAYLEYS PLANTATION SERVICES (PRIVATE) LIMITED



HORANA PLANTATIONS PLC



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors is the highest governing body of the Company, constituted by the shareholders for overseeing HPL's overall functioning. The Board provides oversight for the Company's strategic direction in order to ensure that shareholders' long-term interests are being served.

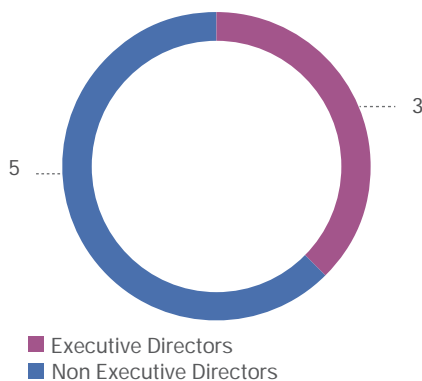
GRI 2-9 (a)

Composition of the Board

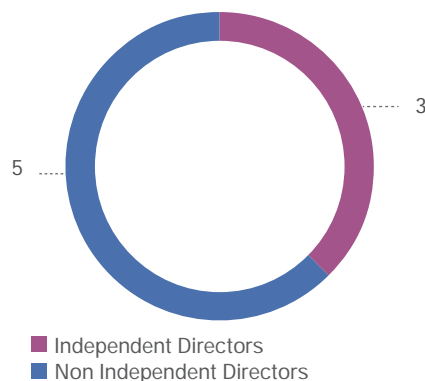
HPL's Board comprises the correct balance of individuals whose capabilities are appropriate for the scale, complexity and strategic positioning of the business. To ensure no one individual or group of individuals is able to dominate the

decision-taking process, the Current HPL Board is well balanced with 03 Executive Directors, 02 Non-Executive Directors and 03 Independent Non – Executive Directors. Collectively they bring a strong and in-depth mix of business skills and experience and considerable knowledge to assist with Board decisions. Complete Board Profiles are available on pages 24 and 25.

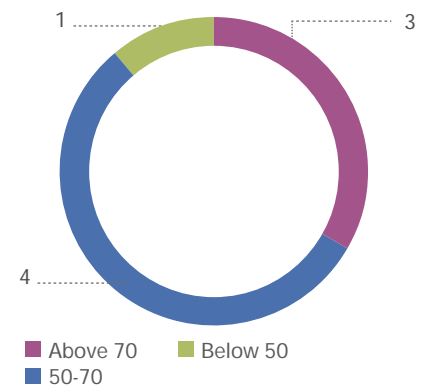
COMPOSITION OF BOARD -I



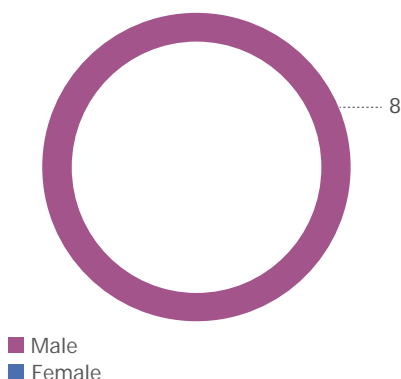
COMPOSITION OF BOARD -II



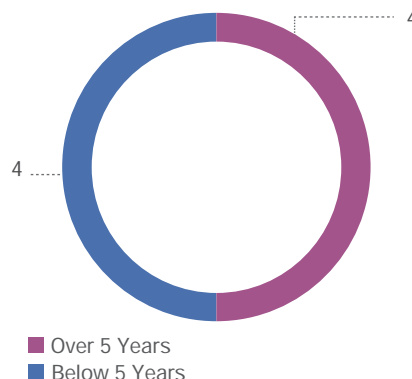
AGE DIVERSITY



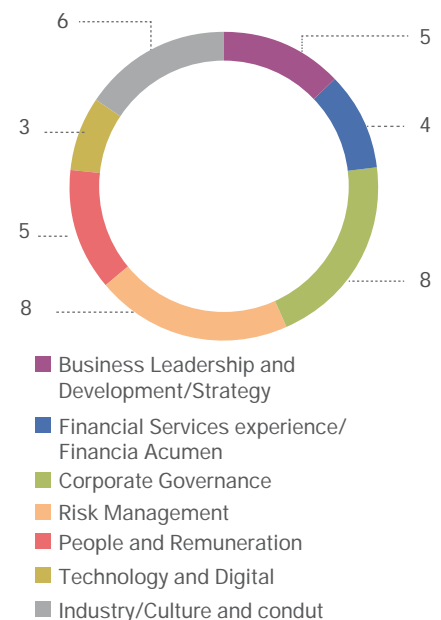
GENDER DIVERSITY



TENURE OF SERVICE



DIVERSITY OF EXPERTISE



Independence of Non-Executive Directors

Independence of the Directors is determined by the Board based on the annual declarations submitted by the Non-Executive Directors in accordance with the Listing Rules of the Colombo Stock Exchange. Directors are able to exercise their independent judgement as they do not participate in day-to-day management nor have any business relationships with the Company.

Mr. A N Wickremasinghe, Mr. K D G Gunaratne and Mr. J M J Perera qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

Mr. A N Wickremasinghe served as Independent Non-Executive Director for more than 9 years. The Board is of the opinion that as he uses his judgment impartially and independently on matters deliberated by the Board, his independence is not affected by being on the Board for more than 9 years.

The Board obtains expert professional advice as and when necessary with the assistance of the Company Secretaries.

Annual assessment of Board composition/Re-election

An annual self evaluation is carried out by the Board to ensure diversity of expertise and effectiveness of the Board composition.

One third of the directors retire by rotation and come up for re appointment by the shareholders at the AGM. Profiles of the Directors are provided to shareholders to make informed decisions.

Any resignations or new appointments to the Board are informed to the shareholders by the Company Secretaries through the Colombo Stock Exchange.

All new directors are re-appointed at the next AGM by the shareholders.

GRI 2-10

Nomination and selection of the Board and Committees

The Board is constituted by the shareholders to oversee HPL's overall functioning and to ensure that shareholders' long-term interests are being served.

The Board committees are nominated by the Board.

ROLE OF THE BOARD

As the main governing body within the Company, the Board formulates HPL's vision, mission, values and strategy and provides oversight and direction to ensure that the management and all employees work towards the Company's vision.

Matters Reserved for Board Approval

- Reviewing and approving the Company's strategic plan, including medium-term and short-term plans
- Reviewing and approving the Company's annual budgets
- Reviewing the Company's performance vis-a-vis strategy, objectives, business plans and budgets and assessing HPL's viability and ability to continue as a going concern;
- Approval of capital expenditure, including annual approval of annual capital expenditure budgets and any material changes to the policy on capital expenditure
- Review and approval of the Company's risk appetite
- Approval of acquisitions, disposals and other transactions outside delegated limits
- Appointment and removal of Directors

- Dividend policy, including annual review of the dividend policy and declaration of the interim dividend and recommendation of the final dividend
- Approval of Shareholder documentation, including approval of resolutions and corresponding documentation to be put to the shareholders and approval of all press releases concerning matters decided by the Board
- Approval of all regulatory filings
- Review and approval of the Terms of Reference (TOR) and membership of Board Committees
- Reviewing and updating the Corporate Governance framework, including business and operational policies.

Board Responsibilities

The HPL Board is responsible for ensuring that laws and regulations applicable to the Company are being complied with and that HPL's operations are conducted in line with good governance best practices at all times.

The Board is also the ultimate authority responsible for managing risks by determining the Company's risk profile and risk appetite limits in line with the corporate strategy.

The Board is further responsible for maintaining a proper mechanism for financial reporting to present a fair and balanced view of the Company's financial position, performance and prospects. The Board seeks to uphold the shareholders right information through the timely publication of quarterly and annual results to enable stakeholders to make informed decisions. Quarterly financials are uploaded to the CSE website on or before the stipulated dates, while HPL's annual report containing both financial and non financial information, including the Company's sustainability performance, is

CORPORATE GOVERNANCE

uploaded to the CSE and published on the corporate website www.horanaplantations.com.

All publications are first reviewed by the Board Audit committee and then submitted for Board approval prior to being released publicly. The Board exercises its duty to shareholders by convening the Annual General Meeting, to provide them with the opportunity to address their queries or concerns with any member of the HPL Board or the Company's Corporate Management team.

Assurance regarding the efficacy of the Company's financial reporting frameworks is placed under the stewardship of the Board Audit Committee.

As the highest governing body within the company, the HPL Board is also accountable for implementing all reasonable measures to protect the Company's data assets.

The Board is further responsible for ensuring that the Company has adequate human resources and that these human resources are skilled and competent enough to achieve HPL's strategic objectives. At the same time, the Board is charged with setting the tone from the top for promoting good behaviour and strong business ethics at all levels of the business.

The HPL Board's role on ESG

- Reviewing and approving the Company's sustainable development strategies and plans, including medium-term and short-term plans
- Reviewing and approving the Company's annual sustainability related budgets
- Monitoring and reviewing the Company's progress towards sustainability and environment related objectives

- Approval of capital expenditure, including annual approval of annual capital expenditure budgets and any material changes to the policy on capital expenditure
- Review and approval of the Company's risk appetite
- Approval of acquisitions, disposals and other transactions outside delegated limits

GRI 2-11

Chair of the Board

GRI 2-11 (a)

The Chairman of the Board is an executive.

GRI 2-11 (b)

Division of responsibilities between the Chairman and the Managing Director / CEO

The roles of Chairman of the Board and that of HPL's Managing Director are distinct and different, with the division of responsibilities between these roles clearly established. The Chairman is the head of the HPL Board, while the Managing Director operates under the authority granted by the Board.

RESPONSIBILITY OF INDIVIDUAL DIRECTORS

All Directors on the HPL Board are required to always work in the best interest of the Company at all times. They are expected to take great care when exercising their powers and always act in good faith to prevent any conflict between their other interests and the interests of the Company.

Further, the Company requires Non-Executive Directors and all Independent Non-Executive Directors to submit a signed declaration disclosing any related party involvements that could substantively interfere with the exercise of their unfettered and independent judgment.

Moreover, an affected Director is expected to excuse himself/herself from participating in any meetings where the item in which he/she has an interest is being discussed.

INDUCTION OF AND TRAINING FOR DIRECTORS

At the time of appointing a Director, a formal Letter of Appointment is given to him / her, which explains the role, function, duties and responsibilities of a Director of the Company. The Director also receives a detailed explanation regarding the duties and responsibilities of Directors as outlined by the Companies Act No 07 of 2007, Securities and Exchange Commission of Sri Lanka and other relevant Regulations.

Additionally, new Directors are provided with the requisite documents and reports to enable them to familiarise with the Company's performance and practices.

Throughout their tenure, all HPL Directors are encouraged to undertake training as part of their continuous professional development.

BOARD MEETINGS

HPL's Board of Directors meets quarterly to discuss and decide on business strategies / policies and review the financial and operational performance of the Company.

Board meetings are scheduled as per the annual meeting calendar prepared by the Company Secretaries in consultation with the Chairman. The meeting calendar is prepared annually in advance and communicated to all Board members.

The agenda for each Board meeting is set by the Chairman with advice from the Company Secretaries. Prior to each Board meeting, the Company Secretaries ensure that the relevant board papers containing the agenda and other reference material is

made available to all Directors, at least 7 days prior to the meeting.

It is mandatory for all Directors to attend Board Meetings and actively participate in all matters outlined under the agenda. Directors are allowed to make a written request to the Chairman requesting any additional matters to be included in the agenda.

Directors are expected to prepare for each meeting and in doing so are given access to the Company's Corporate Management to obtain information or clarifications. They also have the right to seek independent professional advice. Members of the Corporate Management attend meetings by invitation to address specific agenda items.

The Directors who are unable to attend the meetings are required to inform the Chairman. Directors not present at Board Meetings are updated through the documented minutes.

The Company Secretaries are required to maintain detailed minutes of every Board meeting. Minutes are circulated among the Directors and other members of Corporate Management who were present at the particular within two weeks of the meeting.

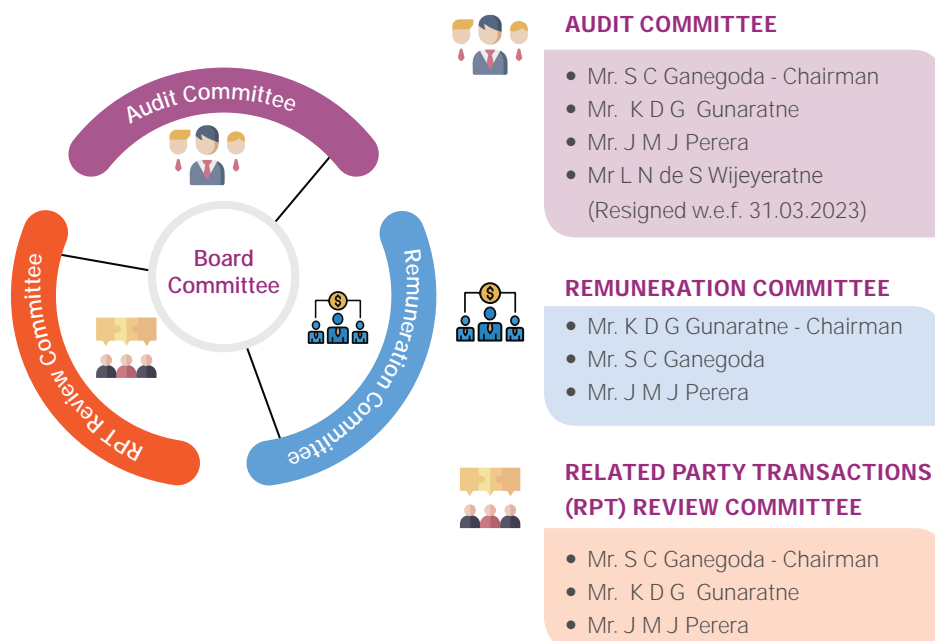
BOARD COMMITTEES

To assist in executing its governance and oversight responsibilities, the Board has appointed several committees. Each committee comprises entirely of non-executive Directors who have been selected based on their qualifications and expertise to execute the duties as per the TOR of the respective committee. Board committees act as a bridge between the Board and the Corporate Management in overseeing specific operational aspects of the business.

Director		03.05.2022	12.08.2022	29.10.2022	24.01.2023	Total
Mr. A M Pandithage	(E)	✓	✓	✓	✓	4/4
Mr. Dhammika Perera (Resigned w.e.f. 10th June 2022)	(NED)	✓	-	-	-	1/1
Dr. Roshan Rajadurai	(E)	✓	✓	✓	✓	4/4
Mr. J A Rodrigo	(E)	✓	✓	✓	✓	4/4
Mr. S C Ganegoda*	(NED)	✓	✓	✓	✓	4/4
Mr. K D G Gunaratne	(INED)	✓	✗	✓	✓	3/4
Mr. A N Wickremasinghe	(INED)	✓	✓	✓	✓	4/4
Mr. S M Liyanage	(NED)	✗	✓	✓	✓	3/4
Mr. J M J Perera	(INED)	✓	✓	✓	✓	4/4
Mr L N de S Wijeyeratne (Resigned w.e.f. 31st March 2023)	(INED)	✓	✓	✓	✓	4/4

E - Executive NED - Non-Executive INED - Independent Non-Executive

* Status changed from Independent Non-Executive Director to Non-Executive Director consequent to the acquisition of 51% ordinary shares of the Company by Hayleys Plantation Services (Private) Limited on 29th March 2023.



CORPORATE GOVERNANCE

Constructive use of the AGM & Other General Meetings

The Board uses the AGM to communicate with shareholders. The Notice, proxy forms and other related documents are sent to all shareholders by the Secretaries 15 working days before the AGM.

Each resolution in the Agenda is separately voted on by the shareholders.

Communication with shareholders

HPL utilises a range of statutory and public relation communications to engage with shareholders. These include: Annual Report, Quarterly Financial Statements, Annual General Meeting, Disclosures to the Colombo Stock Exchange etc. Further, Company accommodates Shareholder inquiries through our Company Secretaries.

Information Technology and Cyber Security

Company's Information Technology (IT) Policy has formulated based on all best practices of IT, applicable for organisation's operating and business environment.

Continuous risk assessment programs have helped IT Management Committee to identify the risk and mitigating factors of the environment. These factors are forwarded for discussion and approval, on monthly basis to Corporate Management, before implementation. Risk factors, which are identified and mitigating factors which are implemented in the operating and business environment of the organisation are communicated to the Board of Directors by the Chief Executive Officer on a quarterly basis. Board discusses at each meeting, on the development of cyber security threats which can affect the organisation and special attention is given on how the continuous instructions and advise of Group IT have been followed to mitigate these threats. IT functions and review of IT Policy of the organisation are subject to an external audit every year and independent report is issued to the Audit Committee and to the Board of Directors, by the external auditors on their findings.

CORPORATE MANAGEMENT

The Managing Director (MD) heads the Corporate Management team. Other members of the Corporate Management team include HPL's Chief Executive Officer (CEO), Director Plantations, Regional General Manager, General Manager – Finance, General Manager - Corporate Affairs. Together they represent HPL's Management Committee.

The Managing Director, the CEO and the other members of the Management Committee are responsible for the establishment and monitoring financial controls on operations. The MD, CEO and the Management Committee are also collectively responsible for reviewing the annual budgets, monthly operational reviews, capital expenditure proposals and quarterly performance appraisals, prior to submission for Board approval.

Management Committee meetings are held monthly to ensure that the Company's strategies and plans are carried out effectively to the satisfaction of the Board.

Internal Reviews		Group Assurance Reviews	
Description and Frequency	Participants	Description and Frequency	Participants
Monthly Finance Review	HPL's GM Finance	Hayleys Group Plantation Sector Review	HPL's Managing Director / CEO
Monthly IT Review	HPL's GM Finance and Manager IT	Hayleys Group Monthly Management Committee	HPL's Managing Director
Weekly Sales/Production Review	HPL's CEO/Director Plantation/RGM	Hayleys CFO Cluster Monthly Meetings headed by the Group CFO	HPL's GM Finance
Monthly Reviews with MD	HPL's CEO and Corporate Management	Hayleys Group Monthly HR Meeting	HPL's GM Corporate Affairs
		Hayleys Group Monthly IT Meeting	HPL's Manager IT
Monthly Reviews with CEO	HPL's Corporate Management	Annual Estate Audits and Head Office Functions	Group Internal Auditor (MA&SRD) – Hayleys PLC

Description and Frequency	Participants	Description and Frequency
GRI 2-12 Role of the highest governance body in overseeing the management of impacts	a) Role of the highest governance body and of senior executives in developing, approving, and updating the organisation's purpose, value or mission statements, strategies, policies, and goals related to sustainable development;	HPL complies with the Group's ESG guidelines and policies. The Board is also directly involved in developing sustainability strategy and sustainability policies. The senior management supports the Board in its deliberations with information.
	b) Role of the highest governance body in overseeing the organisation's due diligence and other processes to identify and manage the organisation's impacts on the economy, environment, and people	We have many sustainability accreditations which are certified by independent auditors annually. Our GHG emissions are reported to the Sri Lanka Climate Fund and is verified independently. The status of these accreditations is reported at Board meetings. Progress with regards to sustainability projects and status of environmental regulatory compliance is also reported regularly to the Board
	a) Describe the role of the highest governance body in reviewing the effectiveness of the organisation's processes	Board meetings are conducted quarterly and updates are provided to the Board on status of regulatory compliance and status of sustainability accreditations. Status of compliance with regards to statutory matters are routinely submitted to the Board every 03 months.
GRI 2-13 Delegation of responsibility for managing impacts	There is a dedicated Sustainability Manager who reports directly to the Managing Director and the CEO and heads a sustainability team. Therefore, sustainability topics have been delegated.	
GRI 2-14 Role of the highest governance body in sustainability reporting	The Board is directly involved in our sustainability reporting efforts through the MD and CEO who are both members of the Board. The Chairman also provides a statement for the Annual Report and explains the Company's sustainability strategy.	
GRI 2-15 Conflicts of interest	HPL has had a Related Party Transactions Review Committee since 2016. The Committee reviews and approves all related party transactions of HPL to ensure that the Company complies with the rules in relation to related party transactions set out in the Listing Rules of the Colombo Stock Exchange and the guidelines in the Code of Best Practice issued by the CA Sri Lanka. To further avoid conflicts of interest, annual declarations are submitted by Non-Executive Directors in accordance with the Listing Rules of the Colombo Stock Exchange	

CORPORATE GOVERNANCE

Description and Frequency	Participants	Description and Frequency
GRI 2-16 Communication of critical concerns to the Board regarding environmental, social, human impacts	Clear reporting lines are operational to communicate any critical sustainability concerns to the Board, quickly, as the MD and CEO are members of the Board and the Sustainability Manager has direct access to both. Managers also have direct access to the Chairman for any critical matter. In addition, the Group Management Committee of Hayleys PLC meets once a week, where the MD is a member.	
GRI 2-17 Collective knowledge of the highest governance body	a) Measures taken to advance the collective knowledge, skills, and experience of the Board on Sustainable Development.	During the current financial year, HPL's Managing Director participated in an awareness events on sustainability topics in the UK and Coconut Cultivation & Value Added Products from Coconut in Thailand. In addition, the CEO is a Director of the Plantation Human Development Trust (PHDT) Board and is involved in matters relating to the Country's Plantation Community.
GRI 2-18 Evaluation of the performance of the Board	The Board conducts an annual evaluation of the performance of the Board and the collective outcome is discussed by the Chairman with the Board.	
GRI 2-19 Remuneration policies	<ul style="list-style-type: none"> Remuneration of the HPL Board is based on Group policies. HPL also has a Board Remuneration Committee to recommend remuneration for Directors/ Chief Executive Officer and the Management Staff. 	
GRI 2-20 Process to determine remuneration	<ul style="list-style-type: none"> The process to determine remuneration of Board members is to align with the rates within the Group Boards. For General Managers and above categories, remuneration is based on performance. 	
GRI 2-21 Annual total compensation ratio	a) ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual);	1: 13.69
	b) ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual);	1: 16.52

COMPANY SECRETARY

The office of the Company Secretary is integral to the effective functioning of the Board. Secretarial services to the Board were provided by P W Corporate Secretarial (Pvt) Ltd. The Board appointed Hayleys Group Services (Private) Limited as the Company Secretaries in place of P W Corporate Secretarial (Pvt) Ltd. effective from 01st April 2023. The Company Secretaries guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance.

Responsibilities include;

- Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation.
- Maintaining statutory registers and the minutes of Board Meetings.
- Prompt communication to regulators and shareholders.
- Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.
- Maintain Register of Directors & Secretaries with the details of Directors' & Secretaries' particulars including names, surnames, former names (if any) , residential address, business, occupation, date of appointment and date of resignation.

All Directors have access to the advice and services of the Company Secretaries. Appointment and removal of the Company Secretary is a matter for the Board.

DISCLOSURE OF INFORMATION AND COMPLIANCE

The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange.

Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on Corporate Governance are given in the following table:-

Section	Subject	Applicable Rule	Compliance Status	Reference (within the Report)	Page
7.10.	(a) Compliance with Corporate Governance Rules	Publishing a statement in the Annual Report for the financial year confirming compliance with the Corporate Governance Rules.	Complied	Corporate Governance Report	168-185
7.10.	(b) Relevant Affirmative Statements on complying with Corporate Governance Rules	Giving an affirmative statement in the Annual Report with regard to complying with Corporate Governance Rules or vice versa.	Complied	Corporate Governance Report	168-185
7.10.1	(a) Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Board Composition	170
7.10.2	(a) Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be independent	Complied	Board Composition	170

CORPORATE GOVERNANCE

Section	Subject	Applicable Rule	Compliance Status	Reference (within the Report)	Page
	(b) Independent Director's Declaration	Each Non-Executive Director should submit a declaration of independence / non- independence in the prescribed format.	Complied	Independence of Non-Executive Directors	171
7.10.3	(a) Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied	Independence of Non-Executive Directors Board of Directors	171
	(b) Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Corporate Governance Report	24 & 25
	(c) Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Board of Directors	24 & 25
	(d) Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Complied	Board of Directors	24 & 25
7.10.4	(a) Defining to Independence (h)	Criteria for defining independence	Complied	Independence of Non-Executive Directors	171
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied	Remuneration Committee Report	192
	(a) Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied	Remuneration Committee Report	192
	(b) Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied	Remuneration Committee Report	192
	(c) Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should setout; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors Committee Report	Complied	Remuneration Committee Report Note 31.3 to the Financial Statements	192 259
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	Audit Committee Report	195 to 197

Section	Subject	Applicable Rule	Compliance Status	Reference (within the Report)	Page
(a)	Composition of Audit Committee	a) Shall comprise of Non-Executive Directors a majority of whom will be Independent b) One Non- Executive Director shall be appointed as Chairman of the Committee c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	Audit Committee Report	195 to 197
(b)	Audit Committee Functions	Functions shall include: a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards. b) Overseeing of the Companies with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d) Assessment of the independence and performance of the External Auditors. e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.	Complied	Audit Committee Report	195 to 197

CORPORATE GOVERNANCE

Section	Subject	Applicable Rule	Compliance Status	Reference (within the Report)	Page
	(c) Disclosure in the Annual Report relating to Audit Committee	<p>a) Names of Directors comprising the Audit Committee.</p> <p>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.</p>	Complied	Audit Committee Report	195 to 197
9.2.3	Related Party Transactions Review Committee	If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.	Complied	Related Party Transactions Review Committee Report	193 to 194
9.2.2	Composition	Combination of Non-Executive Directors and Independent Non-Executive Directors and may also include Executive Directors, at the option of the Company. One Independent Non-Executive Director shall be appointed as Chairman of the Committee.	Complied	Related Party Transactions Review Committee Report & Annual Report of the Board of Directors.	186 & 194
9.2.1	Related Party Transactions Review Committee Functions	<p>To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.</p> <p>Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.</p> <p>Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.</p> <p>To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</p>	Complied	Related Party Transactions Review Committee Report	193 to 194

Section	Subject	Applicable Rule	Compliance Status	Reference (within the Report)	Page
		<p>To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders</p> <p>Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.</p> <p>To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</p> <p>To review the economic and commercial substance of both recurrent/non recurrent related party transactions</p> <p>To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.</p>			
9.2.4	Meetings	Shall meet once a calendar Quarter	Complied	Related Party Transactions Review Committee Report	193 to 194
9.3.2	Disclosure in the Annual Report	<p>a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower.</p> <p>b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts</p> <p>c) Report by the Related Party Transactions Review Committee</p> <p>d) A declaration by the Board of Directors</p>	Complied	RPT Review Committee Report & Annual Report of the Board of Directors.	186 & 194

CORPORATE GOVERNANCE

Levels of compliance with the Companies Act No. 7 of 2007 are given in the following table:-

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change thereof	Complied	About Horana Plantations	8 & 9
168 (1) (b)	Signed financial statements of the company	Complied	Financial Statements	207 to 270
168 (1) (c)	Auditors' Report on financial statements	Complied	Independent Auditor's Report	203 to 206
168 (1) (d)	Accounting policies and any changes therein	Complied	Note 1 to 3.10 to the Financial Statements	213 to 226
168 (1) (e)	Particulars of the entries made in the Interests Register	Complied	Annual Report of the Board of Directors	186 to 190
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Complied	Note 31.3 to the Financial Statements	259
168 (1) (g)	Corporate donations made by the Company	Complied	Annual Report of the Board of Directors	186 to 190
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Complied	Board of Directors	24 & 25
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Complied	Note 10 to the Financial Statements	229
168 (1) (j)	Auditors' relationship or any interest with the Company.	Complied	Report of the Audit Committee	195 to 197
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Annual Report of the Board of Directors	186 to 190

Levels of compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 are given in the following table:-

Code Ref	Requirement	Complied	Reference within the Report	Page
A.	Directors			
A.1	An effective Board should direct, lead and control the Company			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Complied	Board Meetings	172 to 173
A.1.2	Role and Responsibilities of the Board	Complied	Board Responsibilities	171 to 172
A.1.3	Act in accordance with laws of the Country Independent professional advice	Complied	Board of Directors	170 to 171
A.1.4	Access to advise and services of the Company Secretary	Complied	Company Secretary	177

Code Ref	Requirement	Complied	Reference within the Report	Page
A.1.5	Independent judgement	Complied	Board Meetings	172 to 173
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Complied	Directors Interests, Related Party Transactions	193 to 194
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Complied	Board Meetings	172 to 173
A1.8	Board induction and Training	Complied	Induction and training for Directors	172
A.2	Chairman and CEO	Complied	Division of Responsibilities between the Chairman and the Managing Director / CEO	171 to 172
A.3	Chairman's role in preserving good corporate governance	Complied	Division of Responsibilities between the Chairman and the Managing Director / CEO	171 to 172
A.4	Availability of financial acumen	Complied	Board Composition	170
A.5	Board Balance	Complied	Board Composition	170
A.5.1	The Board should include sufficient number of NEDs	Complied	Board Composition	170
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A		-
A.5.3	Independence of Directors	Complied	Independence of Non Executive Directors	171 to 172
A.5.4	Annual declaration of independence by Directors	Complied	Independence	171 to 172
A.5.5	Annual determination of independence of NEDs	Complied	Independence	171 to 172
A.5.6	Alternate Directors	N/A	There were no appointments of Alternative Directors during the year	-
A.5.7 & A.5.8	Senior Independent Director (SID)	N/A	Considering business exigences of the Company	-
A.5.9	Annual meeting with NEDs	Yes	When required Executive Directors and Corporate Management team are excused from meetings	-
A.5.10	Recording of dissent in minutes	Complied	Meetings and minutes	172 to 173
A.6	Supply of Information	Complied	Corporate Governance	168 to 185
A.7	Appointments to the Board and Re-election	Complied	Annual Report of the Board of Directors	187
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	No	Nomination and selection of the Board and Committees	171
A.7.2	Annual assessment of Board composition	Complied	Corporate Governance	171
A.7.3	Disclosures on appointment of new Directors	Complied	Annual Report of the Board of Directors	187
A.8	Directors to submit themselves for re-election	Complied	Re-election	187

CORPORATE GOVERNANCE

Code Ref	Requirement	Complied	Reference within the Report	Page
A.9	Appraisal of Board and sub-Committee Performances	Complied	Performance Appraisal	171 to 172
A.10	Annual Report to disclose specified information regarding Directors	Complied	Board of Directors	24 & 25
A.11	Appraisal of the CEO	Complied	Corporate Management	174
B.	Directors Remuneration			
B.1	Establish process for developing policy on executive and director remuneration.	Complied	Remuneration Committee report	192
B.2	Level and make up of Remuneration	Complied	Remuneration Committee report	192
B.3	Disclosures related to remuneration in Annual Report <ul style="list-style-type: none"> • Remuneration Policy statement • Aggregate Board remuneration paid • HRRC report 	Complied	Remuneration Committee Report Note 31.3 to Financial Statements	192
C.	Relations with Shareholders			
C.1.	Constructive use of the AGM & Other General Meetings	Complied	Constructive use of the AGM & Other General Meetings	190
C.2	Communication with shareholders	Complied	Communication with shareholders	190
C.3	Disclosure of major and material transactions	Complied	There were no major or material transactions during the year, which materially affected the net asset base of Company.	-
D	Accountability & Audit			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance, and prospects	Complied	Financial Statements	202 to 270
D1.1	Balanced Annual Report	Complied	Financial Statements	207 to 270
D.1.2	Balanced and understandable communication	Complied	Financial Statements	207 to 270
D.1.3	CEO/CFO declaration	Complied	Chief Executive Officer's and General Manager Finance's Responsibility Statement	199

Code Ref	Requirement	Complied	Reference within the Report	Page
D.1.4	Directors Report declarations	Complied	Annual Report of the Board of Directors on the Affairs of the Company	186 to 190
D.1.5	Financial Reporting - Statement on Board responsibilities, Statement on internal control	Complied	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control	191 & 198
D.1.6	Management Discussion & Analysis	Complied	Respective Capital Reports	80 to 166
D.1.7	Net Assets < 50%	Complied	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	-
D.1.8	Related Party Transactions	Complied	Directors Interests, Related Party Transactions & Conflicts of interest	255 to 259
D.2.	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied	Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control Risk Review	64 to 72 & 195 to 198
D.3.	Audit Committee	Complied	Audit Committee Report	195 to 197
D.4	Related Party Transactions Review Committee	Complied	Related Party Transactions Review Committee Report	193 to 194
D.5	Code of Business Conduct and Ethics	Complied	Code of Conduct & Ethics	
D.6	Corporate Governance Disclosures	Complied	Corporate Governance Report	182 to 185
E/F	Institutional and other investors	Complied	Relations with Shareholders	274 to 276
G.	Internet of Things & Cybersecurity	Complied	Risk Management	64 to 72
H	Environment, Society and Governance (ESG)	Complied	Social & Relationship Capital, Natural Capital and Corporate Governance Report	130 to 166 & 168 to 185

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

The Directors of Horana Plantations PLC have pleasure in presenting their Report on the affairs of the Company together with the Audited Financial Statements of the Company for the year ended 31st March 2023.

GENERAL

Horana Plantations PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 on 22nd June 1992 and listed on the Colombo Stock Exchange on 12th February 1996. The Company was re-registered as required under the provisions of the Companies Act, No.7 of 2007 on 18th March 2008 and bears registration number PQ 126. Accordingly, the name of the Company has changed to Horana Plantations PLC.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The principal activity of the Company, which is cultivation and processing of Tea and Rubber, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained in the Chairman's Message and the Managing Director's Review (pages 36 to 43).

In addition, the review of operation of this report describe how the assets of the Company were utilised during the year and sustainability initiatives of the Company.

These reports, together with the Financial Statements, reflect the state of affairs of the Company. The Directors to the best of their knowledge and belief confirm that the Company has not engaged in any activities that contravene laws and regulations.

CHANGE OF OWNERSHIP

Hayleys Plantation Services (Private) Limited acquired 12,750,000 ordinary shares from Vallibel Plantation Management Ltd., in Horana Plantations PLC, on 29th March 2023 constituting 51% of the total ordinary shares on issue at a consideration of Rs. 54.90 per share, making Hayleys Plantation Services (Private) Limited the controlling party of Horana Plantations PLC with effect from 29th March 2023.

FINANCIAL STATEMENTS

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 203 to 270.

SUMMARISED FINANCIAL RESULTS

	31st March 2023 Rs. '000	31st March 2022 Rs. '000
Revenue	3,794,035	2,563,636
Total Comprehensive Income for the year	133,830	48,314
Retained Earnings	679,954	546,124

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements of the Company is given on page 203 to 206.

ACCOUNTING POLICIES

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the policies adopted thereof are given on pages 213 to 226.

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Notes 15 to the Financial Statements on page 239 to 240.

LAND HOLDINGS

The Company does not own any freehold property.

CAPITAL EXPENDITURE

The total capital expenditure during the year including the capitalisation of borrowing cost amounted to Rs. 436,213,685/- compared to Rs. 303,583,334/- incurred in the previous year.

STATED CAPITAL

The Stated Capital of the Company is Rs.250,000,010/- divided into Twenty Five Million (25,000,000) Ordinary Shares and One (01) Golden Share.

RESERVES

The reserves of the Company with the movements during the year are given in Statement of Change in Equity on page 210.

DIVIDENDS

No dividends were declared during the period under review.

CONTINGENT LIABILITIES

Except as disclosed in Note 28 to the Financial Statements on page 254, there were no material Contingent Liabilities as at the Balance Sheet date.

STATUTORY PAYMENTS

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

DONATIONS

The Company has not made any donations to approved charities during the year under review. (2022/23 - Nil)

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Except for the matters disclosed in Note 30 to the Financial Statements on page 254 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 22 to 25.

Executive Directors

Mr. A M Pandithage	- Executive Chairman
Dr. Roshan Rajadurai	- Managing Director
Mr. J A Rodrigo	- Executive Director / CEO

Non - Executive Directors

Mr. Dhammika Perera	- Deputy Chairman* - Resigned w.e.f. 10th June 2022
Mr. S M Liyanage	- Director
Mr. S C Ganegoda	- Director

Independent Non - Executive Directors

Mr. A N Wickremasinghe	- Director
Mr. K D G Gunaratne	- Director
Mr. L N de S Wijeyeratne	- Director - Resigned w.e.f. 31st March 2023
Mr. J M J Perera	- Director

* Mr. K D G Gunaratne - Alternate Director to Mr. Dhammika Perera - ceased to be Alternate w.e.f. 10th June 2022

Mr. Dhammika Perera resigned from the Board with effect from 10th June 2022 and consequently, Mr. K D G Gunaratne ceased to be Alternate to Mr. Dhammika Perera, with effect from 10th June 2022. Mr. L N de S Wijeyeratne resigned from the Board with effect from 31st March 2023.

Status of Mr. S.C. Ganegoda who was an Independent Non-Executive Director of the Company changed consequent to the acquisition of 51% ordinary shares of the Company by Hayleys Plantation Services (Private) Limited on 29th March 2023. Mr. S.C. Ganegoda is now a Non-Executive Director of the Company.

In terms of Article 92 of the Articles of Association of the Company, Mr. J A Rodrigo retires by rotation and being eligible offers himself for re-election and the shareholders will be requested to re-elect him at the forthcoming Annual General Meeting.

In terms of Article 92 of the Articles of Association of the Company, Mr. K D G Gunaratne retires by rotation and being eligible offers himself for re-election and the shareholders will be requested to re-elect him at the forthcoming Annual General Meeting.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007 of the intention to propose ordinary resolutions for the re-appointments of Mr. A N Wickremasinghe, Mr. A.M. Pandithage and Mr. J M J Perera notwithstanding the age limit

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

of seventy years stipulated by Section 210 of the Companies Act No.07 of 2007.

- In accordance with Rule 7.10.2 (b) of the Colombo Stock Exchange (CSE) Listing Rules, Independent Directors have submitted a signed and dated declaration as per the specimen given in Appendix 7A of the continuing Listing Rules of the CSE.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management personnel compensation in Note 31.3 to the Financial Statements on page 259.

DIRECTORS' INTERESTS AND INTEREST REGISTER

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interests Register.

The relevant interests of Directors in the shares of the Company as at 31st March 2023 as recorded in the Interests Register are given in this Report under Directors' shareholding.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company are as follows:

Name of Directors	31 March 2023		31 March 2022	
	No. of Shares	%	No. of Shares	%
1 Mr. A M Pandithage	-	-	-	-
2 Mr. Dhammika Perera - Resigned w.e.f. 10th June 2022	-	-	-	-
3 Dr. Roshan Rajadurai	1,000	0.004	1,000	0.004
4 Mr. J A Rodrigo	-	-	-	-
5 Mr. S C Ganegoda	-	-	-	-
6 Mr. K D G Gunaratne	-	-	-	-
7 Mr. L N de S Wijeyeratne - Resigned w.e.f. 31st March 2023	-	-	-	-
8 Mr. A N Wickremasinghe	-	-	-	-
9 Mr. S M Liyanage	-	-	-	-
10 Mr. J M J Perera	-	-	-	-

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts with the Company are stated in Note 31 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 31.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 191.

Hayleys Plantation Services (Private) Limited holds 12,750,000 ordinary shares (51%) in Horana Plantations PLC in which Mr. A M Pandithage, Dr. Roshan Rajadurai are Directors and Mr. S C Ganegoda is Alternate to Mr. A M Pandithage.

BOARD SUBCOMMITTEES

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows:-

AUDIT COMMITTEE

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. J M J Perera

Mr. Lalit N de S Wijeyeratne - Resigned
w.e.f. 31st March 2023

The Report of the Audit Committee on page 195 to 197 sets out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

REMUNERATION COMMITTEE

Mr. K D G Gunaratne - Chairman

Mr. S C Ganegoda

Mr. J M J Perera

The Report of the Remuneration Committee on page 192 contains a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the year under review are given in Note 31.3 to the Financial Statements on page 259.

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. J M J Perera

The Directors declare 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 ended 31st March 2023.

DIRECTORS' INDEMNITY AND INSURANCE

The ultimate parent Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

EMPLOYMENT POLICY

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

As at 31st March 2023, 3,434 persons were in employment (4,186 persons as at 31st March 2022).

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

Details relating to material issues pertaining to employees and industrial relations are given in on page 113 to 114.

RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated

with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 64 to 72.

CORPORATE GOVERNANCE

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

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

The Corporate Governance Statement on page 168 to 185 explains the measures adopted by the Company during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 130 to 141 of this Report.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, twenty largest shareholders of the Company and percentage of shares as per the Listing Rules of the Colombo Stock Exchange are given on page 274 to 276 under Share Information. Market values per share, earnings, dividends and net assets per share are given on page 32.

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

AUDITORS

The Financial Statements for the period under review were audited by Messrs KPMG, Chartered Accountants who offer themselves for reappointment for the ensuing year. The Directors propose the reappointment of Messrs KPMG, Chartered Accountants as Auditors of the Company for the year 2023/24 subject to the approval of the shareholders at the Annual General Meeting.

The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditors. Details on the work of the Audit Committee are set out in the Audit Committee Report.

The audit and non-audit fees paid to the Auditors by the Company is disclosed in Note 10 on page 229 in this Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries. The Auditors have confirmed that they do not have any relationship (other than that of Auditors) with or interest in the Company other than those disclosed above.

ANNUAL GENERAL MEETING

The Notice of the Thirtieth (30th) Annual General Meeting appears on page 289.

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



A M Pandithage

Chairman



Dr. Roshan Rajadurai

Managing Director



Hayleys Group Services (Private) Limited

Secretaries

Colombo

13th May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under Sections 150 (1) and 151 of the Companies Act No. 07 of 2007 (the Companies Act), to ensure compliance with the requirements set out therein and to prepare Financial Statements for the financial year ended 31st March 2023 giving a true and fair view of the state of affairs of the Company and of the profit of the Company for the said financial year.

The Directors are also responsible, under Section 148 of the Companies Act, for ensuring that proper accounting records are kept to enable determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

The Directors confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act and the Listing Rules of the Colombo Stock Exchange. Further, the Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken proper and sufficient measures to safeguard the assets of the Company and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect fraud and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

The External Auditors, Messrs KPMG, Chartered Accountants who were re-appointed in terms of the Companies Act No. 7 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Independent Auditor's Report, shown on pages 203 to 206 sets out their responsibilities in relation to the financial statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company as at the balance sheet date have been paid or where relevant, provided for.

By Order of the Board,



Hayleys Group Services (Private) Limited
Company Secretaries
for Horana Plantations PLC

Colombo
13th May 2023

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, appointed by the Board of Directors, comprises of two (02) Independent Non-Executive Directors and one (01) Non-Executive Director as follows:

Mr. K.D.G Gunaratne - Chairman - Independent Non-Executive Director

Mr. J.M.J Perera - Independent Non-Executive Director

Mr. S.C Ganegoda - Non-Executive Director*

*Status of Mr. S.C. Ganegoda who was an Independent Non-Executive Director of the Company changed consequent to the acquisition of 51% ordinary shares of the Company by Hayleys Plantation Services (Private) Limited on 29th March 2023.

The Remuneration Policy on remuneration packages is to attract and retain the best professionals and an experienced workforce and motivate, encourage high levels of performance in a competitive environment bearing in mind the business performance and stakeholder expectations.

The Committee met once during the year. The meetings were for the purpose of examining the remuneration package of Directors/ Chief Executive Officer and the Management Staff, their respective performances and deciding on appropriate remuneration packages for them; as well as determining incentives based on Company performance for all management staff.

The Committee also reviewed data concerning remuneration packages among comparable Companies. Managing Director/ Chief Executive Officer assists the Committee by providing all relevant information with regard to compensation package. Performance Evaluation method to compensate employees is in place and succession plans have been defined.

The attendance of the members is as follows,

	Name of the Member	24.01.2023	Total
1	Mr. K.D.G Gunaratne	✓	1/1
2	Mr. J.M.J Perera	✓	1/1
3	Mr. S.C Ganegoda	✓	1/1



K.D.G. Gunaratne

Chairman – Remuneration Committee

Colombo

13th May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS

The Board in compliance with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka, established the Related Party Transactions Review Committee (RPTRC) in March 2016.

PURPOSE OF THE COMMITTEE

The purpose of the RPTRC of HPL is to conduct an independent review approval and oversight of all related party transactions of HPL and to ensure that the Company complies with the Listing Rules. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the Related Party Transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

COMPOSITION OF THE COMMITTEE

Mr. S C Ganegoda - Chairman - Non-Executive *

Mr. K D G Gunaratne - Independent Non-Executive

Mr. J M J Perera - Independent Non-Executive

*Status of Mr. S.C. Ganegoda who was an Independent Non-Executive Director of the Company changed consequent to the acquisition of 51% ordinary shares of the Company by Hayleys Plantation Services (Private) Limited on 29th March 2023.

Company Secretaries function as the Secretary to the Committee.

The Chairman & Chief Executive, Group Chief Financial Officer of Hayleys PLC, Managing Director, Director/ Chief Executive Officer of Horana Plantations PLC and General Manager Finance attend the meeting of the Committee by invitation.

MEETINGS

The Committee held four (04) meetings during the year under review. All the members attended the meeting and the minutes of the Committee meeting were tabled at Board meeting, for the review of the Board.

Name of the Member	03.05.2022	12.08.2022	29.10.2022	24.01.2023	Total
Mr. S C Ganegoda	✓	✓	✓	✓	4/4
Mr. K D G Gunaratne	✓	✓	✓	✓	4/4
Mr. J M J Perera	✓	✓	✓	✓	4/4

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following key responsibilities have been set out in the Charter for RPTRC;

- Ensure that the Company complies with the rules set out in the Code.
- Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions
- Perform other activities related to the Charter as requested by the Board.
- Have meetings every fiscal quarter and report to the Board on the Committee's activities.
- Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.
- Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

PROCEDURES FOR REPORTING RPT'S

The Director / Chief Executive Officer is responsible for reporting to the Committee, for its review and approval the information, in respect of each related party transaction proposed to be entered into other than the exceptions given in Section 9.5 of the Listing Rules of the CSE. Moreover, on a quarterly basis, the Director / Chief Executive Officer is required to report to the Committee on the approved related party transactions actually entered into by the Company.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2022/23. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 31.2 to the Financial Statements, on pages 256 to 258 of this Annual Report.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 189 of this Annual Report.



S C Ganegoda

Chairman - Related Party Transactions Review Committee

Colombo

13th May 2023

AUDIT COMMITTEE REPORT

In accordance with the Listing Rules of the CSE and the Corporate Governance guidelines, the Board of Directors appointed the Audit Committee. The Audit Committee is empowered by the Board of Directors to oversee the financial reporting, legal, and regulatory compliance, internal controls, risk management and assessment of independence and performance of external auditors.

COMPOSITION OF THE COMMITTEE

The Audit Committee comprises two (02) Independent Non-Executive Directors and one (01) Non-Executive Director and Chaired by a Member of a recognised professional accounting body. Present Audit Committee is as follows:

Mr. S C Ganegoda - Chairman - Non-Executive *

Mr. K D G Gunaratne - Independent Non-Executive

Mr. J M J Perera - Independent Non-Executive

Mr. L N De S Wijeyeratne - Independent Non-Executive (Resigned with effect from 31st March 2023)

* Status of Mr. S.C. Ganegoda who was an Independent Non-Executive Director of the Company changed consequent to the acquisition of 51% ordinary shares of the Company by Hayleys Plantation Services (Private) Limited on 29th March 2023.

Brief profiles of each member are given on page 24 and 25 of this report. Individually and collectively financial knowledge, business acumen and independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's preview.

The Company Secretaries act as the Secretary to the Committee.

The Chairman & Chief Executive, Group Chief Financial Officer of Hayleys PLC, Head – Hayleys Group Management Audit & System Review, Managing Director, Director/ Chief Executive Officer, General Manager - Finance attend the meetings of the Committee by invitation.

THE CHARTER OF THE AUDIT COMMITTEE

The Audit Committee Charter is periodically reviewed and revised with the concurrence of the Board of Directors to make sure that

new developments relating to the function of the Committee. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance' under Listing Rules of the Colombo Stock Exchange on corporate governance, 'Code of Best Practice on Corporate Governance' issued by CA Sri Lanka and the Securities and Exchange of Sri Lanka, further regulate the composition, roles and functions of the Audit Committee.

MEETINGS OF THE COMMITTEE

The Audit Committee met four (04) times during the year. The attendance of the members at these meeting is as follows,

Name of the Member		03.05.2022	12.08.2022	29.10.2022	24.01.2023	Total
1	Mr. S C Ganegoda	✓	✓	✓	✓	4/4
2	Mr. K D G Gunaratne	✓	✓	✓	✓	4/4
3	Mr. J M J Perera	✓	✓	✓	✓	4/4
4	Mr L N de S Wijeyeratne (resigned w.e.f. 31st March 2023)	✓	✓	✓	✓	4/4

THE AUTHORITY OF THE AUDIT COMMITTEE

- Recommend appointment, dismissal, service period and audit fee of the external auditors.
- Establish and maintain a direct communication channel with the external auditors.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the external audit firm and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management, external auditors as necessary to carry out the assigned duties.

AUDIT COMMITTEE REPORT

FINANCIAL REPORTING SYSTEM

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognise the adequacy of the content and quality of routine management information reports forwarded to its members.

INTERNAL AUDIT

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Group Management Audit & Systems Review Department (MA&SRD) reports on key control elements and procedures in Company that are selected according to the annual audit plan were reviewed. Internal audits are outsourced to leading audit firms in line with an agreed annual audit plan.

During the period under review the internal audit of nine (9) estate locations and internal audit of head office were carried out.

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Group MA&SRD and other internal auditors, in the conduct of their assignments.

RISK MANAGEMENT

The Committee obtained and reviewed statements from the management identifying their respective major Business Risks, mitigatory action taken or contemplated for management of these risks.

Review of the risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial actions recommended to the board.

EXTERNAL AUDIT

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of the Company. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

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

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as the External Auditors for the financial year 2023/24, subject to the approval of the shareholders at the Annual General Meeting (AGM) and the required resolution will be put to the shareholders at the AGM.

COMPLIANCE

The Committee obtained representations from the management on the adequacy of provisions made for possible liabilities and reviewed reports tabled and certifying their compliance with relevant statutory requirements. Obtained regular updates from the management regarding compliance matters.

ETHICS AND GOOD GOVERNANCE

The Committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle- Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Company and made recommendation to the Board of Directors.

AUDIT COMMITTEE REPORT

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals. The committee has pursued the support of Messers KPMG, Chartered Accountants, to assess and review the existing SLFRS policies and procedures adopted by the Company.

SUPPORT TO THE COMMITTEE

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.



S C Ganegoda

Chairman - Audit Committee

Colombo

13th May 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on Internal Control as per the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

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

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

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

- Instituted committee to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Hayley's Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment in the Company. Audits are carried out in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by MA & SRD and Management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits.
- Estate audits are outsourced to leading audit firms in the Country based on agreed audit scope and their audit observations on internal controls together with management rectification actions are reviewed by Audit Committee on every audit committee meeting.

- The adoption of new Sri Lanka Accounting Standards, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2021/22 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

CONCLUSION

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

The Board of Directors confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.



Dr. Roshan Rajadurai
Managing Director



J A Rodrigo
Director/Chief Executive Officer

13th May 2023

MANAGING DIRECTOR'S, CHIEF EXECUTIVE OFFICER'S AND GENERAL MANAGER-FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of Horana Plantations PLC as at 31st March, 2023 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka; and
- Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

Significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the financial statements. The significant accounting policies estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this annual report.

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees. Our internal auditors also conduct periodic reviews to ensure that the internal controls and

procedures are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by Messrs.' KPMG, Chartered Accountants, the Independent External Auditors. Their report is presented on pages 203 to 206 of this Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that the company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the company other than those arising in the normal course of conducting Plantation business.



Dr. Roshan Rajadurai
Managing Director



J A Rodrigo
Chief Executive Officer



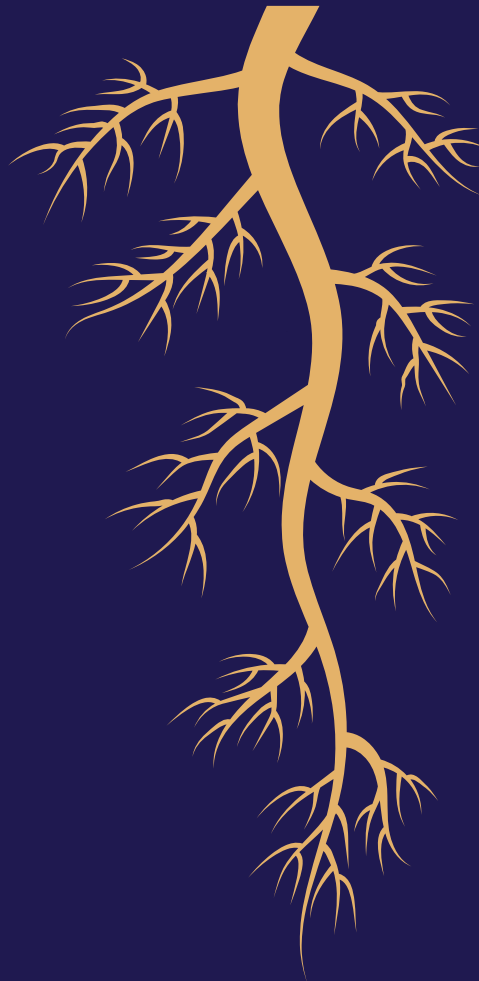
N.A.A.K. Nissanka
General Manager - Finance

13th May 2023



THE TAPROOT OF UNPARALLELED VALUE

Just as the Taproot is a crucial aspect of any tree's growth and development, serving as the anchor that provides stability and support for the rest of the tree, the 'taproot' of our organisation are the fundamental values and principles that drive our success. We take pride in reporting a highly successful financial year, with strong revenue growth and profitability across all of our business segments.



FINANCIAL STATEMENTS

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Financial Calendar

	2022/2023	2021/2022
Interim Financial Statements :		
Three months ended 30th June	12-Aug-22	2-Aug-21
Six months ended 30th September	29-Oct-22	1-Nov-21
Nine months ended 31st December	24-Jan-23	31-Jan-22
Twelve months ended 31st March	13-May-23	3-May-22
Annual Report	6-Jun-23	7-Jun-22
Annual General Meeting :		
30th Annual General Meeting	30-Jun-23	
29th Annual General Meeting		30-Jun-22

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Tel : +94 - 11 542 6426
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Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF HORANA PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Horana Plantations PLC ("the Company") which comprise the statement of financial position as at 31st March 2023, 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 set out on pages 207 to 270.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2023, and of its financial performance and its 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyaratne FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alehakoon ACA	Ms. P.M.K. Sumarssekera FCA

Principals - S.R.I. Perera FCMA(UK), LL.B., Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTI

Independent Auditor's Report



Measurement of Biological Assets

(Refer to Note 3.2.3 significant accounting policies and explanatory Note 14 to the financial statements.)

Risk Description	Our Response
<p>The Company has reported bearer biological assets amounting to Rs. 2,296 Million and consumable biological assets amounting to Rs. 592 Million as at 31st March 2023. These Biological assets represent 66% of the total assets as at 31st March 2023.</p> <p>Bearer biological assets mainly include mature and immature tea, rubber and other trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported losses as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations fields to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.</p> <p>The Consumer Biological assets are carried at fair value less cost to sell whereas the bearer biological assets are carried at the cost less accumulated depreciation and impairment loss.</p> <p>The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber content on live trees could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. The Management has used an external valuation expert to assist in determining the fair value of the consumable biological assets at the reporting date.</p> <p>We considered the measurement of biological assets as a key audit matter due to the magnitude of the amounts involved and significant management judgment involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of consumable biological assets involved significant judgment exercised by the management and external valuation expert and were subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer of bearer biological asset require management to exercise their judgment in determining the point at which a plant is deemed ready for commercial harvesting.</p>	<p>Our audit procedures included among others;</p> <p>Bearer Biological Assets</p> <ul style="list-style-type: none"> - Assessing the processes and controls in place to ensure; proper capitalization of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis. - Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified. - Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year was consistent with the Company accounting policy and industry norms. - Assessing the adequacy of the related disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions. <p>Consumable Biological Assets</p> <ul style="list-style-type: none"> - Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare and evaluating the appropriateness of those assumptions. - Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert engaged by the Company. - Comparing the average market price to historical data and market available data. - Verifying the mathematical accuracy of the consumable biological asset valuation. - Assessing the adequacy of the related disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.



(Refer to Note 3.3.1.1 significant accounting policies and explanatory Note 23 to the financial statements.)

Risk Description	Our Response
<p>The retirement benefit obligation of the Company as at 31st March 2023 amounting to Rs. 459 Million. 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. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Further, uncertainty of judgments and estimates has increased due to the rapidly changing economic factors of the Country.</p> <p>The Management has used an independent actuary to assist them in the computation of retirement benefit obligation at the reporting date.</p> <p>We considered the computation 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 liability.</p>	<p>Our audit procedures included among others.</p> <ul style="list-style-type: none"> - 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. - Evaluating the reasonableness of the total annual salaries used in the computation by comparing to the historical data. - Challenging the key assumptions used in the valuation, in particular the discount rate, inflation rate, mortality rates and future salary increases. - Comparing the discount rate, inflation rate, mortality rate and future salary increases to market available data. - Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation. - Assessing the adequacy of the related disclosures made in the financial statements including sensitivity analysis.

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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.

Independent Auditor's Report



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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 3544.

Chartered Accountants
Colombo, Sri Lanka

13th May 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March		2023	2022
	Note	Rs'000	Rs'000
Revenue	4	3,794,035	2,563,636
Cost of Sales		(2,559,346)	(2,192,626)
Gross Profit	5	1,234,689	371,010
Other Operating Income	6	7,782	7,564
Change in Fair Value of Biological Assets	7	(4,377)	31,464
Administrative Expenses		(234,621)	(185,153)
Management Fees	8	(16,963)	(16,200)
Profit from Operations		986,510	208,685
Finance Income	9.1	5,097	700
Finance Expenses	9.2	(334,515)	(141,063)
Profit before Tax	10	657,092	68,322
Tax Expense	11.1	(487,030)	(25,868)
Profit for the year		170,062	42,454
Other Comprehensive Income:			
Items that will not be reclassified to Profit or Loss			
Actuarial (Loss)/Gain on Retirement Benefit Obligations	23.3	(51,759)	6,547
Tax Reversal/(Charge) on Other Comprehensive Income	11.4.1	15,527	(687)
Other Comprehensive (Expense)/Income for the year, net of tax		(36,232)	5,860
Total Comprehensive Income for the year		133,830	48,314
Basic Earnings per Share (Rs.)	12.1	6.80	1.70
Diluted Earnings per Share (Rs.)	12.2	6.80	1.70

The accounting policies and explanatory notes set out on pages 213 to 270 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March		2023	2022
	Note	Rs'000	Rs'000
ASSETS			
Non-Current Assets			
Right of Use Assets	13	184,742	194,693
Bearer Biological Assets	14.1	2,296,046	2,172,955
Consumable Biological Assets	14.2	591,546	595,643
Property, Plant and Equipment	15	552,281	442,750
Total Non-Current Assets		3,624,615	3,406,041
Current Assets			
Non-harvested Produce on Bearer Biological Assets	14.5	9,847	8,129
Inventories	16	476,386	350,398
Advance Company Tax (ACT) Recoverable	17	-	17,586
Trade and Other Receivables	18	197,560	137,620
Related Companies Receivables	31.1.1	9,384	6,170
Cash and Cash Equivalents	19.1	37,379	38,261
Total Current Assets		730,556	558,164
Total Assets		4,355,171	3,964,205
EQUITY & LIABILITIES			
Equity			
Stated Capital	20	250,000	250,000
Retained Earnings		679,954	546,124
Total Equity		929,954	796,124
Non-Current Liabilities			
Interest bearing Loans and Borrowings	21.1	745,939	796,364
Lease Liabilities	22	183,991	181,691
Retirement Benefit Obligations	23	458,833	483,611
Deferred Income	24	106,475	113,324
Deferred Tax Liability	25	583,027	129,110
Total Non-Current Liabilities		2,078,265	1,704,100

As at 31st March	Note	2023 Rs'000	2022 Rs'000
Current Liabilities			
Trade and Other Payables	26	361,677	291,547
Related Companies Payables	31.1.2	32,930	55,897
Interest bearing Loans & Borrowings	21.1	444,875	404,069
Lease Liabilities	22	10,467	10,314
Short Term Borrowings	27	497,003	702,154
Total Current Liabilities		1,346,952	1,463,981
Total Liabilities		3,425,217	3,168,081
Total Equity and Liabilities		4,355,171	3,964,205

The accounting policies and explanatory notes set out on pages 213 to 270 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



N A A K Nissanka

General Manager - Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board of Directors of Horana Plantations PLC.



A M Pandithage

Chairman



Dr. Roshan Rajadurai

Managing Director

Colombo

13th May 2023

Statement of Changes in Equity

For the Year ended 31st March	Stated Capital	Retained Earnings	Total
	Rs'000	Rs'000	Rs'000
Balance as at 1st April 2021	250,000	497,810	747,810
Comprehensive Income for the year			
Profit for the year	-	42,454	42,454
Other Comprehensive Income	-	5,860	5,860
Total Comprehensive Income for the year	-	48,314	48,314
Balance as at 31st March 2022	250,000	546,124	796,124
Balance as at 1st April 2022	250,000	546,124	796,124
Comprehensive Income for the year			
Profit for the year	-	170,062	170,062
Other Comprehensive Expense	-	(36,232)	(36,232)
Total Comprehensive Income for the year	-	133,830	133,830
Balance as at 31st March 2023	250,000	679,954	929,954

The accounting policies and explanatory notes set out on pages 213 to 270 form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year ended 31st March	Note	2023 Rs'000	2022 Rs'000
Cash Flows from Operating Activities			
Profit before Tax		657,092	68,322
Adjustments for non-cash items :			
Change in Fair Value of Consumable Biological Assets	14.2.2 & 14.5	8,041	36,713
Depreciation and Amortization	10	189,202	201,572
Provision for Retirement Benefit Obligations	23.3	101,037	75,478
Provision/(Reversal) for Obsolete Inventories	16.1	6,776	(774)
Provision/(Reversal) for Impairment of Other Receivables	18.1	4,959	(402)
Finance Expenses	9.2	307,821	114,815
Finance Income	9.1	(5,097)	(700)
Lease Interest	22.4	26,787	26,563
Profit on Disposal of Property, Plant and Equipment	6	(111)	-
Amortization of Capital Grants	6	(7,671)	(7,564)
Field Development/Other Capital Expenditure Written-off	14.1,14.2 & 15	23,707	19,592
Operating Profit before Working Capital Changes		1,312,543	533,615
Increase in Inventories		(124,636)	(85,999)
Increase in Trade and Other Receivables		(64,885)	(14,955)
Increase in Related Companies Receivables		(3,214)	(5,424)
(Decrease)/Increase in Related Companies Payables		(22,967)	35,206
Increase in Trade and Other Payables		61,183	15,232
Cash Generated from Operations		1,158,024	477,675
Interest paid		(302,741)	(114,063)
Payments made for Retirement Benefit Obligations	23	(173,706)	(117,807)
Payment of Taxes		(14)	-
Net Cash Inflow from Operating Activities		681,563	245,805

Statement of Cash Flows

For the Year ended 31st March	Note	2023 Rs'000	2022 Rs'000
Cash Flows from Investing Activities			
Purchase/Construction of Property, Plant and Equipment	15	(153,658)	(121,790)
Expenditure incurred on Biological Assets	14.1.1 & 14.2.1	(282,555)	(181,794)
Capital Grants and Subsidies received	24	821	1,893
Proceeds on Disposal of Property, Plant and Equipment	6	188	-
Finance Income	9.1	5,097	700
Net Cash Outflow from Investing Activities		(430,107)	(300,989)
Cash Flows from Financing Activities			
Receipt of Project Loans	21	275,000	-
Repayment of Project Loans	21 & 27.2.1	(373,859)	(286,127)
Receipts of Other Term Loans	21 & 27.2.1	198,303	263,477
Repayment of Other Term Loans	21 & 27.2.1	(289,063)	(100,423)
Payment of Lease Rentals	22.4	(37,566)	(36,024)
Net Cash Outflow from Financing Activities		(227,186)	(159,097)
Net Increase/(Decrease) in Cash and Cash Equivalents during the Year		24,270	(214,281)
Cash and Cash Equivalents at the beginning of the Year		(483,894)	(269,613)
Cash and Cash Equivalents at the end of the Year	19.3	(459,624)	(483,894)

The accounting policies and explanatory notes set out on pages 213 to 270 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Significant Accounting Policies

1. REPORTING ENTITY

1.1. Domicile and Legal form

Horana Plantations PLC (hereafter mentioned as "the Company"), 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.07 of 2007), in terms of the Public Corporation of Government Owned Business Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is situated at No 400, Deans Road, Colombo 10, and the plantations are situated in the planting districts of Nuwara-Eliya and Kalutara.

1.2. Principal Activities and Nature of Operations

During the year, the principle activities of the Company were the cultivation, manufacturing and sale of tea, rubber and other agricultural produce.

1.3. Immediate and Ultimate Parent Enterprise

Vallibel Plantation Management Limited has disposed the investment of 51% shareholding of Horana Plantations PLC to Hayleys Plantation Services (Private) Limited on 29th March 2023.

The Company's immediate parent undertaking is Hayleys Plantation Services (Private) Limited, which is incorporated in Sri Lanka. The Company's ultimate parent undertaking is Hayleys PLC, which is incorporated in Sri Lanka.

1.4. Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors on 13th May 2023.

1.5. Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The financial statements of the Company such comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with Sri Lanka Accounting

Standards (LKASs and SLFRSs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with requirements of the Companies Act No.07 of 2007.

2.2. Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention basis, except for the following material items in the Statement of Financial Position.

- Bearer Biological Assets and Property, Plant and Equipment, which have been measured as more fully described in Note 14 and 15.
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for retirement benefit obligation is recognized at the present value of the retirement benefit obligation based on actuarial valuation as per LKAS 19 - Employee benefits.
- Non harvested produce on bearer biological assets is measured at fair value as per LKAS 41 - Agriculture.

2.3. Functional and Presentation Currency

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

2.4. Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.5. Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

2.6. Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs'000), except when otherwise indicated.

2.7. Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

Significant Accounting Policies

2.8. Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading (LKAS/SLFRS).

2.9. Materiality and Aggregation

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.

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 recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.10. Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires the management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions that are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in 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 note:-

Critical Accounting Estimate / Judgment	Disclosure Reference	
	Note	Page
Biological Assets	14	235
Inventories	16	241
Tax Expense	11	230
Deferred Tax Assets / Liabilities	11.4	231
Retirement Benefit Obligations	23	249

2.11. Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

- Level 1** inputs are unadjusted quoted prices in active markets for identical assets or liabilities. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3** inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair Value of Non-Financial Assets

The fair value used by the Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market that is accessible by the Company for the asset or liability.

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. 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. Foreign Currency

3.1.1. Foreign Currency Transactions

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

At each reporting date, monetary items denominated in foreign currencies are translated into local currencies at the rates of exchange prevailing at the reporting date, while non-monetary items are reported at the rates prevailing at the date of the transactions were affected.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss.

3.2. Assets and Bases of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are Cash and Bank balances and those which are expected to be realized in cash during the normal operating 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 reporting date.

3.2.1. Leases

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 assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Significant Accounting Policies

3.2.1.1. Right of Use Asset

The Company recognizes 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.

Right of use assets are subsequently depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are 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.

If ownership of the leased asset transferred to the Company at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate. After the commencement date, amount of lease liability is increased to reflect the accretion

of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short Term Leases

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

3.2.2. Property, Plant and Equipment

3.2.2.1. Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work in progress is transferred to the respective asset accounts when the assets are available for use.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.2.2.2. Subsequent Expenditure

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 cost of the day-to-day servicing of Property, Plant and Equipment are recognized in Statement of Profit or Loss as incurred.

3.2.2.3. Capital Work in Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work in progress transferred to the respective asset accounts at the time of first utilization or at the time of the asset is commissioned.

3.2.2.4. De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognized on disposal; or when no future economic benefits

are expected from its use or disposal. Gains or losses on de-recognition are recognized in Statement of Profit or Loss.

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 recognized net within other income in Statement of Profit or Loss.

3.2.2.5. Permanent Land Development Cost

Permanent land development costs are cost incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.3. Biological Assets

Biological assets are classified as Bearer Biological Assets and Consumable Biological Assets. Bearer Biological Assets include tea, rubber, oil palm and other diversify crops those that are not intended to be sold or harvested but are however used to grow for harvesting agricultural produce from such Biological Assets. Consumable Biological Assets include managed live trees those that are to be sold as Biological Assets.

Biological assets are further classified in to Mature Biological Assets and Immature Biological Assets. Mature Biological Assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

3.2.3.1. Recognition and Measurement

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

The expenditure incurred on bearer biological asset fields, which are bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment as per the option provided by the ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed live trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.2.3.2. Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.3.3. Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalized are charged to the Statement of Profit or Loss in the year in which they are incurred.

3.2.3.4. 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.

Significant Accounting Policies

3.2.3.5. Consumer Biological Assets

The managed live trees 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 - Agriculture. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of live trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency	Sri Lankan Rupees
Volume at Rotation	Estimate based on physical verification of girth, height and considering the growth of each species. Factor all the prevailing statutory regulations enforced against harvesting of live trees coupled with forestry plan of the Company.
Economic Useful Life/Optimum Rotation	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in Statement of Profit or Loss for the period in which it arises.

3.2.3.6. Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

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

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

3.2.4. Depreciation and Amortization

a) Amortization of Assets on JEDB / SLSPC Lease

The leasehold rights to JEDB/SLSPC are amortized in equal amounts over the following years since 1992. (Lower of lease period and economic useful life)

Asset Category	No. of Years	Rate
Bare Land	53	1.9%
Mature Plantations	30	3.3%
Permanent Land Development Cost	30	3.3%
Buildings	25	4.0%
Plant and Machinery	15	6.7%

b) Amortization of Other Mature Plantations (Re-planting and New Planting)

Asset Category	No. of Years	Rate
Mature Plantations (Tea)	33	3%
Mature Plantations (Rubber)	20	5.00%
Mature Plantations (Oil Palm)	20	5.00%
Mature Plantations (Coconut)	50	2.00%
Mature Plantations (Cinnamon)	15	6.67%

Amortization 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 de-recognized.

Amortization methods, useful lives and residual values are re-assessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

c) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful economic life of such assets based on the cost or re-valued amount of all Property, Plant and Equipment. Assets are depreciated over the shorter of the lease term or their useful lives.

Description	No. of Years	Rate
Buildings	40	2.50%
Permanent Land Development Costs	40	2.50%
Plant and Machinery	13	7.50%
Equipment	10, 8, 5, 2	10%, 12.5%, 20%, 50%
Furniture and Fittings	10	10.00%
Motor Vehicles	5, 4	20.00%, 25.00%
Computer Hardware and Software	8, 4	12.50%, 25.00%

The remaining lease period as at Statement of Financial Position date is 22 Years.

3.2.5. Intangible assets

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably. Such items with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses.

a) Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of Property, Plant and Equipment.

b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

c) Amortization

Amortization is recognized in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is as follows:

	No. of Years	Rate
Computer Software	4	25.00%

3.2.6. Non-Harvested Produce on Bearer Biological Asset

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-Agriculture and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in Statement of 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.

3.2.7. Inventories

Agricultural Produce Harvested from Biological Assets

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

Agricultural Produce after Further Processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making do 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 estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

Significant Accounting Policies

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas :-

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at lower of cost or Net Realizable Value (NRV).

3.2.8. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize less of provisions for bad and doubtful debts. Other receivables and dues from related parties are recognized at amortized cost less provision for bad and doubtful receivables.

3.2.9. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments 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.

3.3. Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.3.1. Employee Benefits

3.3.1.1. Defined Benefit Plan

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 based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by LKAS 19 "Employee

Benefits". Key assumptions used in determining the defined retirement benefit obligations are given in Note 23 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs Actuarial and Management Consultants (Private) Limited as at 31st March 2023. The liability is not externally funded. The settlement of the liability is based on legal liability method.

3.3.1.2. Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

3.3.2. Contingent Liabilities

Contingent Liabilities are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

3.3.3. Trade and Other Payables

Trade and other payables are stated at their amortized costs.

3.3.4. Deferred Income

Grants and Subsidies

Government grants are recognized where there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants relate to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Government Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment, more fully mentioned in Note 24 to the Financial Statements.

Grants related to income are recognized in the Statement of Profit or Loss in the year which it is receivable.

Unconditional grants received for Consumer Biological Assets measured at fair value less cost to sell are recognized in the Statement of Profit or Loss when, and only when such grants become receivable.

3.3.5. Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12 -Income Taxes.

3.4. Financial Instruments

3.4.1. Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized 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 an 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.

3.4.2. Classification and Subsequent Measurement

3.4.2.1. Financial Assets

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

Financial assets are not reclassified subsequently to their 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 amortized 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 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 payment of principal and interest on the principal amount outstanding.

On the 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 Statement of Other Comprehensive Income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized 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 amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business Model Assessment:

The Company makes an assessment of the objectives of the business model in which a financial asset is held as 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 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 realizing 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 the business model) and how those risks are managed;

Significant Accounting Policies

- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition 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.

b) Assessment whether Contractual Cash Flows are Solely Payment of Principal and Interest

For the purpose 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 cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payment 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 limits the Company's claim to cash flows from specific assets (e.g. non-recourse features)

The prepayment feature is consistent with the solely payment 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 addition compensation for early termination of the contract.

c) Subsequent Measurement and Gains and Losses:

Financial assets are at amortised cost. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment are recognized in Statement of Profit or Loss. Any gain or loss on derecognition is recognized in Statement of Profit or Loss.

3.4.2.2. Financial Liabilities

3.4.2.2.1. Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortized 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 recognized in Statement of Profit or Loss. Other financial liabilities are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognized in Statement of Profit or Loss. Any gain or loss on derecognition is also recognized in Statement of Profit or Loss.

3.4.3. Derecognition

3.4.3.1. 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 recognized 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. In these cases, the transferred assets are not derecognized.

3.4.3.2. Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes 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 recognized 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 recognized in Statement of Profit or Loss.

3.4.4. 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 realize the asset and settle the liability simultaneously.

3.4.5. Impairment – Financial Assets

Non-derivative Financial Assets

3.4.5.1. Financial Instruments

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and the financial year end, 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 90 days past due.

3.4.5.2. 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).

3.4.5.3. Credit-impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost 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 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 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

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

3.4.5.4. Write-off

The gross carrying amount of financial assets is written-off when the Company has known reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

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 makes an estimate of the asset's recoverable amount. An Asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale 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 assets 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 pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

Significant Accounting Policies

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, 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 recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss.

Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive income the Directors are of the opinion that function of expenses method presents fairly the elements of the Company is performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 in Presentation of Financial Statements.

3.4.6. Revenue and Income Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control to a customer.

The Company generates revenue primarily from the sale of tea, rubber and other agricultural produce. The revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. The Company recognizes revenue when it transfers control over goods to a customer. The Company considers sale of tea, rubber and other agricultural produce as one performance obligation and recognizes revenue when it transfers control to the customer.

Disaggregation of Revenue

SLFRS 15-Revenue from Contracts with Customers, requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's revenue comprises only service income coming from parent Company and no disaggregation is required.

3.4.6.1. Gain and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within 'other operating income' in the Statement of Profit or Loss.

3.4.6.2. Interest Income

Interest Income is recognized as the interest accrued (taking into account the effective yield on the asset) unless collectability is in doubt.

3.4.6.3. Other Income

Other income is recognized on an accrual basis.

3.4.6.4. Deferred Income

Grants related to assets are recognized as income in the Statement of Profit or Loss over the related assets' useful life so as to match them with the related costs which they are intended to compensate. Other grants are set-off against related expenses and the net amount is reflected in the Statement of Profit or Loss. Grants relating to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income.

3.4.7. Expenditure Recognition

All expenses incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to the Statement of Profit or Loss.

3.4.8. Net Finance Income / Expense

Interest income is recognized as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset. These are recognized in Statement of Profit or Loss using the effective interest method.

3.4.9. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Profit or Loss except to the extent that it relates to items recognized directly in Equity or in Other Comprehensive Income.

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 Asset.

3.4.9.1. Current Tax

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act. No. 45 of 2022 as amended by subsequent legislation enacted or substantively enacted by the reporting date. Relevant details are disclosed in Note 11 to the Financial Statements.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

3.4.9.2. Deferred Taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts and tax bases used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

The principal temporary differences arise from depreciation on Property, Plant and Equipment, tax losses carried forward and provisions for defined benefit obligations.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

3.5. Segmental Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Managing Director and the Chief Executive Officer to make decisions about resources to be allocated to the segment

and assess its performance, and for which discrete financial information is available.

3.6. 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 is presented in Note 31 to the Financial Statements.

3.7. Statement of Cash Flows

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.

3.8. Events Occurring After the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, occurring between the end of the reporting period and the date when the Financial Statements are authorized 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.

3.9. 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 28 to the Financial Statements. Commitments are disclosed in Note 29 to the Financial Statements.

3.10. New Accounting Standards Issued but not Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1st January 2022 and 2023. Accordingly, the Company has not applied the following new standards in preparing these Financial Statements.

Significant Accounting Policies

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

A. Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

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

Other recent changes to the standards that are required to be applied for annual periods beginning after 1st January 2023 and that are available for early adoption.

Disclosure of accounting policies (amendments to LKAS 1) – Effective date: 1st January 2023

Definition of accounting estimates (LKAS 8) – Effective date: 1st January 2023

Deferred tax related to Assets and Liabilities arising from a single transaction - Amendments to LKAS 12 – Effective date: 1st January 2023.

3.11 Recent Economic Conditions and its Impact on the Financial Statements

As at 31st March 2023 inflation rate was 49.2%. Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year's financial statements,

since the conditions that gave rise to the gain/(loss) did not exist as of 31st March 2023. The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

Despite economic crisis in the country, company has managed to achieve significant growth in the business while safeguard its customers and employees. The Company has taken the following measures to ensure it continues its operations as a going concern.

- Manage to grow the business through acquiring new business opportunities while maintain the existing business portfolio.
- Provide better client service and faster claim settlements.
- Optimize the investment income with well managed investment portfolio and healthy cash flow position
- Implement cost controls and managed overhead expenses despite high inflation affect all areas of the economy
- Prudent enterprise risk management policy and identifies business risk well in advance and makes corrective and precautionary actions to avoid possible losses.

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

For the Year ended 31st March		2023	2022
		Rs'000	Rs'000
4.	REVENUE		
	Segmental Analysis of Revenue:		
	Main Sectors - Tea	2,912,192	1,856,996
	- Rubber	557,620	430,443
		3,469,812	2,287,439
	Diversified Crops	279,316	177,081
	Sale of Live Trees	20,033	86,072
	Other Operating Revenue	24,874	13,044
		3,794,035	2,563,636
4.1.	Timing of Revenue Recognition		
	Goods transferred at point in time	3,794,035	2,563,636
	Total Revenue	3,794,035	2,563,636
4.2.	Contract Balances		
	Receivables, which are included in "trade and other receivables"	102,866	73,208
For the Year ended 31st March		2023	2022
		Rs'000	Rs'000
5.	GROSS PROFIT		
	Segmental Analysis of Gross Profit:		
	Main Sectors - Tea	980,656	176,828
	- Rubber	103,202	65,408
		1,083,858	242,236
	Diversified Crops	118,464	99,026
	Sale of Live Trees	15,433	17,372
	Other Operating Revenue	16,934	12,376
		1,234,689	371,010

Segmental Revenue, Expenses, Assets and Liabilities are more fully described in Note 35 to the Financial Statements.

Notes to the Financial Statements

For the Year ended 31st March	2023	2022
	Rs'000	Rs'000
6. OTHER OPERATING INCOME		
Profit on Disposal of Property, Plant & Equipment	111	-
Amortization of Capital Grants (Refer Note No.24.1.1)	7,671	7,564
	7,782	7,564

For the Year ended 31st March	2023	2022
	Rs'000	Rs'000
7. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS		
Change in Fair Value of Consumable Biological Assets (Managed Live Trees) (Refer Note No.14.2.2)	(14,224)	23,335
Gain on Fair Value of Bearer Biological Assets (Non-harvested Crop) (Refer Note No.14.5)	9,847	8,129
	(4,377)	31,464

For the Year ended 31st March	2023	2022
	Rs'000	Rs'000
8. MANAGEMENT FEES		
Management Fee	15,000	15,000
Value Added Tax on Management Fee	1,963	1,200
	16,963	16,200

The Management Agreement signed between Vallibel Plantation Management Ltd., its Subsidiary Company, Horana Plantations PLC on 15th July 2005 has been cancelled with effect from 31st March 2018, and has entered into a new Management Agreement with Hayleys PLC with effect from 1st April 2018. The Terms and conditions as per the previous agreement remain same. Accordingly, the basis of computing management fee is on Earnings Before Interest Received/Paid, Corporate Tax, Depreciation, Amortization and Management Fees (EBIDTA). The rate applicable for the year under review is 5% of EBIDTA or Rs.15 Million, whichever is lower.

For the Year ended 31st March		2023	2022
		Rs'000	Rs'000
9. NET FINANCE EXPENSES			
9.1. Finance Income :			
Interest Income		5,097	700
		5,097	700
9.2. Finance Expenses :			
Project Loan Interest		263,310	109,422
Term Loan Interest		39,073	5,734
Bank Overdraft Interest		76,132	37,334
Interest on Government Lease and Other Finance Leases		26,694	26,248
Stamp Duty and Other Finance Charges		1,268	616
Foreign Exchange Loss		3,030	7,517
Sub-Total		409,507	186,871
Capitalization of Borrowing Costs on Immature Plantations		(74,992)	(45,808)
Total Finance Expense		334,515	141,063
9.3. Net Finance Expenses		329,418	140,363
For the Year ended 31st March		2023	2022
		Rs'000	Rs'000
10. PROFIT BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING :			
Auditors Remuneration and Expenses-Statutory Audit		3,232	2,810
Secretarial Fees and Expenses		619	552
Legal Fees and Expenses		13,509	6,346
Depreciation and Amortization:-			
Right of Use Assets		23,184	25,194
Bearer Biological Assets		121,966	135,303
Property, Plant & Equipment		44,052	41,075
Total - Depreciation and Amortization		189,202	201,572
Personnel Costs include:-			
Provision for Retirement Benefit Obligations :-			
- Current Service Cost		28,495	31,862
- Past Service Cost		-	(285)
- Interest Cost		72,542	43,902
Defined Contribution Plan Costs (Provident Funds and ETF)		164,932	154,027
Other Staff Costs		1,258,322	1,204,731

Notes to the Financial Statements

For the Year ended 31st March		2023	2022
		Rs'000	Rs'000
11. TAX EXPENSE			
11.1. Current Taxes on Continuing Operations:			
Current Income Tax Expense (Refer Note No.11.2)	-	-	-
Deferred Tax Charge (Refer Note No.11.4.1)	469,444	17,896	
Economic Service Charge (non-claimable)	-	6,373	
Provision for Advanced Company Tax (Refer Note No.17)	17,586	1,599	
Tax Expense on Statement of Profit or Loss	487,030	25,868	
11.2. Reconciliation between Profit before Tax and Current Tax Expense:			
Profit before Tax	657,092	68,322	
Add: Disallowable Expenses	383,014	330,872	
Less: Allowable Expenses	(563,750)	(418,617)	
Taxable Profit/(Loss) for the year	476,356	(19,423)	
Taxable Profit/(Loss) for the year is Categorized under following Sectors :-			
Taxable Profit from Agro Farming	503,338	6,600	
Taxable Loss from Agro Processing	(49,150)	(30,142)	
Taxable Profit from Other Sources of Income	22,168	4,119	
	476,356	(19,423)	
For the Year ended 31st March		2023	2022
Tax Rates Applicable - Agro Farming		Exempt	Exempt
- Agro Processing (first 06 months of the financial year - 14%)		30%	14%
- Other Income (first 06 months of the financial year - 24%)		30%	24%
Current Income Tax Expense -Rs'000		-	-
For the Year ended 31st March		2023	2022
		Rs'000	Rs'000
11.3. Accumulated Tax Losses:			
Tax Losses Brought Forward	1,861,208	1,836,519	
Under/(Over) Adjustment (Agro Processing)	(35,255)	2,785	
Loss incurred during the year (Agro Processing)	49,150	26,023	
Investment Income claimed	(22,168)	(4,119)	
Tax Loss Carried Forward	1,852,935	1,861,208	

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19th December 2022, (with retrospective effect from 1st October 2022) for income and deferred taxation. Accordingly, income tax rates of, 14% for agro processing profits and 24% for other income were applicable to first six months and a standard rate of 30% was apply to the second six months, where agro farming exemption continues until Year of Assessment 2023/24. Further, the 25% reduction in the tax payable is allowed on the agro processing component commenced from Year of Assessment 2021/22 was removed with effect from 31st March 2023. The Rate of 30% has been used for Deferred Tax. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

For the Year ended 31st March		Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
		2023	2023	2022	2022
		Rs'000	Rs'000	Rs'000	Rs'000
11.4. Deferred Tax					
On Property, Plant & Equipment		290,799	87,240	261,862	27,496
On Bearer Biological Assets		2,165,852	649,756	1,902,841	199,798
On Consumable Biological Assets		573,519	172,056	479,107	50,306
On Net Lease Liabilities		(9,715)	(2,915)	2,688	282
On Retirement Benefit Obligations		(505,747)	(151,724)	(526,658)	(55,299)
On Provision for Slow Moving Stocks/Bad Debts		(15,826)	(4,748)	(4,090)	(429)
On Tax Loss Carried Forward		(555,462)	(166,639)	(886,129)	(93,044)
		1,943,420	583,027	1,229,622	129,110
Tax Rates Applicable			30.00%		10.50%
Provision for Deferred Tax (Refer Note 25)			453,917		18,583
For the Year ended 31st March			2023		2022
			Rs'000		Rs'000
11.4.1. Recognized through					
Statement of Profit or Loss			469,444		17,896
Statement of Other Comprehensive Income			(15,527)		687
			453,917		18,583
11.4.1.1. Charged during the year					
Arising on during the year Movement			214,140		46,215
Due to change in Tax Rates			239,777		(27,632)
			453,917		18,583

11.4.2. 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. Deferred tax (asset)/liability has been computed taking into consideration the effective tax rate, which is 30% (2021/22 - 10.5%) for the Company.

The deferred tax asset has been recognized in the Financial Statements to the extent that it is probable that future taxable profit will be available against which the accumulated tax losses can be utilized. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st March 2023. The unutilised tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs. 389,242,033/- has not been recognized in respect of unutilised tax losses of Rs. 1,297,473,445/- as at 31st March 2023.

Notes to the Financial Statements

12. EARNINGS PER SHARE

12.1. Basic Earnings Per Share

Basic Earnings per Share has been calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year.

For the Year ended 31st March	2023	2022
Profit for the year -Rs'000	170,062	42,454
Weighted Average Number of Ordinary Shares in issue during the year -Numbers (in Thousands)	25,000	25,000
Basic Earnings Per Share -Rs. Cts.	6.80	1.70

12.2. Diluted Earnings Per Share

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

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

As at 31st March	2023 Rs'000	2022 Rs'000
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13. RIGHT OF USE ASSETS

Right of Use Land (Note 13.1)	158,721	152,478
Right of Use Immovable Estate Assets (Note 13.2)	9,422	16,090
Right of Use Building (Note 13.3)	16,248	24,371
Right of Use Other Assets (Note 13.4)	351	1,754
	184,742	194,693

13.1. Right of Use Land

Capitalized Value : as at 22nd June 1992	204,931	204,931
Net book value carried forward as at 1st April	152,478	153,463
Remeasurement of leasehold right as at 1st July	13,232	5,516
	165,710	158,979
Amortization		
Charge for the year	6,989	6,501
Amortization as at 31st March	6,989	6,501
Carrying Value as at 31st March	158,721	152,478

The Right of Use Asset of Lands consist of the lease rights on estates of Janatha Estates Development Board / Sri Lanka State Plantations Corporation and Land located in Dumbara Estate. This right to use asset is amortized over the remaining lease period of 23 years from 1st April 2022.

	Bearer Biological Assets (Mature) Rs'000	Permanent Land Development Costs Rs'000	Buildings Rs'000	Plant & Machinery Rs'000	Total as at 31.03.2023 Rs'000	Total as at 31.03.2022 Rs'000
13.2. Right of Use Immovable Estate Assets						
Capitalized Value :						
As at 22.06.1992	214,810	4,014	47,173	6,818	272,815	272,815
Transfer from/to*	(23,686)	(582)	(1,253)	(966)	(26,487)	-
At the end of the year	191,124	3,432	45,920	5,852	246,328	272,815
Amortization :						
Opening Balance	198,882	3,851	47,173	6,818	256,725	247,557
Charge for the year	6,506	163	-	-	6,669	9,168
Transfer from/to*	(23,686)	(582)	(1,253)	(966)	(26,487)	-
At the end of the year	181,702	3,432	45,920	5,852	236,907	256,726
Carrying Value :						
As at 31.03.2023	9,422	-	-	-	9,422	-
As at 31.03.2022	15,928	163	-	-	-	16,090

* Lease period of Dumbara Estate was ended by 21st June 2022. Therefore, relevant cost and accumulated depreciation have been derecognised.

Notes to the Financial Statements

13.3. Right of Use Building

As at 31st March	2023 Rs'000	2022 Rs'000
Capitalized Value :		
As at 1st April	38,950	38,950
As at 31st March	38,950	38,950
Amortization :		
As at 1st April	14,579	6,456
Charge for the year	8,123	8,123
As at 31st March	22,702	14,579
Carrying Value as at 31 March	16,248	24,371

Horana Plantations PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent). The effect to the Statement of Financial Position and depreciation of building to 31 March 2023 are given above.

As at 31st March	2023 Rs'000	2022 Rs'000
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13.4. Right of Use Other Assets

Leasehold Machinery

Cost :

Balance as at 1st April	5,611	14,980
Transfers to Freehold	-	(9,369)
Balance as at 31st March	5,611	5,611

Depreciation :

Balance as at 1st April	3,857	11,823
Charge for the year	1,403	1,403
Transfers to Freehold	-	(9,369)
Balance as at 31st March	5,260	3,857

Carrying Value as at 31 March

	351	1,754
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14. BIOLOGICAL ASSETS

14.1. Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- fication	Total as at 31.03.2023	Total as at 31.03.2022
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
14.1.1. Immature Plantations						
Cost :						
At the beginning of the year	123,397	41,976	49,839	205,580	420,793	393,570
Additions	69,090	22,207	9,586	177,966	278,850	171,288
Transfers to Mature	(34,200)	(32,471)	(56,880)	(53,974)	(177,523)	(126,119)
Transfers (from)/to	(15,647)	(6,236)	-	11,428	(10,456)	-
Write off during the year	-	(2,823)	(2,545)	(17,955)	(23,323)	(17,945)
At the end of the year	142,641	22,653	-	323,046	488,341	420,793
14.1.2. Mature Plantations						
Cost :						
At the beginning of the year	868,897	1,589,563	221,667	143,313	2,823,439	2,704,464
Transfers from Immature	34,200	32,471	56,880	53,974	177,523	126,119
Disposal During the Year	-	(1,166)	-	-	(1,166)	(7,145)
Transfers (from)/to*	(49,452)	(190,945)	-	(3,217)	(243,613)	-
Write off during the year	-	-	-	(16)	(16)	-
At the end of the year	853,645	1,429,923	278,546	194,054	2,756,168	2,823,439
Amortisation :						
At the beginning of the year	302,307	695,549	29,937	43,486	1,071,278	942,071
Charge for the year	28,129	74,237	11,090	8,510	121,966	135,303
Disposal During the Year	-	(1,166)	-	-	(1,166)	(6,096)
Transfers (from)/to*	(49,452)	(190,945)	-	(3,217)	(243,613)	-
Write off during the year	-	-	-	(2)	(2)	-
At the end of the year	280,984	577,676	41,027	48,777	948,463	1,071,278
Carrying Amount	572,661	852,247	237,520	145,277	1,807,705	1,752,161
14.1.3. Total Bearer Biological Assets	715,302	874,901	237,519	468,323	2,296,046	2,172,955

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantations) taken over by way of estate leases are set out in Note 13.2. Further investments in the immature plantations taken over by way of these leases are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when fields become mature.

* Lease period of Dumbara Estate was ended by 21st June 2022. Therefore, relevant cost and accumulated depreciation have been derecognised.

Notes to the Financial Statements

14. BIOLOGICAL ASSETS (CONTD.)

14.2. Consumable Biological Assets

As at 31st March	2023 Rs'000	2022 Rs'000
14.2.1. Immature Plantations		
Cost :		
At the beginning of the year	39,293	49,464
Additions during the year	3,706	10,505
Transfers to Mature	(39,617)	(20,078)
Transfers from/(to)	10,456	-
Charged to Statement of Profit or Loss	(370)	(598)
At the end of the year	13,467	39,293
14.2.2. Mature Plantations		
Fair Value:		
At the beginning of the year	556,350	581,114
Decrease due to Harvest	(3,664)	(68,177)
Increase due to new plantations	39,617	20,078
Change in Fair Value less costs to sell	(14,224)	23,335
At the end of the year	578,079	556,350
14.2.3. Total Consumable Biological Assets	591,546	595,643

14.2.4. Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed live tree plantations as at 31st March 2023 comprised approximately 330 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.13.4 Million as at 31st March 2023. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr.A.A.M.Fathihu- Proprietor of FM Valuers for 2022/23 using Discounted Cash Flow (DCF) method. In ascertaining the fair value of live trees, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

14.2.4.1. The prices adopted are net of expenditure

14.2.4.2. Discounted rates used by the Valuer are within the range of 17.5%-19.5%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the live tree 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 realization value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that lease conditions can and will be renewed at normal circumstances. Timber content expects to be realized in future and is included in the calculation of the fair value that takes into account the age of the live trees and not the expiration date of the lease.

14.2.5. The Company is exposed to the following risks relating to its live tree plantation:-

14.2.5.1. Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

14.2.5.2. Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber content on live trees. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

14.2.5.3. Climate and Other Risks

The Company's live tree plantations are exposed to the risk of damage from climatic 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

14. BIOLOGICAL ASSETS (CONTD.)

14.3. Sensitivity Analysis

14.3.1. Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber content of live trees show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

		-5.0%	+5.0%
31 March 2023	Rs'000	(28,430)	28,430
31 March 2022	Rs'000	(55,635)	55,635

14.3.2. Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber content of live trees show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

		-1%	+1%
31 March 2023	Rs'000	26,067	(22,999)
31 March 2022	Rs'000	32,412	(28,068)

14.4. Capitalization of Borrowing Costs

Borrowing costs amounting to Rs.74.992 Million (Rs.45.808 Million in 2021/22) directly relating to investment in Biological Assets (Immature Plantations) have been capitalized during the period, at an average borrowing rate of 20.67% (8.54% in 2021/22).

As at 31st March	2023 Rs'000	2022 Rs'000
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14.5. Non-harvested Produce on Bearer Biological Assets

At the beginning of the year	8,129	7,999
Gain on Fair Value of Non-harvested Produce	9,847	8,129
Charged to Statement of Profit or Loss	(8,129)	(7,999)
At the end of the year	9,847	8,129

The volume of produce growing on bearer trees are measured considering the estimated crop of the last harvesting cycle of the year as follows :-

Tea -three days crop (50% of 6 days cycle), Oil Palm -five days crop (50% of 10 days cycle, Rubber -one day crop (50% of 2 days cycle, Coconut -one month crop (50% of 2 month cycle), and Cinnamon -three months crop (50% of 6 months cycle).

Produce that grows on mature bearer plantations are measured at fair value less cost of harvesting and transport. The fair value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board, the fair value of the unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the Bought Mill Price and the Rubber crop is fair valued using 95% of RSS 1 Price. Coconut and Cinnamon is fair valued using the Farm Gate Price.

15. PROPERTY, PLANT & EQUIPMENT

	Infrastructure and Buildings	Plant & Machinery	F & F / Equipment	Computer Software	Motor Vehicles	Capital Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost :							
Balance as at 1st April 2021	371,522	410,787	119,382	16,533	195,633	9,729	1,123,587
Additions	3,499	21,070	64,974	-	-	32,248	121,790
Transfers from/(to)	-	9,340	29	-	-	-	9,369
Balance as at 31st March 2022	375,021	441,197	184,384	16,533	195,633	41,977	1,254,746
Depreciation :							
Balance as at 1st April 2021	143,115	325,311	96,219	16,158	180,748	-	761,552
Charge for the year	12,015	20,195	5,364	94	3,407	-	41,075
Transfers from/(to)	-	9,348	21	-	-	-	9,369
Balance as at 31st March 2022	155,130	354,854	101,604	16,252	184,155	-	811,996
Cost :							
Balance as at 1st April 2022	375,021	441,197	184,384	16,533	195,633	41,977	1,254,745
Additions	38,533	47,849	91,413	-	12,428	(36,565)	153,658
On disposals	-	-	(102)	-	-	-	(102)
Transfers from/(to)*	(32,663)	(68,660)	(4,363)	(664)	(4,846)	-	(111,196)
Balance as at 31st March 2023	380,891	420,387	271,332	15,869	203,215	5,412	1,297,106
Depreciation :							
Balance as at 1st April 2022	155,130	354,854	101,604	16,251	184,155	-	811,996
Charge for the year	10,750	16,161	12,114	94	4,933	-	44,052
On disposals	-	-	(26)	-	-	-	(26)
Transfers from/(to)*	(32,663)	(68,660)	(4,363)	(664)	(4,846)	-	(111,196)
Balance as at 31st March 2023	133,216	302,356	109,330	15,681	184,242	-	744,827
Carrying Amount :							
As at 31st March 2023	247,675	118,031	162,002	188	18,973	5,412	552,281
As at 31st March 2022	219,891	86,343	82,780	282	11,478	41,977	442,750

- (a) These Property, Plant and Equipment are those movable assets vested in the Company by Gazette Notification on the date of formation of the Company (i.e. 22nd June 1992), and all investment in tangible assets (both movables and immovables) by the Company since its formation, other than plantation improvements.
- (b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the year end is Rs. 459.7 Million (2021/22-Rs.422.4 Million).
- (c) Details of assets pledged as mortgage are more fully described under Note 21 "Interest Bearing Loans & Borrowings".
- (d) Capital Work in Progress as at 31st March 2023 mainly includes construction of buildings and installation of machinery.
- (e)* Lease period of Dumbara Estate was ended by 21st June 2022. Therefore, relevant cost and accumulated depreciation have been derecognised.

Notes to the Financial Statements

15. PROPERTY, PLANT & EQUIPMENT (CONTD.)

15.1. Extents, Locations, Valuations and Number of Buildings of the Company's Land Holdings

Location	Planting District	Leasehold Lands		Buildings			
		Extents Hectares.	Valuation*	Numbers	Leasehold Valuation*	Freehold Cost	Total
			Rs'000		Rs'000	Rs'000	Rs'000
Upcot/Maskeliya							
Alton	Nuwara Eliya	350	12,914	269	4,368	22,393	26,761
Fairlawn	Nuwara Eliya	448	17,132	228	3,754	26,450	30,203
Gouravilla	Nuwara Eliya	381	13,912	770	7,700	33,737	41,437
Mahanilu	Nuwara Eliya	236	9,058	145	4,923	11,138	16,061
Stockholm	Nuwara Eliya	305	11,393	522	5,034	42,528	47,562
Regional Total		1,720	64,409	1,934	25,779	136,247	162,024
Lindula							
Bambrakelly	Nuwara Eliya	591	19,728	357	4,347	24,193	28,540
Eildon Hall	Nuwara Eliya	162	6,301	303	2,941	17,506	20,446
Tillicoultry	Nuwara Eliya	377	13,807	691	3,608	12,249	15,857
Regional Total		1,130	39,836	1,351	10,895	53,948	64,842
Up-Country Total		2,850	104,245	3,285	36,674	190,195	226,866
Low Country							
Millakande	Kalutara	387	14,822	177	1,680	20,039	21,719
Halwatura	Kalutara	612	16,110	80	1,198	12,517	13,716
Hillstream	Kalutara	400	12,317	24	561	3,483	4,044
Neuchatel	Kalutara	902	20,172	105	1,361	28,214	29,575
Mirishena	Kalutara	487	12,908	152	1,376	10,232	11,608
Frocester/Kobowella	Kalutara	881	24,358	140	3,069	30,979	34,048
Low-Country Total		3,669	100,687	678	9,245	105,463	114,709
Total		6,519	204,932	3,963	45,920	295,658	341,577

* Capitalised Values of the Lands and Buildings at 22nd June 1992.

As at 31st March		2023	2022
		Rs'000	Rs'000
16.	INVENTORIES		
	Harvested Crops	323,859	233,014
	Value Added Products	3,507	-
	Consumables and Spares	146,963	116,959
	Nursery Plants and Compost	11,778	3,369
		486,107	353,342
	Provision for Obsolete/Slow Moving Inventories (Refer Note 16.1)	(9,721)	(2,944)
		476,386	350,398
16.1.	Provision for Obsolete Inventories		
	Balance as at 1st April	2,944	3,718
	Provisions made during the Year	6,776	(774)
	Balance at the end of the Year	9,721	2,944
As at 31st March		2023	2022
		Rs'000	Rs'000
17.	ADVANCE COMPANY TAX (ACT) RECOVERABLE		
	Advance Company Tax	27,285	27,285
	Provision for Advance Company Tax (ACT)		
	Balance as at 1st April	9,699	8,100
	Provisions made during the Year	17,586	1,599
	Balance at the end of the Year	27,285	9,699
	Carrying Value as at 31st March	-	17,586
As at 31st March		2023	2022
		Rs'000	Rs'000
18.	TRADE AND OTHER RECEIVABLES		
	Trade Receivables	102,866	73,208
	Staff Debtors	30,487	27,634
	Tax Recoverable	506	5,190
	Other Receivables	9,829	3,240
	Deposits, Advances and Prepayments	59,976	29,494
		203,665	138,766
	Provision for Impairment of Other Receivables	(6,105)	(1,146)
		197,560	137,620
18.1.	Provision for Impairment of Other Receivables		
	Balance as at 1st April	1,146	1,548
	Charge/(Reversal) made during the Year	4,959	(402)
	Balance at the end of the Year	6,105	1,146

Notes to the Financial Statements

As at 31st March		2023	2022
		Rs'000	Rs'000
19.	CASH AND CASH EQUIVALENTS		
19.1.	Favourable Balances		
	Short Term Monetary Investments	22,681	25,157
	Cash at Bank and in Hand	12,761	11,491
	Cash in Transit	1,937	1,613
	Cash and Cash Equivalents shown in the Statement of Financial Position	37,379	38,261
19.2.	Unfavourable Balances		
	Bank Overdrafts (Refer Note No.27.1)	(497,003)	(522,154)
19.3.	Cash and Cash Equivalents shown in the Statement of Cash Flows	(459,624)	(483,894)
As at 31st March		2023	2022
		Rs.	Rs.
20.	STATED CAPITAL		
	Issued and Fully Paid :-		
	25,000,000 Ordinary Shares	250,000,000	250,000,000
	1 Golden Share held by Secretary to the Treasury (Refer Note 20.1)	10	10
		250,000,010	250,000,010

20.1. Rights of the Golden Shareholder :

The concurrence of the Golden Shareholder will be required for the Company to sub-lease any of the estate lands/to be leased to the company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation.

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

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

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

The Golden Shareholder can request the Board of Directors of the Company to meet with him/his nominee, once every quarter to discuss issues of interests to the Government relating to the Company's operations.

The Golden Share must be owned either directly by the Government or by a 100% Government owned public company.

21. INTEREST BEARING LOANS & BORROWINGS

As at 31st March	2023 Rs'000	2022 Rs'000
At the beginning of the year	1,200,434	1,463,507
Loans obtained during the year	428,985	43,477
Repayments during the year	(438,604)	(306,550)
At the end of the year	1,190,814	1,200,434
21.1. Payable as follows:-		
Amount repayable within one year	444,875	404,069
Amount repayable more than one year	745,939	796,364
Total Payable	1,190,814	1,200,433

21.2. Project Loans repayable in seventy two (72 months), after a twenty four (24) months grace period /*sixty (60) months, after a twelve (12) months grace period /sixty (60) months, after a twelve (12) months grace period**

Purpose	Date of Receipt	Hatton National Bank PLC		2023 Rs'000	2022 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
Replanting of Main & Minor Crops	23-Jan-13	150,000	AWPLR + 1.00%	-	3,000
Replanting of Main & Minor Crops	4-Sep-13	200,000	AWPLR + 1.00%	-	25,175
Replanting of Main & Minor Crops	19-May-14	200,000	AWPLR + 0.75%	16,850	50,150
Replanting of Main & Minor Crops	24-Mar-17	250,000	AWPLR + 2.00%	83,600	146,000
Replanting of Main & Minor Crops	30-May-18	200,000	AWPLR + 1.75%	111,800	162,200
Replanting of Main & Minor Crops*	31-Dec-20	250,000	AWPLR + 1.25%	171,880	234,376
Replanting of Main & Minor Crops**	5-May-22	275,000	AWPLR + 0.85% or 3 months TB Rate +0.5%, whichever is higher for first 12 months. Thereafter, AWPLR+1.5%	275,000	-
		1,525,000		659,130	620,901

Security Offered :

Primary Floating Mortgage for Rs.550 Million, over leasehold rights of Frocester Estate.

Primary Floating Mortgage for Rs.400 Million, over leasehold rights of Bambrakelly Estate.

**Primary Floating Mortgage for Rs.275 Million, over leasehold rights of Mirishena Estate.

Notes to the Financial Statements

21. INTEREST BEARING LOANS & BORROWINGS (CONTD.)

21.3. Project Loans repayable in seventy two (72) monthly installments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Main Crops	7-Sep-17	100,000	AWPLR + 2.00%	48,570	65,250
		100,000		48,570	65,250

Security Offered :

Primary Floating Mortgage for Rs.120 Million, over the leasehold rights of land and buildings of Stockholm Estate.

21.4. Project Loans repayable in seventy two (72) monthly installments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Sampath Bank PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Oil Palm	31-Jul-19	200,000	Monthly AWPLR + 1.80%	116,000	166,400
		200,000		116,000	166,400

Security Offered :

Primary Mortgage for Rs.150 Million, over the leasehold rights of land and buildings of Gouravilla Estate.

Primary Mortgage for Rs.150 Million, over the leasehold rights of land and buildings of Alton Estate.

21.5. Project Loans repayable in sixty (60) monthly installments :

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Tea, Rubber, Coconut and Other Crops	26-Mar-21	350,000	Fixed Rate 8.50%	209,984	279,992
		350,000		209,984	279,992

Security Offered :

Primary Mortgage Bond over receivables of Tea Sales routed through Forbes & Workers Tea Brokers (Pvt) Ltd and John Keells PLC.

21.6. Project Term Loan repayable in sixty (60) monthly installments :

Purpose	Date of Receipt	Hatton National Bank PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Borrowing Restructure Facility	19-Oct-15	100,000	AWPLR + 0.75%	-	15,820
		100,000		-	15,820

Security Offered :

Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester Estates.

21.7. Term Loan repayable in thirty six (36) monthly installments :

Purpose	Date of Receipt	Hatton National Bank PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Working Capital Management	5-May-22	125,000	AWPLR + 0.75% or 3 months TB Rate +0.5%, whichever is higher for first 12 months. Thereafter, AWPLR+1.4%	90,250	-
		125,000		90,250	-

Security Offered :

Primary Floating Mortgage for Rs.125 Million, over leasehold rights of Mirishena Estate.

21.8. Term Loan, repayable in twenty four (24) monthly installments:

Purpose	Date of Receipt	Seylan Bank PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
COVID-19 Facility for Working Capital Management	31-Jul-20	15,000	Fixed Rate of 4%	2,148	8,594
		15,000		2,148	8,594

Security Offered :

No security has been offered.

21.9. Term Loan, repayable in sixty (60) monthly installments, after a six (06) months grace period:

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2023	2022
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Installation of Rooftop Solar Panels and related equipment (Alton, Fairlawn and Stockholm Estates)	31-Jan-22	43,477	Fixed Rate of 7.75%	37,680	43,477
Installation of Rooftop Solar Panels and related equipment (Gouravilla and Mahanilu Estates)	16-Jun-22	28,985	AWPLR + 1.5%	27,052	-
				64,732	43,477

Security Offered :

Primary mortgage bond over Solar Panels and related equipment of Alton, Fairlawn, Stockholm, Gouravilla and Mahanilu Estates.

	2023	2022
	Rs'000	Rs'000
Total Payable	1,190,814	1,200,434

Notes to the Financial Statements

21. INTEREST BEARING LOANS & BORROWINGS (CONTD.)

21.10. Maturity Analysis :

Financial Institution	Within 1 Year	Between 1 Year & 2 Years	Between 2 Years & 5 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Hatton National Bank PLC (Refer Note 21.2)	16,850	-	-	16,850
	62,400	21,200	-	83,600
	50,400	50,400	11,000	111,800
	62,496	62,496	46,888	171,880
	57,300	68,760	148,940	275,000
Commercial Bank of Ceylon PLC (Refer Note 21.3)	16,680	16,680	15,210	48,570
Sampath Bank PLC (Refer Note 21.4)	50,400	50,400	15,200	116,000
Commercial Bank of Ceylon PLC (Refer Note 21.5)	70,008	70,008	69,968	209,984
Hatton National Bank PLC (Refer Note 21.7)	41,700	41,700	6,850	90,250
Seylan Bank PLC (Refer Note 21.8)	2,148	-	-	2,148
Commercial Bank of Ceylon PLC (Refer Note 21.9)	14,493	14,493	35,746	64,732
Total	444,875	396,137	349,802	1,190,814

22. LEASE LIABILITIES

As at 31st March	2023			2022		
	Payable Within One Year	Payable After One Year	Total	Payable Within One Year	Payable After One Year	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Lease Liabilities - Land (Refer Note 22.1)	1,510	173,848	175,358	982	162,592	163,574
Lease Liabilities - Building (Refer Note 22.2)	8,956	10,143	19,099	7,909	19,099	27,008
Lease Liabilities - Other Right of Use Assets (Refer Note 22.3)	-	-	-	1,423	-	1,423
	10,467	183,991	194,458	10,314	181,691	192,005

22.1 Lease Liabilities - Land

As at 31st March	2023			2022		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
22.1.1. Movement :						
As at 1st April	540,695	(377,121)	163,574	545,621	(386,589)	159,032
Interim remeasurement of right-of-use asset as at 1st July	42,448	(29,216)	13,232	18,436	(12,920)	5,516
	583,143	(406,337)	176,806	564,057	(399,509)	164,548
Repayments during the year	(25,207)	-	(25,207)	(23,362)	-	(23,362)
Interest Expense for the year	-	23,759	23,759	-	22,388	22,388
As at 31st March	557,936	(382,578)	175,358	540,695	(377,121)	163,574
22.1.2. Payable as follows :						
Payable within One Year						
Payable by due dates	25,341	(23,831)	1,510	23,362	(22,380)	982
	25,341	(23,831)	1,510	23,362	(22,380)	982
Payable after One Year :-						
Payable within Two to Five Years	101,365	(93,639)	7,726	93,983	(87,605)	6,378
Payable after Five Years	431,230	(265,108)	166,122	423,352	(267,138)	156,214
	532,595	(358,747)	173,848	517,335	(354,743)	162,592
Total Payable	557,936	(382,578)	175,358	540,697	(377,123)	163,574

The weighted average incremental borrowing rate applied to the lease liabilities was 14.44% (01 April 2019).

The rental payable under the JEDB/SLSPC lease is Rs. 6.302 Million per quarter until 21st July 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.

Notes to the Financial Statements

22. LEASE LIABILITIES (CONTD.)

22.2. Lease Liabilities - Building

As at 31st March	2023			2022		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
22.2.1. Movement						
As at 01 April	32,529	(5,521)	27,008	43,373	(9,382)	33,991
Accretion of Interest	-	2,935	2,935	-	3,860	3,860
Payments during the year	(10,843)	-	(10,843)	(10,843)	-	(10,843)
As at 31st March	21,686	(2,587)	19,099	32,530	(5,522)	27,008
22.2.2. Payable as follows						
Payable within One Year	10,843	(1,887)	8,956	10,844	(2,935)	7,909
Payable after One Year (within two to five years)	10,843	(700)	10,143	21,686	(2,587)	19,099
Total Payable	21,686	(2,587)	19,099	32,530	(5,522)	27,008

The weighted average incremental borrowing rate applied to the lease liabilities was 12.51% (01 April 2020).

22.3. Lease Liabilities - Other Right of Use Assets

As at 31st March	2023			2022		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
22.3.1. Movement :						
As at 1st April	1,516	(93)	1,423	3,335	(409)	2,926
Repayments	(1,516)	-	(1,516)	(1,819)	-	(1,819)
Interest Expense for the year	-	93	93	-	316	316
As at 31st March	-	-	-	1,516	(93)	1,423
22.3.2. Payable as follows :						
Payable within One Year	-	-	-	1,516	(93)	1,423
Total Payable	-	-	-	1,516	(93)	1,423

- 22.4.** Following are the amounts recognized in Statement of Profit or Loss and Statement of Cash Flows related to all the leases of the Company as of the reporting date:-

As at 31st March	2023 Rs'000	2022 Rs'000
Amounts recognized in Statement of Profit or Loss		
- Interest on lease liabilities	26,787	26,563
- Amortization of ROU Assets	23,182	25,194
Amounts recognized in Statement of Cash Flows		
- Total cash outflows for leases	37,566	36,024

23. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	2023 Rs'000	2022 Rs'000
Balance as at 1st April	526,658	575,533
Provision made during the Year	152,796	68,932
Payments made during the Year	(173,706)	(117,807)
Balance at the end of the Year	505,748	526,658
Payable for Retired Employees included under Current Liabilities	(46,915)	(43,047)
Present Value of Obligation as at 31st March	458,833	483,611

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2023 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards LKAS No.19 "Employee Benefits".

According to the actuarial valuation report as at 31 March 2023, the actuarial present value of promised retirement benefits amounted to Rs.458.833 Million. If the Company had provided for gratuity on the basis of 14 days wages and half months salary for each completed year of service, the liability would have been Rs. 566.345 Million.

23.1. The amount recognized in the Statement of Financial Position is as follows:-

As at 31st March	2023 Rs'000	2022 Rs'000
Present Value of Unfunded Obligation	458,833	483,611
Present Value of Funded Obligation	-	-
Total Present Value of Obligation	458,833	483,611
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	458,833	483,611
Unrecognised Actuarial (Gain)/Losses	-	-
Recognized liability for Retirement Benefit Obligation	458,833	483,611

Notes to the Financial Statements

23. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

23.2. Movement in the Present Value of Retirement Benefit Obligations:-

As at 31st March	2023	2022
	Rs'000	Rs'000
Liability for Retirement Benefit Obligations as at 1st April	483,611	548,770
Actuarial Loss - due to experience adjustments	22,691	139,606
Actuarial Loss/(Gain) - due to changes in financial assumptions	29,068	(146,153)
Benefit payable by the Plan	(177,574)	(134,091)
Past Service Cost Reversal	-	(285)
Current Service Cost	28,495	31,862
Interest Cost	72,542	43,902
Liability for Retirement Benefit Obligations as at 31st March	458,833	483,611

23.3. Expenses recognized in Statement of Profit or Loss and Other Comprehensive Income:-

As at 31st March	2023	2022
	Rs'000	Rs'000
Current Service Cost	28,495	31,862
Past Service Cost Reversal	-	(285)
Interest Cost	72,542	43,902
Actuarial Loss/(Gain) during the year	51,759	(6,547)
	152,796	68,932

23.4. The Key Assumptions used by the Actuary include the following:-

As at 31st March	2023	2022
23.4.1. Rate of Interest*	18.50% per annum	-15% per annum
23.4.2. Rate of Salary Increase		
-Workers	-13.00% per annum (average)	-8% per annum
-Estate Staff	-16.00% per annum (average)	-13.50% per annum
-Head Office Staff	-16.00% per annum (average)	-13.50% per annum
23.4.3. Retirement Age		
-Workers	-60 years	-60 years
-Estate Staff	-60 years	-60 years
-Head Office Staff	-60 years	-60 years
23.4.4. Staff Turnover	- range of 0.7 to 0.2	-range of 0.7 to 0.2

23.4.5. The Company will continue as a going concern.

23.4.6. The weighted average duration of the Retirement Benefit Obligation at the end of the reporting period is 9.20 years and 7.97 years for staff and workers respectively.

* As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS No.19 "Employee Benefits".

23.5. Sensitivity Analysis:-

The following sensitivity analysis shows the significance of the change in liability of Present Value of the Retirement Benefit Obligations due to change in salary/wage escalation rate and discount rate assumed in this valuation, for all employees as at 31st March 2023 :-

Discount Rate	Salary Escalation Rate	Impact to Present Value of the Retirement Benefit Obligation Rs '000
Increase of 1%	As per Note No.23.4.2	(29,952)
Decrease of 1%	As per Note No.23.4.2	33,790
As per Note No.23.4.1	Increase of 1%	32,955
As per Note No.23.4.1	Decrease of 1%	(29,615)

23.6. Maturity Profile of the Retirement Benefit Obligation :-

Future Working Life Time	Present Value of the Retirement Benefit Obligation Rs'000
Within the next 12 months	55,439
Between 1 - 5 years	126,909
Between 5 -10 years	119,560
Beyond 10 years	156,926
Total	458,833

24. DEFERRED INCOME

As at 31st March	2023 Rs'000	2022 Rs'000
24.1. Deferred Capital Grants & Subsidies		
24.1.1. Movement :		
Grant and Subsidies Received :		
At the beginning of the year	209,318	207,426
Received during the year	821	1,892
At the end of the year	210,139	209,318
Accumulated Amortisation :		
At the beginning of the year	95,995	88,431
Amortisation for the year	7,671	7,564
At the end of the year	103,664	95,995
Net Grants and Subsidies	106,475	113,324

The amounts spent are included under the relevant category of Property, Plant & Equipment and Biological Assets and the grant/subsidies received for such is reflected under Deferred Income. When the Company complies with the conditions attached to the grants/subsidies, the grants/subsidies will be credited to the Statement of Profit or Loss over the useful life of the respective assets.

Notes to the Financial Statements

24. DEFERRED INCOME (CONTD.)

24.1 Deferred Capital Grants & Subsidies (Contd.)

24.1.2. Category wise details on Deferred Capital Grants & Subsidies:-

Granted By	Purpose of the Grant	Amount Received (to-date) Rs'000	Basis of Amortisation	Balance as at 31-Mar-22 Rs'000	Received During the Year Rs'000	Amortised During the Year Rs'000	Balance as at 31-Mar-23 Rs'000
Sri Lanka Tea Board	Tea Factory Modernization	756	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	1,059	-	(96)	963
	Tea Replanting Subsidy	2,105	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	6,928	360	(186)	7,102
	Farm Waste Shredder	300	Rate of Depreciation applicable to Equipment (20% p.a.)	-	300	(38)	263
Plantation Development Project (PDP) -Asian Development Bank (ADB)	Improvement of workers living environment	31,588	Rate of Depreciation applicable to Buildings (2.50% p.a.)	13,188	-	(1,128)	12,059
Plantation Human Development Trust (PHDT)	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	22,337	-	(1,600)	20,736
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	219	-	(17)	201
Plantation Development Project (PDP) -ADB/JBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	11,750	-	(716)	11,034
	Internal Road Development and Boundry Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	2,804	-	(165)	2,639
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	6,208	-	(361)	5,847
Rubber Development Department (RDD)	Rubber Replanting Subsidy	51,311	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	48,725	161	(3,354)	45,532
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	76	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	110	-	(9)	101
		166,540		113,325	821	(7,671)	106,475

25. DEFERRED TAX LIABILITY

As at 31st March	2023	2022
	Rs'000	Rs'000
At the beginning of the year	129,110	110,527
Charged during the period (Refer Note 11.4.1)	453,917	18,583
Balance at the End	583,027	129,110

26. TRADE AND OTHER PAYABLES

As at 31st March	2023	2022
	Rs'000	Rs'000
Trade and Service Creditors	93,525	43,438
Retiring Benefit Obligations -Current (Refer Note 23)	46,915	43,047
Bank Interest Payable	8,645	3,566
Other Payables and Accrued Charges (Refer Note 26.1)	212,592	201,496
	361,677	291,547

26.1. Other Payables and Accrued Charges :

Staff Creditors	79,260	74,161
Government Departments and Statutory Bodies	27,536	27,875
Others including Provisions and Accrued Charges	105,796	99,460
	212,592	201,496

27. SHORT TERM BORROWINGS**27.1. Bank Overdrafts (Secured) :**

The following facilities were granted to the Company, during the year under review :-

Financial Institution	Type of Securities	Rate of Interest (per annum)	Facility Available	2023	2022
			Rs'000	Rs'000	Rs'000
Seylan Bank PLC Millennium Branch Colombo 1	Mortgage over leasehold rights of Mahanilu Estate, including land and buildings, fixed and floating assets.	Monthly AWPLR + 2.5% (With the Floor Rate of 25%)	100,000	72,670	99,056
Commercial Bank of Ceylon PLC Foreign Branch Colombo 1	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	Weekly AWPLR + 1.5%	200,000	181,054	188,090
Hatton National Bank PLC Dehiwala	Mortgage over leasehold rights of Eildon Hall Estate and Frocester Estate, including buildings, fixed and floating assets.	Weekly AWPLR + 0.75%	150,000	145,732	136,701
Sampath Bank PLC Headquarters Branch Colombo 2	Primary Mortgage Bond for over leasehold rights of Gouravilla Estate.	Monthly AWPLR + 1.8%	100,000	97,548	98,308
				497,003	522,154

Notes to the Financial Statements

27. SHORT TERM BORROWINGS (CONTD.)

27.2. Other Short Term Loans (Secured) :

Financial Institution	Type of Securities	Rate of Interest (per annum)	Facility Available Rs'000	2023 Rs'000	2022 Rs'000
Hatton National Bank PLC, Dehiwala	N/A	Monthly AWPLR + 0.75%	80,000	-	80,000
Hatton National Bank PLC, Dehiwala	N/A	Monthly AWPLR + 1%	60,000	-	60,000
Hatton National Bank PLC, Dehiwala	N/A	Monthly AWPLR + 1%	40,000	-	40,000
Sri Lanka Tea Board	N/A	Fixed Rate of 8%	44,318	-	-
Total Other Short Term Loans (Refer Note 27.2.1)				-	180,000
Total Short Term Borrowings				497,003	702,154

27.2.1. Other Short Term Loans Movement

At the beginning of the year	180,000	40,000
Loans obtained during the year	44,318	220,000
Less: Repayment during the year	(224,318)	(80,000)
At the end of the year	-	180,000

28. CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at the year end except for the following:

28.1. Legal Proceedings on Labour and Other Disputes: -

Several legal cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested /prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

29. COMMITMENTS

29.1. Financial Commitments:-

There are no material Financial Commitments other than the JEDB/SLSPC. Lease Rentals Payable to the Secretary to the Treasury as explained in Note 22.1-'Lease Liabilities - Land'.

29.2. Capital Commitments:-

There were no capital commitments outstanding as at the year end.

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No material event has occurred subsequent to the Reporting Period, which require adjustments to or disclosures in the Financial Statements.

31. RELATED PARTY TRANSACTIONS AND BALANCES

As at 31st March	2023 Rs'000	2022 Rs'000
31.1. The following balances were outstanding as at the year end :-		
31.1.1. Related Companies Receivables:		
Royal Ceramics Lanka PLC	126	-
Rocell Barthware Limited	146	-
Lanka Ceramic PLC	27	10
Lanka Walltiles PLC	1,507	-
Lanka Tiles PLC	96	-
Fentons Limited	500	-
Uni-Dil Pakaging Limited	150	80
Hayleys Consumer Products Limited	111	-
Delmage Forsyth & Co., Limited	6,720	6,080
	9,384	6,170
31.1.2. Related Companies Payables		
Vallibel Plantation Management Limited	23,894	6,838
Fentons Limited	-	38,362
Uni-Dil Pakaging Limited	218	750
Uni-Dil Pakaging Solutions Limited	76	3,343
Hayleys PLC -Shared Services	1,437	5,220
Hayleys Agriculture Holdings Limited	2,678	861
Hayleys Agro Fertilizer (Private) Limited	-	1
Hayleys Business Solutions International (Private) Limited	14	-
Kelani Valley Plantations PLC	1,677	515
Talawakelle Tea Estates PLC	2,882	6
Lanka Tiles PLC	5	-
Logiwiz Limited	5	-
Royal Ceramics Lanka PLC	43	-
	32,930	55,897

Notes to the Financial Statements

31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

31.2. Transactions with Related Companies:

The transactions carried out in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosure". The details of which are reported below:-

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2023 Rs'000	2022 Rs'000
Vallibel Plantation Management Ltd Affiliate	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr. Johann A.Rodrigo	Executive Chairman Managing Director Director	Reimbursement of Expenses Settlement of Expenses	20,443 (37,500)	10,165 (17,657)
Uni-Dil Packaging Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Sale of Tea Settlements Purchase of Packing Materials Settlements	260 (190) 1,136 (1,668)	560 (480) 317 (306)
Uni-Dil Paper Solutions Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Purchase of Packing Materials Settlements	15,678 (18,944)	17,401 (16,794)
Lanka Ceramic PLC Affiliate	Mr. Dhammika Perera (resigned w.e.f 10.06.2022) Mr.K.D.G.Gunaratne	Chairman Director	Sale of Tea Settlements	88 (71)	38 (47)
Lanka Walltiles PLC Affiliate	Mr.K.D.G.Gunaratne	Director	Purchase of Tiles Settlements Sale of Tea Settlements	1,376 - 130 -	31 (31)
Royal Ceramics Lanka PLC Affiliate	Mr. Dhammika Perera (resigned w.e.f 10.06.2022) Mr. L. N. De S. Wijeyeratne (resigned w.e.f 31.03.2023)	Chairman Director	Purchase of Tiles Settlements Sale of Tea Settlements	43 - 138 (11)	60 (60) - -
Rocell Barware Ltd Affiliate	Mr. Dhammika Perera (resigned w.e.f 10.06.2022) Mr. L. N. De S. Wijeyeratne (resigned w.e.f 31.03.2023)	Chairman Director	Sale of Tea Settlements	255 (109)	- -
Lanka Tiles PLC Affiliate	Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Chairman	Purchase of Sanitaryware Settlements Sale of Tea Settlements	5 - 206 (110)	3 (3) - (455)
Fentons Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Purchase of Solar Power System Settlements	50,577 (88,939)	76,724 (38,362)

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2023	2022
				Rs'000	Rs'000
Hayleys PLC Ultimate Parent	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Office Premises Rentals & Related Services	9,404	11,786
			Insurance Premium	23,938	17,869
	Mr. S. C. Ganegoda	Finance & Group Executive Director	Office Premises Reimbursement of Expenses	1,066	1,780
			Settlements	(38,190)	(27,363)
			Management Fee	16,200	12,211
			Settlements	(16,200)	(12,211)
Hayleys Business Solutions International (Private) Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Salary Processing Fee	218	164
			Settlements	(204)	(177)
	Mr. S. C. Ganegoda	Director			
Hayleys Aventura (Private) Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Office Premises Related Services	656	260
			Settlement	(656)	(260)
	Mr. S. C. Ganegoda	Director			
Logiwiz Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Document Storage Rental	53	42
			Settlement	(48)	(45)
	Mr. S. C. Ganegoda	Director			
Hayleys Agriculture Holdings Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Purchase of Agri Equipment	12,232	5,633
			Settlements	(10,416)	(5,817)
	Mr. S. C. Ganegoda	Director			
Hayleys Agro Fertilizer (Private) Limited	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Purchase of Fertilizer	126,407	14,602
			Settlements	(126,408)	(15,246)
	Mr. S. C. Ganegoda	Director			
Singer Sri Lanka PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Executive Chairman Co-Chairman	Purchase of Equipment	686	129
			Settlements	(686)	(129)
	Mr. S. C. Ganegoda	Director			
Kelani Valley Plantations PLC Affiliate	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr. S. C. Ganegoda	Executive Chairman Managing Director Director	Reimbursement of Management Expenses	7,400	1,778
			Settlements	(6,237)	(3,613)

Notes to the Financial Statements

31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

31.2. Transactions with Related Companies (Contd.)

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2023 Rs'000	2022 Rs'000
Talawakelle Tea Estates PLC Affiliate	Mr. A.M.Pandithage	Executive Chairman	Reimbursement of Management Expenses	3,291	46
	Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Co-Chairman	Settlements	(415)	(257)
	Dr. Roshan Rajadurai Mr. S. C. Ganegoda	Managing Director Director			
Delmage Forsyth & Co., Ltd Affiliate	Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Chairman	Sale of Tea Settlements	20,963 (20,323)	41,051 (35,021)
	Mr. A.M.Pandithage	Director	Purchase of Equipment Settlements	62 (62)	
Hayleys Consumer Products Ltd Affiliate	Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Co-Chairman	Sale of Value Added Products Settlements	154 (43)	- -
	Mr. A.M.Pandithage	Executive Chairman			
Hayleys Lifesciences (Private) Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Purchase of Medical & Analytical Equipment Settlements	- -	1,237 (1,237)
	Mr. Dhammika Perera (resigned w.e.f 10.06.2022)	Co-Chairman			
Hayleylines Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Reimbursement of Expenses	-	25
			Office Premises Related Services	-	28
			Settlements	-	(53)
Diesel & Motor Engineering PLC Affiliate	Mr. A.M.Pandithage	Director	Purchase of Motor Vehicle Spares Settlements	1,013 (1,013)	- -

31.3. Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard LKAS 24, "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly members of the Board of Directors (including Executive and Non-Executive Directors) has been classified as Key Management Personnel of the Company.

For the year ended 31st March	2023 Rs'000	2022 Rs'000
Fees paid to Directors	18,566	13,550
Post Employment benefits paid to Key Management Personnel	Nil	Nil

31.4. Related Party Transactions

There are no Non-recurrent Related Party Transactions where aggregate value exceeds 10% of the Equity or 5% of the Total Assets and Recurrent Related Party Transactions where aggregate value exceeds 10% Gross Revenue/Income.

32. IMPACT DUE TO UNCERTAIN AND VOLATILE MACRO ECONOMIC CONDITIONS

The Company understands that the current economic conditions affect the business operations and financial performance and position, thereby, is in the process of assessing the impact from the macroeconomic factors including the movement of interest rate, inflation rate, foreign exchange rates, and other market behaviours. The volatility of policy rates affects the retirement benefit obligation valuation, consumable biological asset valuation, interest expense and income, related gains/losses of the financial investments etc. Further, the current economic depression and spending capability of the public is also expected to affect the Company.

As at 31st March 2023 inflation rate was 49.2%. Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year financial statements since the conditions that gave rise to the gain/(loss) did not exist as of 31st March 2023. The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

The Credit risk of the trade receivables are minimal since majority of sales are made through auctions to reputed international buyers and CTTA ensure the recoverability of the receivables through the produce brokers.

The Company manages its liquidity risk and ensure that it meets the working capital requirement effectively with undrawn credit facilities, daily cash inflow from sales and cost controlling mechanisms to overcome the risk of rising cost of production.

The valuations of consumable biological assets and Retirement Benefit Obligation involves key assumptions. Changes in those could have a material impact on the fair value gain/loss for the year and the carrying value of consumable biological assets and retirement benefit obligation as of the reporting date. The Management has considered the latest available economic conditions for the valuations of consumable biological assets and Retirement Benefit Obligation as at 31st March 2023.

Notes to the Financial Statements

32. IMPACT DUE TO UNCERTAIN AND VOLATILE MACRO ECONOMIC CONDITIONS (CONTD.)

Despite economic crisis in the country, company has managed to achieve significant growth in the business while safeguard its customers and employees. The Company has taken the following measures to ensure it continues its operations as a going concern.

- Manage to grow the business through acquiring new business opportunities while maintain the existing business portfolio
- Provide better client service and faster claim settlements
- Optimize the investment income with well managed investment portfolio and healthy cash flow position
- Implement cost controls and managed overhead expenses despite high inflation affect all areas of the economy
- Prudent enterprise risk management policy and identifies business risk well in advance and makes corrective and precautionary actions to avoid possible losses."

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

33. FINANCIAL RISK MANAGEMENT

33.1. Overview :

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

- * Credit risk
- * Liquidity risk
- * Market risks (Including currency risk and interest rate risk)

This note present qualitative and quantitative information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing those risks.

33.1.1. Risk Management Framework

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company 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 risk faced by the Company. The Company 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.

33.2. Credit Risk :

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet it's contractual obligation, and arises principally from the company's receivables from customer, investment securities etc.

The Company is exposed to credit risk from its operating activities (primarily trade receivables), other advances including loans and advances to staff/workers, and from its financing activities, including deposits with banks and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following figures show maximum risk positions.

As at 31st March	2023 Rs'000	2022 Rs'000
Trade and Other Receivables	203,665	138,766
Amount due from Related Companies	9,384	6,170
	213,049	144,936

33.2.1. Management of Credit Risk

Trade Receivables

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

The company has a minimal credit risk of its trade receivables from Produce Brokers, as the repayment is guaranteed within seven days by the Tea and Rubber Auction systems.

Credit Quality of Financial Assets

An 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 March 2023 is as follows:-

As at 31st March	Carrying value 2023 Rs'000	2022 Rs'000
Below 30 days	102,866	73,208
30 - 45 days	-	-
46 - 60 days	-	-
61 - Over	-	-
	102,866	73,208

The movement in the provision for impairment in respect of other receivables during the year was as follows:-

As at 31st March	Impairment 2023 Rs'000	2022 Rs'000
Balance as 1 April 2022	1,146	1,548
Provision for Impairment	4,959	(402)
Balance as 31 March 2023	6,105	1,146

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT (CONTD.)

33.2.1. Management of Credit Risk (Contd.)

Impairment Loss Recognized

The Company believes that the unimpaired amounts that are past due by more than 45 days are still to be collected in full. Based on the Company's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Amounts due from Related Companies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each Related Company.

The Company does not require a provision for impairment in respect of Amounts due from Related Companies.

33.2.2. Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 37.181 Mn at 31 March 2023 (2022: Rs.38.175 Mn.), the following table shows the credit ratings of the main banks with whom the Company has invested.

Bank	Credit rating
Peoples Bank	A
Sampath Bank PLC	A
Commercial Bank of Ceylon PLC	A

33.3. Liquidity Risk :

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

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Company has available funds to meet its short-and medium-term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected capital cash flows from operations.

33.3.1. Liquidity Risk Management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

The mixed approach combines elements of the cash-flow-matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows, plus other inflows that can be generated through the sale of assets or other secured borrowings.

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

As at 31 March 2023	Current		Non Current		
	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Above 5 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Bank Overdrafts	497,003	-	-	-	-
Interest Bearing Loans & Borrowings	-	444,875	396,137	349,802	-
Lease Liabilities	-	10,467	11,718	6,151	166,122
Total	497,003	455,342	407,855	355,953	166,122

As at 31 March 2022	Current		Non Current		
	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Above 5 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Bank Overdrafts	522,154	-	-	-	-
Interest Bearing Loans & Borrowings	180,000	404,070	337,930	458,433	-
Lease Liabilities	-	10,314	9,185	16,292	156,214
Total	702,154	414,384	347,115	474,725	156,214

33.4. Market Risk :

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

33.4.1. Interest Rate Risk :

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates. The Company has borrowings with AWPLR interest rate which would affect the Company's cash flow/profit as the amount of interest paid would be changed depending on market interest rate.

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT (CONTD.)

33.4. Market Risk (Contd.)

At the end of the reporting period the interest rate profile of the company's interest bearing financial instruments as reported to the management of the company was as follows :-

As at 31 March	Nominal Amount	
	2023	2022
	Rs'000	Rs'000
Variable Rate Instruments		
Financial Assets		
Short Term Investments	22,681	25,157
Total	22,681	25,157
Financial Liabilities		
Interest bearing Loans & Borrowings	1,190,814	1,200,434
Short Term Loans & Borrowings	-	180,000
Bank Overdrafts	497,003	522,154
Total	1,687,817	1,902,588

A reasonable change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

As at 31 March	Nominal Amount	
	2023	2022
	Rs'000	Rs'000
Variable Rate Instruments		
100 bp increase	(15,043)	(17,706)
100 bp decrease	15,043	17,706

The above table demonstrates the sensitivity to a reasonable change in interest rates on loans where floating rates are applicable with all other variables held constant.

Constant monitoring of market interest rates is carried out to ensure appropriate steps are taken to maximize the return on financial management and to minimize the cost of borrowings. The Company very strongly negotiates with banks and obtains best possible interest rates for the Company's borrowings. Listed below are steps adopted by the Company to minimize the effect of interest rate risks;

- Entering into loans with interest rate caps.
- Renegotiating with banks on interest rates whenever there are favourable fluctuation in the market rates.

33.4.2. Capital Management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Company also monitors the level of dividends to ordinary shareholders.

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

As at 31st March	Nominal Amount	
	2023	2022
	Rs'000	Rs'000
Total Liabilities	3,425,217	3,168,082
Less: Cash and Cash Equivalents	(37,379)	(38,261)
Net Debt	3,387,838	3,129,821
Total Equity	929,954	796,124
Net Debt Equity Ratio	3.64	3.93

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

34. FINANCIAL INSTRUMENTS

34.1. Fair Value Hierarchy for Financial Assets Carried at Fair Value

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 on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and 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 reflects the price of the financial instrument at the reporting date, that would have been determined by the market participants acting at arm's length.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (CONTD.)

34.2. Analysis of financial instruments by measurement basis

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

As as 31st March 2023	Note	Mandatory at FVTPL - Others	FVOCI - Equity Instruments	Financial Assets at Amortized Cost	FVOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets							
Trade and Other Receivables	18	-	-	197,560	-	-	197,560
Amounts due from Related Companies	31.1.1	-	-	9,384	-	-	9,384
Cash and Cash Equivalents	19.1	-	-	37,379	-	-	37,379
Total		-	-	244,323	-	-	244,323
Financial Liabilities							
Interest bearing Borrowings	21.1	-	-	-	-	1,190,814	1,190,814
Financial Lease Liabilities	22	-	-	-	-	194,458	194,458
Trade and Other Payables	26	-	-	-	-	361,677	361,677
Amounts due to Related Companies	31.1.2	-	-	-	-	32,930	32,930
Bank Overdrafts	27.1	-	-	-	-	497,003	497,003
Total		-	-	-	-	2,276,882	2,276,882

As as 31st March 2022	Note	Mandatory at FVTPL - Others	FVOCI - Equity Instruments	Financial Assets at Amortized Cost	FVOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets							
Trade and Other Receivables	18	-	-	137,620	-	-	137,620
Amounts due from Related Companies	31.1.1	-	-	6,170	-	-	6,170
Cash and Cash Equivalents	19.1	-	-	38,261	-	-	38,261
Total		-	-	182,052	-	-	182,052
Financial Liabilities							
Interest bearing Borrowings	21.1	-	-	-	-	1,200,434	1,200,434
Financial Lease Liabilities	22	-	-	-	-	192,005	192,005
Trade and Other Payables	26	-	-	-	-	291,546	291,546
Amounts due to Related Companies	31.1.2	-	-	-	-	55,897	55,897
Short Term Loans & Borrowings	27.2	-	-	-	-	180,000	180,000
Bank Overdrafts	27.1	-	-	-	-	522,154	522,154
Total		-	-	-	-	2,442,036	2,442,036

The company does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not material for the disclosure.

34.3. Fair Value Hierarchy for Assets Carried at Fair Value

	Note	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
As at 31st March 2023					
Consumable biological assets	14.2.2	-	-	578,079	578,079
As at 31st March 2022					
Consumable biological assets	14.2.2	-	-	556,350	556,350

Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring the fair value of consumable biological assets, as well as the significant unobservable inputs used.

	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs		Relationship of Unobservable Inputs to Fair Value
			2023	2022	
Consumable Managed Biological Assets	Discounted Cash flows	Discounting Rate	17.5% - 19.5%	13% - 15%	The fair value decreases/ increases when discount rate is increased/decreased.
		Optimum rotation (Maturity)	25-35 Years	25-35 Years	The fair value decreases/ increases when rotation period is increased/decreased.
		Volume at rotation	15-65 cu.mt	15-65 cu.mt	The fair value increased/ decreases when volume at rotation is increased/decreased.
		Price per cu.mt.	Rs. 11,500/- to Rs. 59,600/-	Rs.10,000/- to Rs.53,500/-	The fair value increased/ decreases when price is increased/decreased.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (CONTD.)

34.4. Financial Assets and Liabilities by fair value hierarchy

As as 31st March 2023					
	Note	Fair value			Total
		Level 1	Level 2	Level 3	
		Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets not measured at fair value					
Trade and other receivables	18	-	-	197,560	197,560
Amounts due from related companies	31.1.1	-	-	9,384	9,384
Cash and cash equivalents	19.1	-	37,379	-	37,379
Total		-	37,379	206,944	244,323

Financial Liabilities

Interest bearing borrowings	21.1	-	-	1,190,814	1,190,814
Lease liabilities	22	-	-	194,458	194,458
Trade and other payables	26	-	-	361,677	361,677
Amounts due to related companies	31.1.2	-	-	32,930	32,930
Short Term Loans	27.2	-	-	-	-
Bank overdrafts	27.1	-	497,003	-	497,003
Total		-	497,003	1,779,879	2,276,882

As as 31st March 2022					
	Note	Fair value			Total
		Level 1	Level 2	Level 3	
		Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets not measured at fair value					
Trade and other receivables	18	-	-	137,620	137,620
Amounts due from related companies	31.1.1	-	-	6,170	6,170
Cash and cash equivalents	19.1	-	38,261	-	38,261
Total		-	38,261	143,791	182,051

Financial Liabilities

Loans and borrowings	21.1	-	-	1,200,434	1,200,434
Financial lease liabilities	22	-	-	192,005	192,005
Trade and other payables	26	-	-	291,546	291,546
Amounts due to related companies	31.1.2	-	-	55,897	55,897
Short Term Loans	27.2	-	-	180,000	180,000
Bank overdrafts	27.1	-	522,154	-	522,154
Total		-	522,154	1,919,882	2,442,036

35. INFORMATION ON BUSINESS SEGMENTS

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segmental Revenue								
Main Sectors	2,912,192	1,856,996	557,620	430,443	-	-	3,469,812	2,287,439
Diversified Crops	-	-	-	-	279,316	177,081	279,316	177,081
Sale of Live Trees	-	-	-	-	20,033	86,072	20,033	86,072
Other Operating Revenue	-	-	-	-	24,874	13,044	24,874	13,044
	2,912,192	1,856,996	557,620	430,443	324,223	276,197	3,794,035	2,563,636
Segmental Gross Profit	980,656	176,828	103,202	65,408	150,831	128,774	1,234,689	371,010
Other Operating Income					7,782	7,564	7,782	7,564
Change in Fair Value of Biological Assets					(4,377)	31,464	(4,377)	31,464
Administrative Expenses					(234,621)	(185,153)	(234,621)	(185,153)
Management Fees					(16,963)	(16,200)	(16,963)	(16,200)
Profit from Operations							986,510	208,685
Finance Income					5,097	700	5,097	700
Finance Expenses					(334,515)	(141,063)	(334,515)	(141,063)
Profit before Taxation							657,091	68,321
Tax Expense					(487,030)	(25,868)	(487,030)	(25,868)
Profit for the year							170,062	42,454
Other Comprehensive Income:								
Actuarial (Loss)/Gain on Retirement Benefit Obligations					(51,759)	6,547	(51,759)	6,547
Tax Reversal/(Charge) on Other Comprehensive Income					15,527	(688)	15,528	(687)
Other Comprehensive (Expense)/Income for the year, net of tax							(36,232)	5,861
Total Comprehensive Income for the year							133,830	48,314

Notes to the Financial Statements

35. INFORMATION ON BUSINESS SEGMENTS (CONTD.)

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
OTHER INFORMATION								
Segmental Assets								
Non-current Assets	1,234,206	1,121,667	1,028,354	1,073,943	1,362,056	1,210,431	3,624,616	3,406,041
Current Assets	396,566	277,193	78,244	58,063	255,745	222,907	730,556	558,164
Total Assets	1,630,772	1,398,860	1,106,598	1,132,006	1,617,802	1,433,338	4,355,172	3,964,205
Segmental Liabilities								
Non-current Liabilities	457,698	485,104	167,910	165,070	1,452,656	1,053,926	2,078,264	1,704,100
Current Liabilities	222,597	167,059	50,300	38,821	1,074,057	1,258,103	1,346,953	1,463,982
Total Liabilities	680,295	652,163	218,210	203,891	2,526,713	2,312,027	3,425,217	3,168,081
Capital Expenditure	179,513	126,022	46,068	21,121	210,632	156,440	436,214	303,583
Amortisation and Depreciation	63,488	55,859	80,839	79,111	44,873	66,600	189,200	201,569
Non-Cash Expenditure other than Amortisation and Depreciation	94,804	75,140	28,326	23,759	343,120	164,822	466,250	263,721

CREATING A SUSTAINABLE AND RESILIENT FUTURE

Water roots, also known as aquatic roots, are a specialised type of root that are adapted to live in aquatic environments. Water roots represent our commitment to sustainability and environmental responsibility. We believe that by leveraging our water roots, we can help to create a more sustainable and resilient future for all.



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Ten Year Summary

	2013/14 Rs'000	2014/15 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2017/18 Rs'000	2018/19 Rs'000	2019/20 Rs'000	2020/21 Rs'000	2021/22 Rs'000	2022/23 Rs'000
Operating Results										
Revenue	2,269,092	2,164,859	1,806,106	1,947,278	2,248,463	2,020,360	1,762,154	2,125,306	2,563,636	3,794,035
Gross Profit/(Loss)	271,161	141,575	(1,574)	102,743	265,515	196,608	(217,542)	200,455	371,010	1,234,689
Profit/(Loss) from Operations	212,961	115,827	(35,885)	45,774	191,589	136,970	(324,002)	60,830	208,685	986,510
Net Finance Expenses	(50,399)	(28,848)	(39,859)	(88,656)	(86,915)	(129,622)	(146,373)	(136,960)	(140,363)	(329,418)
Profit/(Loss) before Tax	162,562	86,979	(75,744)	(42,882)	104,674	7,348	(470,375)	(76,130)	68,322	657,092
Tax (Expense)/Reversal	(25,325)	(25,003)	2,625	1,160	(20,330)	(2,546)	(24,494)	(1,742)	(25,868)	(487,030)
Profit/(Loss) for the year	137,237	61,976	(73,119)	(41,722)	84,344	4,802	(494,868)	(77,872)	42,454	170,062
Other Comprehensive Income/(Expense)	(66,451)	14,709	43,847	27,095	(35,196)	(75,184)	(18,155)	10,833	5,860	(36,232)
Total Comprehensive Income/(Expenses)	70,786	76,685	(29,272)	(14,627)	49,148	(70,382)	(513,023)	(67,039)	48,314	133,830
Net Assets Employed										
Non Current Assets	2,692,466	2,930,464	3,054,576	3,151,998	3,285,020	3,324,470	3,384,566	3,362,949	3,406,041	3,624,615
Current Assets	389,842	420,646	322,531	400,281	408,986	471,655	336,828	426,587	558,164	730,556
Total Assets	3,082,308	3,351,110	3,377,107	3,552,279	3,694,006	3,796,125	3,721,394	3,789,536	3,964,205	4,355,171
Current Liabilities (excluding Borrowings)	(290,354)	(248,102)	(230,918)	(272,611)	(332,632)	(286,181)	(266,067)	(289,924)	(357,757)	(405,074)
Non-Current Liabilities (excluding Borrowings)	(774,366)	(815,835)	(781,233)	(744,576)	(783,239)	(831,931)	(949,170)	(964,941)	(907,736)	(1,332,326)
Total Net Assets (excluding Borrowings)	2,017,588	2,287,173	2,364,956	2,535,092	2,578,135	2,678,013	2,506,157	2,534,671	2,698,712	2,617,771
Capital Employed										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	-	-	-
Revenue Reserves	1,056,554	1,104,223	1,066,277	1,051,652	1,100,799	1,017,916	491,578	497,810	546,124	679,954
Shareholders' Equity	1,376,554	1,424,223	1,386,277	1,371,652	1,420,799	1,337,916	811,578	747,810	796,124	929,954
Borrowings	641,034	862,950	978,679	1,163,440	1,157,336	1,340,097	1,694,579	1,786,861	1,902,588	1,687,817
	2,017,588	2,287,173	2,364,956	2,535,092	2,578,135	2,678,013	2,506,157	2,534,671	2,698,712	2,617,771

	2013/14 Rs'000	2014/15 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2017/18 Rs'000	2018/19 Rs'000	2019/20 Rs'000	2020/21 Rs'000	2021/22 Rs'000	2022/23 Rs'000
Cash Flows										
Net Cash Inflow/(Outflow) from Operating Activities	235,388	105,620	111,493	48,366	284,016	14,218	(152,283)	113,363	245,805	681,563
Net Cash Outflow from Investing Activities	(361,631)	(261,167)	(187,868)	(202,572)	(252,141)	(170,736)	(160,955)	(173,706)	(300,989)	(430,107)
Net Cash Inflow/(Outflow) from Financing Activities	8,798	147,154	7,992	109,132	(38,353)	64,598	99,219	375,350	(159,097)	(227,186)
Net Increase/(Decrease) in Cash and Cash Equivalents	(117,445)	(8,393)	(68,383)	(45,074)	(6,478)	(91,920)	(214,019)	315,007	(214,281)	24,270
Cash and Cash Equivalents at the beginning	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)	(370,600)	(584,620)	(269,613)	(483,894)
Cash and Cash Equivalents at the end	(150,353)	(158,746)	(227,129)	(272,203)	(278,681)	(370,600)	(584,619)	(269,613)	(483,894)	(459,624)
Key Indicators										
Earnings/(Loss) per Share (Rs.)	5.49	2.48	(2.92)	(1.67)	3.37	0.19	(19.79)	(3.11)	1.70	6.80
Market Value per Share (Rs.)	22.90	22.50	16.90	16.50	22.00	17.00	17.00	23.20	21.90	52.50
Dividend per Share (Rs.)	1.00	0.50	-	-	-	0.50	-	-	-	-
Net Assets per Share (Rs.)	55.06	56.97	55.45	54.87	56.83	53.52	32.46	29.91	31.84	37.20
Price Earnings Ratio (Times)	4.17	9.08	(5.78)	(9.89)	6.52	88.51	(0.86)	(7.45)	12.88	7.72
Earnings Yield (%)	23.97	11.02	(17.31)	(10.11)	15.34	1.13	(116.44)	(13.43)	7.76	12.96
Interest Cover (Times)	4.23	4.02	(0.09)	0.52	2.20	1.06	(2.21)	0.44	1.49	2.99
Dividend Cover (Times)	5.49	4.96	-	-	-	0.38	-	-	-	-
Dividend Payout (%)	18.22	20.17	-	-	-	260.33	-	-	-	-
Effective Dividend Rate (%)	10.00	5.00	-	-	-	5.00	-	-	-	-
Dividend Yield (%)	4.37	2.22	-	-	-	2.94	-	-	-	-
Current Ratio (Times)	0.75	0.84	0.53	0.57	0.52	0.49	0.27	0.43	0.38	0.54
Revenue to Capital Employed (Times)	1.12	0.95	0.76	0.77	0.87	0.75	0.70	0.84	0.95	1.45
Property, Plant & Equipment to Shareholders' Equity (Times)	1.75	1.81	1.88	1.94	1.93	2.05	0.43	0.48	0.56	0.59
Equity to Total Assets (%)	44.66	42.50	41.05	38.61	38.45	35.24	21.81	19.73	20.08	21.35
Return on Equity (%)	9.97	4.35	(5.27)	(3.04)	5.94	0.36	(60.98)	(10.41)	5.33	18.29
Return on Capital Employed (%)	10.56	5.06	(1.52)	1.81	7.43	5.11	(12.93)	2.40	7.98	37.69
Return on Total Assets (%)	4.45	1.85	(2.17)	(1.17)	2.28	0.13	(13.30)	(2.05)	1.07	3.91
Gearing (%)	31.77	37.73	41.38	45.89	44.89	50.04	67.62	70.50	70.50	64.48

Shareholder and Investor Information

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY

Names	31st March 2023		31st March 2022	
	No. of Shares	%	No. of Shares	%
1 Hayleys Plantation Services (Private) Limited	12,750,000	51.000	-	-
Vallibel Plantation Management Limited	-	-	12,750,000	51.000
2 Sri Lanka Insurance Corporation Ltd - Life Fund	1,403,639	5.615	-	-
3 Sri Lanka Insurance Corporation Ltd - General Fund	1,385,434	5.542	-	-
4 Bank of Ceylon No. 1 Account	465,700	1.863	465,700	1.863
5 Commercial Bank of Ceylon PLC/ Andaradeniya Estate (Pvt) Ltd	450,813	1.803	-	-
6 Hatton National Bank PLC/Mushtaq Mohamed Fuad	296,061	1.184	523,619	2.094
7 Seylan Bank PLC/Mohamed Mushtaq Fuad	212,087	0.848	23,986	0.096
8 Hatton National Bank PLC/Almas Holdings (Private) Limited	202,527	0.810	-	-
9 Mr K.C.Vignarajah	186,255	0.745	196,255	0.785
10 Sezeka Limited	170,053	0.680	-	-
11 Seylan Bank PLC/K.S. Balasuriya	150,000	0.600	-	-
12 Mr A.J.M. Jinadasa	135,000	0.540	100,000	0.400
13 People's Leasing & Finance PLC/Hi Line Towers (Pvt) Ltd	131,979	0.528	-	-
14 Mr H.A.A.H.Algharabally	131,500	0.526	131,500	0.526
15 People's Leasing & Finance PLC/Mr.A.Rajaratnam	130,000	0.520	-	-
16 Mr S.D.G. Benedict	125,000	0.500	-	-
17 Merchant Bank of Sri Lanka Finance PLC/D.S. Nakandala	116,347	0.465	-	-
18 Mr M.S.F. Haqqe	113,100	0.452	-	-
19 Mr P.F.Nandasiri	108,220	0.433	113,320	0.453
20 Dr A.L.M. Nazar	104,159	0.417	-	-
	18,767,874	75.071	14,304,380	57.218
OTHERS	6,232,127	24.929	10,695,621	42.782
	25,000,001	100.000	25,000,001	100.000

SHARE DISTRIBUTION

Shareholding as at 31st March 2023

From	To	No of Holders	No of Shares	%
1	1,000	10,061	1,971,139	7.88
1,001	10,000	296	1,051,601	4.21
10,001	100,000	102	3,209,387	12.84
100,001	1,000,000	17	3,228,801	12.92
Over 1,000,000		3	15,539,073	62.16
		10,479	25,000,001	100.00

CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	10,351	5,671,018	22.68
Local Institutions	106	18,979,935	75.92
Foreign Individuals	21	178,995	0.72
Foreign Institutions	1	170,053	0.68
	10,479	25,000,001	100.00

SHARE PRICES FOR THE YEAR

As at	31st March 2023	31st March 2022
Market Price per Share		
Highest during the year	Rs. 80.60 (28.09.2022)	Rs. 45.00 (05.01.2022)
Lowest during the year	Rs. 14.00 (28.04.2022)	Rs. 18.00 (30.03.2022)
As at end of the year	Rs. 52.50 (31.03.2023)	Rs. 21.90 (31.03.2022)
Number of Transactions during the year	15,399	6,084
Number of Shares traded during the year	41,903,916	16,768,824
Value of Shares traded during the year Rs. Cts.	2,294,712,532.30	531,609,082.50

PUBLIC HOLDING

Public holding percentage as at 31st March 2023 = 48.996%

Number of shareholders representing the above Percentage = 10,477

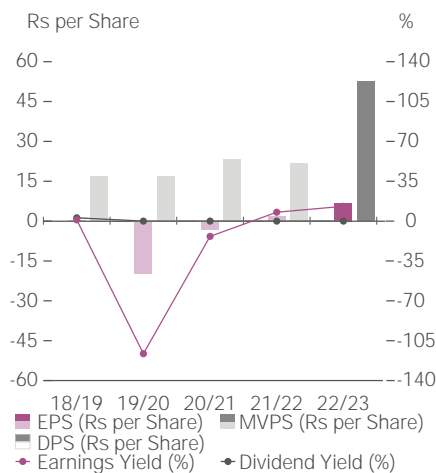
The float adjusted market capitalization as at 31st March 2023 = Rs. 643,072,552.50

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.14. I (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

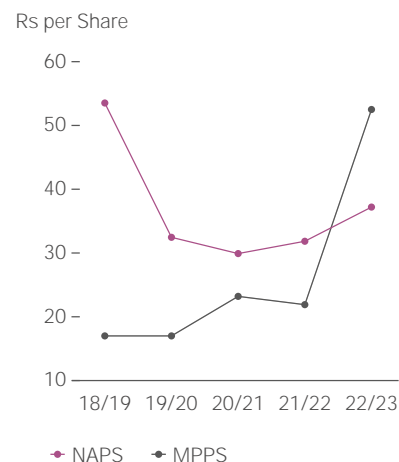
EARNINGS PER SHARE (EPS) VS DIVIDEND PER SHARE (DPS)



EARNINGS & DIVIDEND YIELD (%)

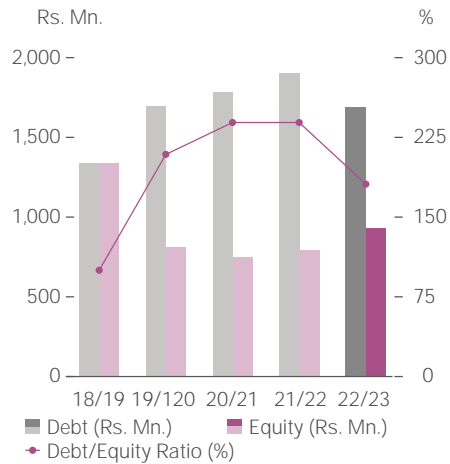


NET ASSETS PER SHARE VS. MARKET PRICE PER SHARE

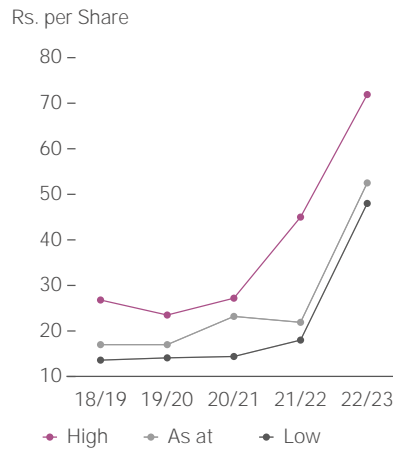


Shareholder and Investor Information

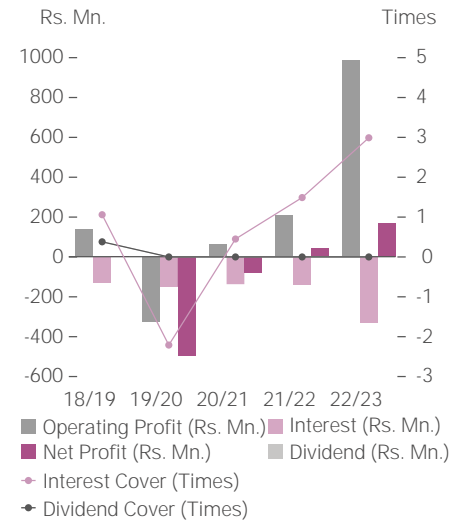
DEBT/EQUITY RATIO(%)



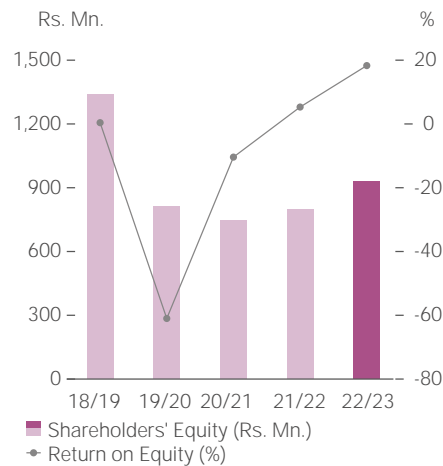
HIGH-LOW MARKET PRICES



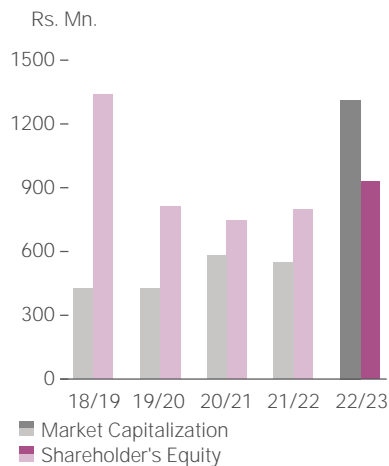
INTEREST & DIVIDEND COVER (TIMES)



RETURN ON EQUITY (%)

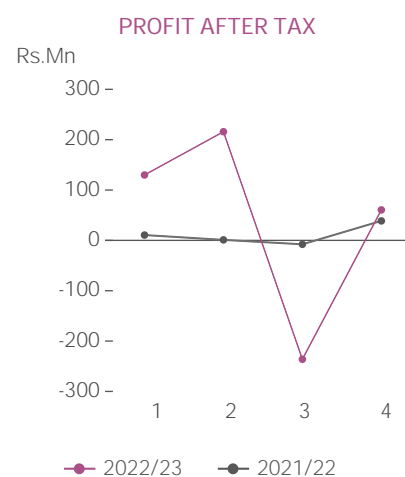
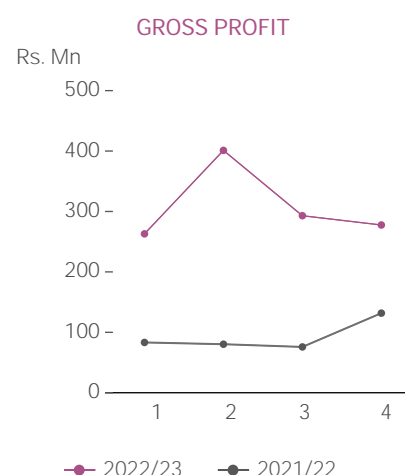
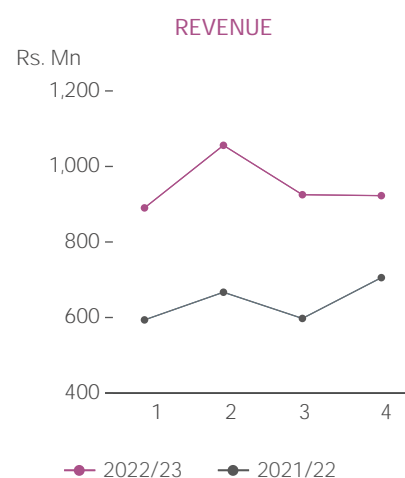


MARKET CAPITALISATION VS. SHAREHOLDERS' EQUITY



Quarterly Results

	2022/23 Rs'000	2021/22 Rs'000	Change %
Revenue			
1st Quarter	890,254	593,638	50%
2nd Quarter	1,055,966	666,936	58%
3rd Quarter	925,142	597,526	55%
4th Quarter	922,673	705,536	31%
Year	3,794,035	2,125,306	79%
Gross Profit			
1st Quarter	262,986	83,217	>100
2nd Quarter	401,104	80,287	>100
3rd Quarter	292,977	75,792	>100
4th Quarter	277,622	131,714	>100
Year	1,234,689	371,010	>100
Profit/(Loss) for the period :			
1st Quarter	129,870	10,583	>100
2nd Quarter	215,803	1,009	>100
3rd Quarter	(236,131)	(7,827)	>100
4th Quarter	60,520	38,689	56%
Year	170,062	42,454	>100
Other Comprehensive Income/ (Expenses)			
1st Quarter	-	-	-
2nd Quarter	-	-	-
3rd Quarter	-	-	-
4th Quarter	(36,232)	5,860	(>100)
Year	(36,232)	5,860	(>100)
Total Comprehensive Income/ (Expenses)			
1st Quarter	129,870	10,583	>100
2nd Quarter	215,803	1,009	>100
3rd Quarter	(236,131)	(7,827)	>100
4th Quarter	24,288	44,550	-45%
Year	133,830	48,314	>100



GRI Index

Statement of use	Horana Plantations PLC has reported for the period 1st April 2022 to 31st March 2023 with reference to the GRI Standards.		
GRI 1 used	GRI 1: Foundation 2021		
GRI STANDARD	DISCLOSURE	LOCATION	PAGE
General Disclosures			
GRI 2: General Disclosures 2021			
	2-1 Organizational details	About Horana Plantations	8 and 9
	2-2 Entities included in the organization's Sustainability reporting	About this report	5
	2-3 Reporting period, frequency and contact point	About this report	5
	2-4 Restatements of information	About this report	5
	2-5 External assurance	About this report	5
	2-6 Activities, value chain and other Business relationships	Our Business	16 to 21
	2-7 Employees	Human Capital	112
	2-8 Workers who are not employees	Human Capital	113
	2-9 Governance structure and composition	Corporate Governance	168, 169 and 170
	2-10 Nomination and selection of the highest governance body	Corporate Governance	171
	2-11 Chair of the highest governance body	Corporate Governance	172
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance	175
	2-13 Delegation of responsibility for managing impacts	Corporate Governance	175
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance	175
	2-15 Conflicts of interest	Corporate Governance	175
	2-16 Communication of critical concerns	Corporate Governance	176
	2-17 Collective knowledge of the highest governance body	Corporate Governance	176
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance	176
	2-19 Remuneration policies	Corporate Governance	176
	2-20 Process to determine remuneration	Corporate Governance	176
	2-21 Annual total compensation ratio	Corporate Governance	176
	2-22 Statement on sustainable development strategy	Chairman's Message Strategy, Policies and Practices	37 52
	2-23 Policy commitments	Strategy, Policies and Practices	53
	2-24 Embedding policy commitments	Strategy, Policies and Practices	61
	2-25 Processes to remediate negative impacts	Strategy, Policies and Practices	62

GRI STANDARD	DISCLOSURE	LOCATION	PAGE
	2-26 Mechanisms for seeking advice and raising concerns	Strategy, Policies and Practices	63
	2-27 Compliance with laws and regulations	Strategy, Policies and Practices	63
	2-28 Membership associations	Our Business	18
	2-29 Approach to stakeholder engagement	Stakeholder Engagement	46 to 49
	2-30 Collective bargaining agreements	Human Capital	113 and 114
GRI 3: Material Topics 2021			
Disclosure Title	3-1 Process to determine material Topics	Determining material topics	50
	3-2 List of material topics	Determining Material Topics	51
	3-3 Management of material topics	Presented under the capitals chapters. See below for page numbers.	
GRI 201: Economic Performance 2016			
Disclosure Title	3-3 Management of material topics	Financial Capital	88 and 89
Disclosure Title	201-1 Direct economic value generated and distributed	Financial Capital	90
	201-2 Financial implications and other risks and opportunities due to climate change	Financial Capital	91
	201-3 Defined benefit plan obligations and other retirement plans	Financial Capital	92
Disclosure Title	201-4 Financial assistance received from government	Financial Capital	92 and 93
GRI 203: Indirect Economic Impacts 2016			
Disclosure Title	3-3 Management of material topics	Financial Capital	82
Disclosure Title	203-2 Significant indirect economic impacts	Financial Capital	82
Disclosure Title	201-3 Defined benefit plan obligations and other retirement plans	Financial Capital	92
GRI 204: Procurement Practices 2016			
Disclosure Title	3-3 Management of material topics	Financial Capital	93 and 94
Disclosure Title	204-1 Proportion of spending on local suppliers	Financial Capital	95
GRI 301: Materials 2016			
Disclosure Title	3-3 Management of material topics	Natural Capital	155,156 and 157
Disclosure Title	301-2 percentage of recycled input materials	Natural Capital	159
GRI 303: Water and Effluents 2018			
Disclosure Title	3-3 Management of material topics	Natural Capital	145, 146 and 147
Disclosure Title	303-2 Management of water discharge related impacts	Natural Capital	147
GRI 304: Biodiversity 2016			
Disclosure Title	3-3 Management of material topics	Natural Capital	165 and 166
Disclosure Title	304-3 Habitats protected or restored	Natural Capital	166

GRI Index

GRI STANDARD	DISCLOSURE	LOCATION	PAGE
GRI 305: Emissions 2016			
Disclosure Title	3-3 Management of material topics	Natural Capital	150 and 151
Disclosure Title	305-1 Gross direct (scope 1) GHG emissions	Natural Capital	152
Disclosure Title	305-2 Energy indirect (scope 2) GHG emissions	Natural Capital	152 and 153
Disclosure Title	305-3 Other indirect (scope 3) GHG emissions	Natural Capital	153
GRI 306: Waste 2020			
Disclosure Title	3-3 Management of material topics	Natural Capital	158 and 159
	306-2 Management of significant waste related Impacts	Natural Capital	159
GRI 401: Employment 2016			
Disclosure Title	3-3 Management of material topics	Human Capital	115 and 116
Disclosure Title	401-1 New employee hires and employee turnover	Human Capital	117 and 118
GRI 403: Occupational Health and Safety 2018			
Disclosure Title	3-3 Management of material topics	Human Capital	119 to 121
Disclosure Title	403-1 Occupational health and safety management system	Human Capital	121
GRI 404: Training and Education 2016			
Disclosure Title	3-3 Management of material topics	Human Capital	122 and 123
Disclosure Title	404-1 Average hours of training per year per employee	Human Capital	124 and 125
GRI 413: Local Communities 2016			
Disclosure Title	3-3 Management of material topics	Social Capital	135
	413-1 Operations with local community engagement, impact assessments, and development programs	Social Capital	136
GRI 416: Customer health and safety 2016			
Disclosure Title	3-3 Management of material topics	Financial Capital	95 and 96
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Financial Capital	97

Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Actuarial Gains and losses

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions

ADB

Asian Development Bank

ADRA

Adventist Development and Relief Agency

Agricultural Activity

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Agricultural Produce

Agricultural produce is the harvested produce of the entity's biological assets..

AGM

Annual General Meeting.

Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

AWPLR

Average Weighted Prime Lending Rate.

B

Basic Earnings per Share (EPS)

Profit after tax divided by the weighted average number of ordinary shares outstanding during the period.

BDO

Biochemical oxygen demand

Bearer Biological Assets

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

Biological Assets

Is a living animal or plant.

Biological Transformation

It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in biological assets.

Borrowing Costs

Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

BOD

Board of Directors

BSL

Biodiversity Sri Lanka

C

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Capital Employed

Total equity and interest bearing borrowings.

Capital Reserves

Part of earnings reserved without distributing in current year, for future specified purpose or future business commitment or distributions.

CARP

Council for Agriculture Research and Policy

CASA

Ceylon Association of Shipping Agents

CBSL

Central Bank of Sri Lanka

CDO

Chemical oxygen demand

CDO's

Child Development Officers

Glossary

CEA

Central Environment Authority

CILT

Chartered Institute of Logistics and Transport

CO₂e

Carbon dioxide equivalent

COD

Chemical Oxygen Demand

CPFP

Child Protection Focal Points

CGU

Cash Generating Units.

Consumable Biological Assets

The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

Contingent Liabilities

Conditions or situations at the reporting date, the financial effect of which are to be determined by future events which may or may not occur.

Cost of production (COP)

Cost of producing a kilo/unit of tea/rubber/coconut/oil palm at estate level.

COC

Chain of Custody

CPPS

Ceylon Planters' Provident Society

CPSS

Ceylon Planters' Provident Society

CR

Critically Endangered

CRI

Coconut Research Institute of Sri Lanka

CSE

Colombo Stock Exchange.

CSR

Corporate Social Responsibility.

Current ratio

Current assets divided by Current liabilities.

D

DCF

Discounted Cash Flow

Debt Equity Ratio

Total liabilities divided by its shareholders' equity.

Debt Ratio

Total borrowings divided by Total assets

Deferred taxation

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

Derivative

Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

Diluted Earnings per Share

Diluted Earnings per Share calculated by net income minus Preferred Dividends divided by Weighted Average Shares Outstanding plus Conversion of Dilutive Securities.

Dividends

Distribution of profits to holders of equity investments.

Dividend Pay out

Dividend per share as a percentage of the earring per share

Dividend Yield

Dividend per share as a percentage of the Market prices measure of return on investment.

DPS

Dividend per Share

Dividend cover

Profits after tax divided by dividends.

Dividend Payout

The Percentage of Earnings paid to shareholders in dividends.

Dividend Yield

Annual dividend divided by current stock price.

Discount Rate

The discount rate refers to the interest rate used in discounted cash flow analysis to determine the present value of future cash flows.

E**EAD**

Export Agriculture Department

Earnings Yield

The earnings per share for the most recent 12 months period divided by the current market price per share.

EBIT

Earnings before Interest and Tax

EBITDA

Earnings before Interest, Tax, Depreciation, and Amortization.

ECAs

Export Credit Agencies

EFC

Employers' Federation of Ceylon

Effective Tax Rate

Income tax expenses divided by profit from ordinary activities before tax

EIDP

Estate Infrastructure Development Project

EIR

Effective Interest Rate

EPF

Employees' Provident Fund

EMS

Eco Management system

EMS

Environmental Management System

EPS

Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

EPI's

Environment Protection license

ESG

Environment Social and Governance

Equity

The value of an ownership interest in property, including shareholders' equity, in a business. Equity or shareholders' equity is part of the total capital of a business.

Equity / Assets ratio

Shareholders' funds divided by Non current assets plus current assets.

Equity Instruments

Any contract that evidences a residual interest in the assets of a entity after deducting all of its liabilities.

ERP

Enterprise resource planning

ESIA

Social Impact assessment

ESPS

Estate Staff's Provident Society

ESIA

Environmental and Social Impact Assessment

ETF

Employees' Trust Fund

ETP

Ethical Tea Partnership

F**Fair value**

Fair value is the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in arm's length transaction.

Fair Value Through Profit and Loss (FVTPL)

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

FFB

Fresh Fruit Bunch

Field

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

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Glossary

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial liability

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Float Adjusted Market Capitalization

Float Adjusted Market Capitalization is calculated by multiplying the Public Holding Percentage of the company by the Market Capitalization.

FSC

Forest Stewardship Council

FSMS

Food Safety Management System

FSCTM

Forest Stewardship Council TM

FTE

Full time equivalent

FVOCI

Fair Value through Other Comprehensive Income

FY

Financial Year

G

GDP

Gross Domestic Production.

Gearing ratio

Total interest bearing loans and borrowings as a percentage of total Shareholders' funds plus total interest bearing loans and borrowings.

GHG

Green House Gas

GI

Geographical Indication

GIS

Geographic Information System

Goodwill

Goodwill in accounting is an intangible asset that arises when a buyer acquires an existing business.

GPS

Global Positioning System

GRI

Global Reporting Initiatives

Gross dividends

Portion of profits inclusive of tax withheld, distributed to shareholders during they ear.

GSA

Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

GWP

Global Warming Potential

H

HACCP

Hazard Analysis Critical Control Point system. Internationally accepted food safety standard.

Ha

Hectare.

HOPL.N0000

CSE stock code for the company.

HPL

Horana Plantations PLC

HRIS

Human Resources Information System

HRRC

Human Research Review Committee

I

ICASL

Institute of Chartered Accountants of Sri Lanka

ICSL

Institute of Chartered Accountants of Sri Lanka

IMF

International Monetary Fund

IoT

Internet of Things

IFRS

International Financial Reporting Standards.

IIRC

International Integrated Reporting Council

ILO

International Labor organization

Immature plantation

The extent of plantation that is under development and is not being harvested.

Infilling

A method of field development where by planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

Interest cover ratio

Profit before tax and interest divided by interest charge.

IPM

Integrated Pest Management

IPNS

Integrated plant nutrient system

IPCC

Intergovernmental Panel on Climate Change

ISO

International Standards Organization.

J**JEDB**

Janatha Estate Development Board.

K**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

KPI

Key Performance indicators.

L**Liquidity**

An asset or security can be quickly bought or sold in the market without affecting the asset's price.

LKR

Sri Lanka Rupee

M**Mature plantation**

The area of land developed with a perennial crop, which has been brought into bearing ready for commercial

harvesting. A perennial crop is a crop with a useful economic life which extends over more than one accounting period.

Market capitalization

Number of shares in issue multiplied by the market value of each share at the reporting date.

MOU

Memorandum of Understanding

MVPS (Market value per share)

Total Market Value of the business, Divided by the total number of shares outstanding.

N**NAITA**

National Apprentice and Industrial Training Authority

NCPC

National Cleaner Production Center

Net assets

Total assets less Current liabilities and non-current liabilities.

Net assets per share

Net assets at the end of period divided by the number of Ordinary Shares issued.

NGSA

National Gross Sales Average

NCPC

National Cleaner Product Center

Net sale average (NSA)

This is the average sale price obtained (Over a period of time) after deducting brokerage fees and cost of gratis from Gross Sale Average (GSA).

NIPM

National Institute of Plantation Management.

NRV

Net Realizable Value

NVQ

National Vocational Qualification

Glossary

O

OCI

Other Comprehensive Income

Items of income and expenses that are not recognized in profit or loss as required or permitted by other SLFRS's.

OHS

Occupational Health & Safety

P

PAT

Profit After Tax

PFWO's

Plantation family welfare officers.

PHDT

Plantation Human Development Trust.

Price earnings

Market price of a share divided by Earnings per Share.

PRCs

Regional Plantation Companies.

PUC

Projected Unit Credit

PBT

Profit before Tax

R

Receivables Turnover Ratio

Total Revenue divided by Average accounts receivable

Related parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Replanting

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

Retirement Benefits

Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

- Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

- Current service cost is the increase in the present value of the defined benefit obligation resulting from em

Return on total assets

Profit before tax plus net interest cost divided by total assets

Return on capital employed

Profit before interest and tax as a percentage of total Capital Employed.(Shareholders' funds plus total Interest bearing borrowings).

Return on equity

Profit after tax as a percentage of shareholder's funds.

Revenue Reserves

Reserves considered as being available for distributions and investments.

Revenue to capital employed

Dividend net operating profit or earring before interest and tax (EBIT), by capital employed.

ROI

Return on Investment.

ROE

Return on Equity

ROCE

Return on Capital Employed

ROU

Right of Use

RPTs

Related Party Transactions

RRI

Rubber Research Institute.

RSS - 1

Ribbed Smoked Sheet - Grade 1.

RSM

Revenue Share Model

RTE

Rare Tridents Engagement

S**Segments**

Constituent business units grouped in terms of similarity of operations and location.

SDG's

Sustainable Development Goals

Shareholders' funds

Funds attributable to Shareholders and comprising of share capital, reserves and retained profit.

SLFRS/LKAS

Sri Lanka Accounting standards corresponding to international Financial Reporting Standards.

SLAuSs

Sri Lanka Auditing Standards

SLCCS

Sri Lanka Carbon Crediting Scheme

SLSPC

Sri Lanka State Plantations Corporation.

SEC

Exchange Commission of Sri Lanka

SIA

Social Impact Assessment

T**TVEC**

Tertiary and Vocational Education Commission

TRI

Tea Research Institute of Sri Lanka

TSS

Total suspended solids

TVEC

Vocational Education Commission

TRI

Tea Research Institute.

U**UNFCCC**

United Nation Framework Convention on Climate Change

UNGC

United Nation Global Compact

UN

United Nation

UKAS

United Nation Accreditations

UNGC

United Nation Global Compact

V**Value addition**

The quantum of wealth generated by the activities of the Company and its application.

VFD

Variable Frequency Drivers

W**WACC**

Weighted average cost of capital.

WHO

World Health Organization

Working capital

Capital required financing the day to day operations computed as the excess of current assets over current liabilities.

Y**Yield (YPH)**

Average Periodical output of produce from hectare of plantation.

YOY

Year on Year

Corporate Information

COMPANY NAME

Horana Plantations PLC

DOMICILE AND LEGAL FORM

Horana Plantations PLC is a Quoted Public Company with limited liability, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 in terms of the provisions of the Conversion of Public Corporations of Government Owned Business Undertakings into Public Companies Act No.23 of 1987 and re-registered under the Companies Act No.7 of 2007.

DATE OF INCORPORATION

22nd June 1992

REGISTRATION NUMBER

PQ 126

DIRECTORS

Mr. A M Pandithage – Chairman

Dr. Roshan Rajadurai –Managing Director

Mr. J A Rodrigo – Director/Chief Executive Officer

Mr. A N Wickremasinghe

Mr. S C Ganegoda

Mr. K D G Gunaratne

Mr. S M Liyanage

Mr. J M J Perera

REGISTERED OFFICE ADDRESS

No.400 Deans Road,

Colombo 10.

Telephone 011 2627000, 011 2627301-7322

Facsimile 011 2627323

E Mail: horanap@hplnet.com

Web: www.horanaplantations.com

PARENT COMPANY

Hayleys Plantation Services (Private) Limited

No.400 Deans Road,

Colombo 10.

ULTIMATE PARENT COMPANY OF THE GROUP

Hayleys PLC

No.400 Deans Road,

Colombo 10.

SECRETARIES

Hayleys Group Services (Private) Limited

No.400 Deans Road,

Colombo 10.

INDEPENDENT AUDITORS

KPMG

Chartered Accountants

No.32A, Sir Mohamed Macan Markar Mawatha,

Colombo 3.

LEGAL ADVISORS

Nithi Murugesu & Associates

Attorneys-at-Law & Notaries Public

No.28 (Level 2) W.A.D. Ramanayake Mawatha,

Colombo 2.

TAX ADVISORS

Nanayakkara & Company

Chartered Accountants

3rd Floor, Yathama Building

No.142 Galle Road,

Colombo 3.

BANKERS

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Notice of Meeting

HORANA PLANTATIONS PLC

(Company Registration No. PQ 126)

NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING OF HORANA PLANTATIONS PLC will be held on Friday, 30th June 2023 at 3.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To declare a final dividend of Rs. 1/- (Rupees One) per share as recommended by the Directors.
3. To re-elect as a Director Mr. J A Rodrigo, who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association of the Company.
4. To re-elect as a Director Mr. K D G Gunaratne, who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association of the Company.
5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A N Wickremasinghe, in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Anthony Nishantha Wickremasinghe, who has attained the age of seventy five years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A M Pandithage in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy two years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

7. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. J M J Perera in terms of Section 211 of the Companies Act No. 07 of 2007.

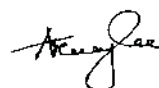
Ordinary Resolution

'That Mr. Joseph Micheal Jayanth Perera, who has attained the age of seventy years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

8. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
9. To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.
10. To consider any other business of which due notice has been given.

By Order of the Board,

HORANA PLANTATIONS PLC



HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo.

06th June 2023

Notes to shareholders:

1. The Annual Report of the Company for 2022/23 is available on the corporate website www.horanaplantations.com and on the Colombo Stock Exchange website - www.cse.lk.
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form' to the office of the Secretaries.
4. In relation to the final dividend, the XD date will be 04th July 2023.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Form of Proxy

I/We

(full name of Shareholder) NIC No./Reg. No. of Shareholder

of

being Shareholder/Shareholders of Horana Plantations PLC hereby appoint:

(1)

..... (full name of Proxyholder) NIC No. of Proxyholder

of

or, failing him/them

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on Friday, 30th June 2023 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To adopt the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of Rs. 1/- (Rupees One) per share as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director Mr. J A Rodrigo, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director Mr. K D G Gunaratne, as set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. A N Wickremasinghe, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mr. A M Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Mr. J M J Perera, in terms of Section 211 of the Companies Act No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to determine donations and contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of2023.

.....
Signature of Shareholder/s

(Instructions are given overleaf)

Instructions:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Form of Proxy will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Form of Proxy must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

Designed & produced by





HORANA PLANTATIONS PLC

PQ 126