



Kelani Valley
Plantations®

EXCELLENCE IS NOT AN ACT, BUT A HABIT

KELANI VALLEY PLANTATIONS PLC

INTEGRATED ANNUAL REPORT 2022/23



EXCELLENCE IS NOT AN ACT, BUT A HABIT

As we look back on the year that was, especially in the light of these uncertain times, we see the pattern of success that has enabled us to stand strong amidst challenge and to see opportunity in the most adverse situations. Our customers, along with our team and trusted stakeholders have been integral in our journey and they have helped us keep focus on what is important; a trait that has added much value to our work, while bringing with it, the accolades and assurances that we are on the right path. As we continue on this path that was laid many decades ago, we honour our strategy of making excellence a habit.

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DEVELOPING THE FINE TASTE OF SRI LANKA



TAPPING INTO THE BOUNTY OF OUR NATION



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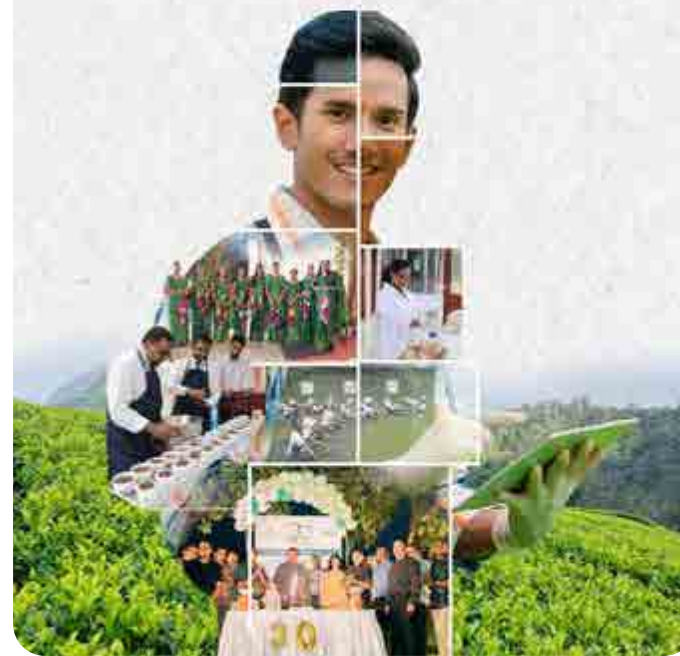
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CHAMPIONING QUALITY GROWTH



KEY PAGES



Chairman's Message

Integrating environmental and social sustainability, at KVPL, began.....

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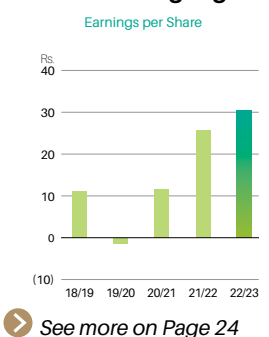


Managing Director's Review

I am happy to share KVPL Group's best performance.....

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Financial Highlights



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E Environmental,
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Financial Capital

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SDG 2022/23 Full Report: ➤



CORPORATE GOVERNANCE

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Independent Auditors' Report

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Independent Assurance Report

➤ Read more on Page 207

ABOUT THE REPORT

WELCOME TO
OUR INTEGRATED
ANNUAL REPORT9TH

“

It used to be just about Economic empowerment, but today, it is also about social empowerment; about equal opportunity, and about widening horizons.”



www.kvpl.com

Standards and Principles Reporting

International Framework of the IIRC

Governance, Risk Management and Operations

Laws and regulations of the Companies Act No. 7 of 2007.

Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date.

Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars.

Code of Best Practice on Corporate Governance (2013) jointly advocated by SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

Code of Best Practices on Related Party Transactions (2013) advocated by SEC.

Financial Reporting

Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by CA Sri Lanka.

Sustainability Reporting

This report has been prepared in accordance with the Global Reporting Initiative (GRI - 2021).



Aligned to United Nations Sustainable Development Goals.

Operations in conformity with the Principles of the United Nations Global Compact.

Environmental, Social and Governance (ESG) disclosures through the framework and operations in conformity with the Principles of the United Nations Global Compact.



Overview to this Report

GRI 2-3

Kelani Valley Plantations PLC presents its 9th Integrated Annual Report in accordance with the International Framework of the International Integrated Reporting Council (IIRC). It presents the economic, social and environmental performance of the entire Group including its subsidiaries for the financial year beginning 1 April 2022 and ending 31 March 2023.

It is also the 9th year of reporting in accordance with Global Reporting Initiatives (GRI) Standards which reflects our commitment to sustainability Reporting guidelines.

Reporting Principles

The Contents included in this Report are deemed useful and relevant to our stakeholders with due regard to their expectations which have been identified through continuous engagement. The information presented aims to provide the Group's stakeholders with a comprehensive understanding of the financial, social and environmental impacts of the Group's

operations and business activities in order to facilitate their evaluation of the Group's ability to create sustained value.

All information, which have been obtained from a range of source within the Group, have been verified for their completeness, balance, comparability, accuracy, reliability timeliness and clarity in accordance with Group's disclosure policies.

GRI 2-4

GHG Emission Data has been re-stated as the scope is expanded and the calculation method is changed and we have identified new material topics and reported accordingly.

Forward Looking Statements

This Annual Report contains certain forward looking statements which relate to the future performance and results of the operations of the Group. These statements by their nature involve risk and uncertainty as they relate to the future and depend on circumstances which may occur in the future and which may be beyond the control

of the Group. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national socio- economic conditions, changes in industry environment, natural environmental conditions, interest rates, credit and the associated risk of lending, merchandise clearance rates, inventory levels, and competitive and regulatory factors. As such, the Company does not undertake to review or revise such forward looking statements.

Assurance

GRI 2-5

The Group uses a combination of internal controls, management assurance, compliance and internal audit reviews to ensure the accuracy of reporting.

In addition to the above, Independent assurance report on EESG performance and GRI Standard, and opinion on the financial statements are provided by external Auditors, Messrs. Ernest & Young, Chartered Accountants, Colombo as set out on pages 276 to 277 and 207 to 209 respectively.

Contact Point

GRI 2-3

KVPL welcomes any questions, clarifications and feedback on this report. Please contact postmaster@kvpl.com

Directors' Statement of Responsibility for this report

The Board believes that this Integrated Annual Report has been prepared in accordance with best practices and appropriately addresses material aspects of KVPL's business and is a fair representation of the integrated performance of the Company.

The Board unanimously approved the 2022/23 Integrated Annual Report 12 May 2023, for release to shareholders.

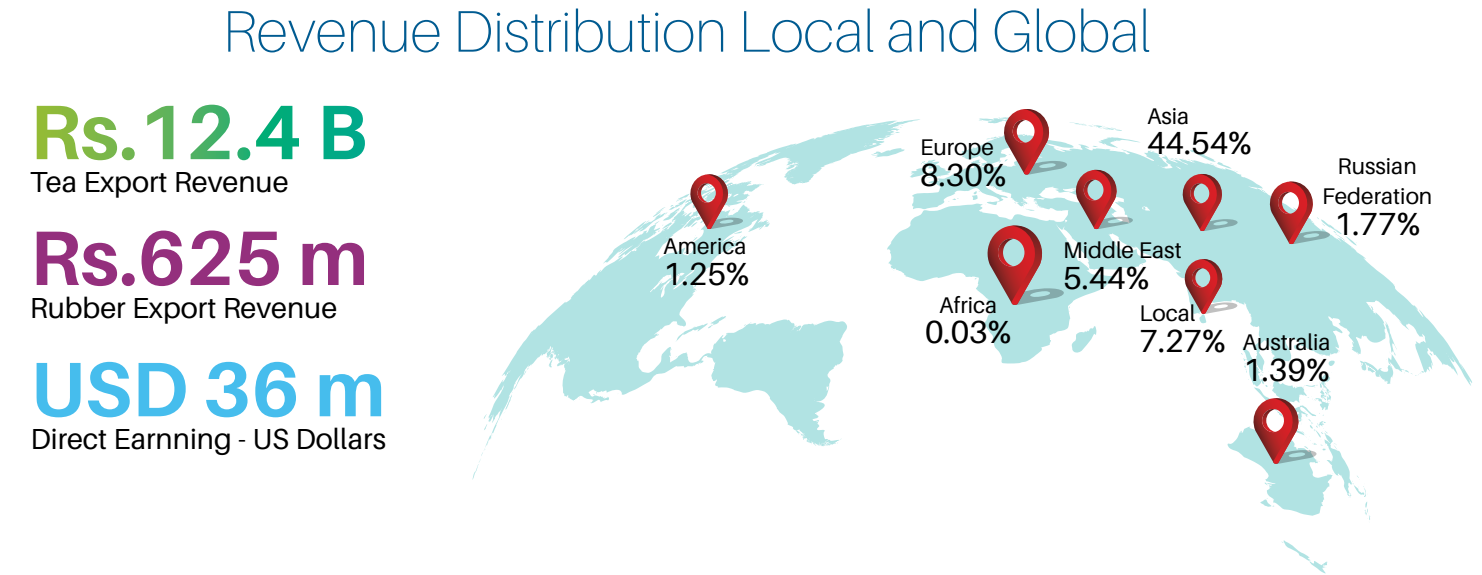
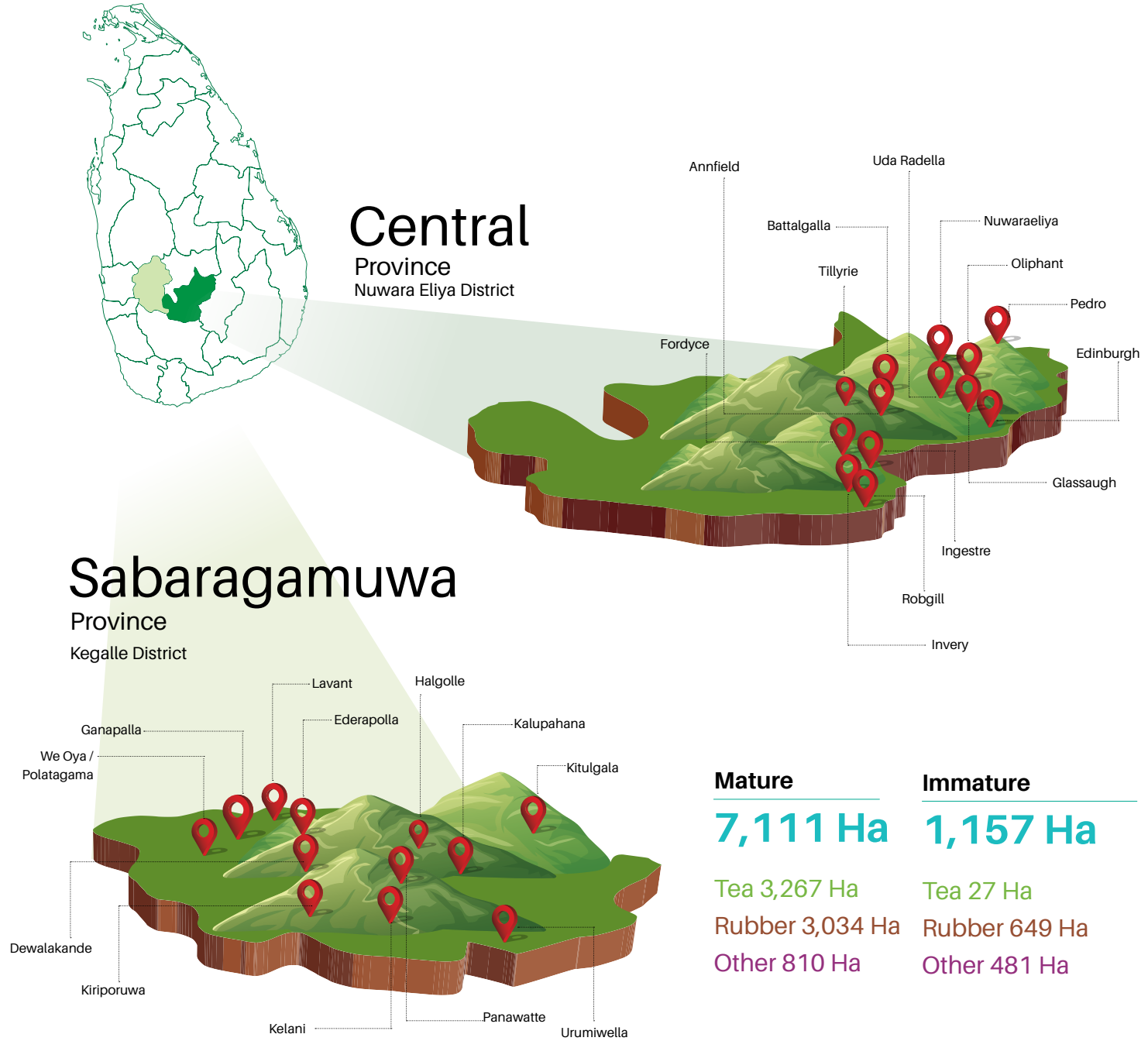
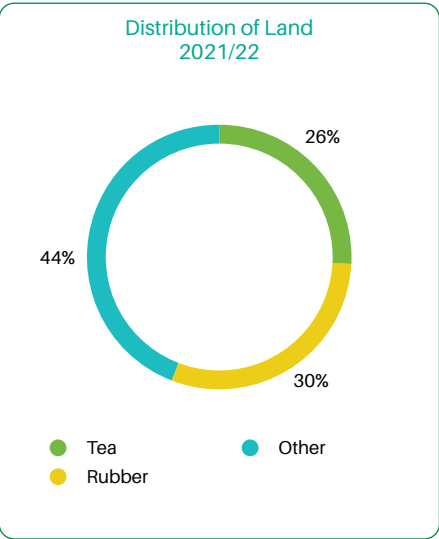
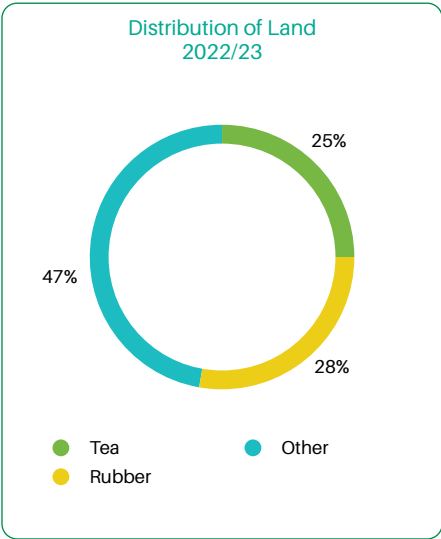
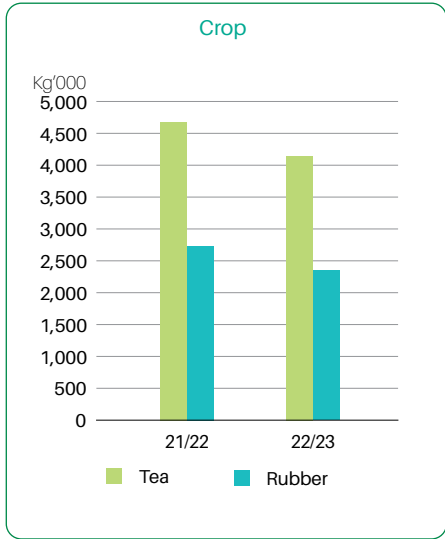
Mohan Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Date: 12 May 2023

OUR SPREAD

Estate	Extent (Ha)				No. of Factories	Elevation (ft)	Crop	
							Kgs'000	Kgs'000
	Tea	Rubber	Other	Total			Tea	Rubber
Pedro	516	-	152	668	1	6,237	520	-
Nuwara Eliya	177	-	115	292	1	5,999	258	-
Glassaugh	160	-	68	228	1	5,074	240	-
Uda Radella	157	-	71	228	1	5,328	163	-
Edinburgh	132	-	47	179	1	5,075	150	-
Oliphant	193	-	171	364	1	6,440	149	-
Ingestre	506	-	324	830	2	4,723	489	-
Fordyce	231	-	172	403	1	4,599	212	-
Annfield	213	-	161	375	1	4,297	296	-
Tillyrie	155	-	179	334	1	4,264	204	-
Invery	124	-	182	306	1	4,310	176	-
Robgill	177	-	123	300	1	4,500	210	-
Battalgalla	141	-	119	261	1	4,300	122	-
Halgolle	222	-	975	1,196	1	3,478	438	-
Ederapola	10	410	247	667	1	338	9	295
Kitulgala	37	-	544	582	-	1,003	29	-
Kalupahana	54	158	300	512	-	1,500	35	148
Kelani	27	181	141	349	1	300	433	146
Dewalakande	-	497	220	717	1	502	-	278
Panawatte	13	666	335	1,014	1	1,000	4	443
Urumiwella	3	321	387	710	1	800	3	172
Kiriporuwa	23	341	223	587	2	805	14	197
Lavant	-	299	270	569	1	800	-	181
Ganapalla	-	267	223	490	-	1,000	-	152
We Oya / Polatagama	22	543	403	967	-	1,000	9	342
Total	3,293	3,683	6,152	13,128	23		4,163	2,354



CORPORATE PROFILE

GRI 2-1

Kelani Valley Plantations PLC (KVPL) was incorporated as a Regional Plantation Company in June, 1992 and listed on the main board of the Colombo Stock Exchange in 1996. KVPL is a subsidiary of Dipped Products PLC a leading manufacturer of hand protection wear worldwide; and comprises 25 estates spanning three distinct agro-climatic regions spread across 13,000 hectares of Tea, Rubber, Coconut, Cinnamon and agro-forestry plantations.

All of KVPL's Black Tea factories are ISO 22000:2018, HACCP and GMP certified, and its Tea plantations are accredited with Rainforest Alliance (RA) Certification. Additionally, being a member of the Ethical Tea Partnership (ETP), the Company's commitment to good agricultural practices with stringent adherence to environmental best practices, and signifies a responsible approach to augmenting ethical business practices and to ensuring worker safety, and health and the preservation of bio-diversity within the plantations.

In addition to the manufacture of Black Tea KVPL's Glassaugh factory produces Green Tea, while its Nuwara Eliya factory specialises in the production of Instant Tea. KVPL's two Tea Centres - the Pedro Estate Ethical Tea Boutique in Nuwara Eliya as well as the 'Tea Train' at Edinburgh Estate in Nanu Oya add considerable brand value to KVPL's credentials as a leading tea manufacturer in the country.

The Rubber plantations are also endorsed by Forest Stewardship Council (FSC) Certification and Organic Rubber Certifications (USDA/NOP & EU) while products of Sole Crepe, Centrifuge Latex and Crepe Rubber are certified with FSC chain of custody certification whilst the Centrifuged factory is Global Organic Latex Standard (GOLS) Certified. Furthermore, the Company has Fair Rubber Certification for two of our Rubber plantations which have processing centers, which allows to improve the working and living conditions of estate workers through Fair Rubber Premium in 2021, in all ten of our Rubber estates received Sustainability Framework Certification a multipurpose framework which is used for verification of forest and farm management.

Mabroc Teas (Pvt) Ltd., our tea marketing company, has a reach of over 50 countries. And together with KVPL it became a signatory to the UN Global Compact, a member of the UNGC Charter and launched the unique Single Origin Tea from select garden marks. It was recognised as 'The First Ethical Tea Brand of the World' for honouring the four main principles of UNGC; Human Rights, Labour Standards, Environment and Anti- Corruption.

KVPL's a unique multi-dimensional initiative branded as "A Home for Every Plantation Worker" was launched in 2006 with the aim of uplifting the quality of life of our people in all aspects. The initiative was also featured at the UNGC Network Conference in Mexico in 2017 for its design and approach to social uplifting of estate communities.

Pursuing a strategy of diversification into other complementary business models, KVPL ventured into renewable power generation with the launch of Kalupahana Power Company (Pvt) Ltd. In 2003, to generate a 1MW hydro power. Additionally the Company also has a solar power plant of 165 kWp in Dewalakanda Estate which is in operation since September 2018.

It has also ventured into the leisure sector with the incorporation of Kelani Valley Resorts (Pvt) Ltd. in 2017; to harness the lush landscape of the Tea plantations. The Oliphant Bungalow Luxury boutique resort in Nuwara Eliya KVPL's maiden venture is surrounded by lush Tea plantations and has expanded KVPL's portfolio into the leisure sector .

The continuous search for excellence is reflected in KVPL's operational practices and the numerous subscriptions to non-regulatory concepts of ethical business management and internationally recognised accreditations. The Company's present position in the industry is a testimony to the spirit of innovation and the commitment demonstrated by the 7,764 strong team, led by a cohesive management team.

Pedro Estate in 1954

Vision

"Kelani Valley Plantations - Products of Excellence"

Mission

To optimise plantation productivity and ensure highest quality by harnessing and developing employee potential, whilst improving the quality of life of the community and securing an acceptable return on investment.

Values

We strive to do our best for our stakeholders in the following ways:

Our Customers:

We provide consistently good quality products and excellent service at competitive prices, whilst ensuring continuity of supplies. We are conscious of customer requirements and ever-changing market trends and orient our production to suit specific needs.

Our Employees:

We care for our employees and create a favourable environment for their participation in managing our affairs, thereby increasing productivity. We develop and create individuals who feel contended and secure in their jobs. We recognise merit.

Our Suppliers:

We establish mutually-beneficial relationships with our suppliers based on trust, quality and reliability. We treat them as we wish to be treated ourselves.

Our Owners:

We enhance the reputation of the company by conforming to high levels of conduct. We generate adequate return and ensure security of their investments by maintaining high-viability, long-term stability.

Our Competitors:

We view our competitors as a source of inspiration for our own advancement. We are conscious of their strengths and weaknesses and compete for market superiority without resorting to unethical practices while maintaining close cooperation on common issues.

Our Country and the World:

We conduct our business in a socially-responsible and ethical manner. We are aware of the changing environment and contribute towards enhancing the quality of life for a better Sri Lanka and a better world.

MILESTONES



1992

Incorporated as a Regional Plantations Company

1995

DPL Plantations (Pvt) Ltd. acquired the controlling interest.

1996

In January, KVPL Listed in CSE & issued 20 m ordinary shares each at Rs. 10.

FSC certification for Rubber

1998

Debentures were converted to 14 m additional shares

2000

Implementation of mini hydropower scheme at Battalgalla estate

2001

Expanded the Centrifuged Latex Project at Kiriporuwa estate

2003

Strategic alliance with Mabroc Teas (Pvt) Ltd.

Conversion of Black Tea processing to Green Tea at Oliphant Factory - Nuwara-Eliya

Incorporation of Kalupahana Power Company (Pvt) Ltd. as a BOI project

2004

Acquired 40% of issued share capital of Mabroc Teas (Pvt) Ltd.

2005

Commenced operations of Kalupahana Power Company (Pvt) Ltd.

2006

UN Global Compact Signatory with Mabroc and KVPL

2007

Commenced of Kelani Valley Instant Tea(Pvt) Ltd. at Nuwara-Eliya estate.(95% of issued share capital ownership)

ISO 22000:2005, HACCP & TASL-SGS Certification for 13 Black Tea processing centers

2008

Global G.A.P. Certification

Black Tea factory at Glassaugh converted to Green Tea

2009

Dewalakande and Panawatte Sole Crepe - Certified for FSC

2010

Acquired balance 60% of Mabroc Teas (Pvt) Ltd.

2011

Rain forest Alliance certification

2013

Acquired balance 5% of Kelani Valley Instant Tea (Pvt) Ltd.

2016

GMP Certification – Tea Factories

Celebration of 25 years in the Plantation Industry, Excellence in Tea and Rubber Plantations.

Winner – Global HR Excellence Award

2017

Incorporated Fully owned subsidiary - Kelani Valley Resorts (Pvt) Ltd.

Gold Winner of National Business Excellence Awards (Agriculture & Plantation Sector) and Bronze in Overall Excellence

2018

HGBL renamed as “Martin Bauer Hayleys (Pvt) Ltd” and holding was reduced to 10.1% due to strategic partnership with Martin Bauer Group of Germany

2019

Highest ever recognition for business Excellence by winning the Overall Gold Award at National Business Excellence Awards 2019, being the 2nd Agro based company to achieve the pinnacle award.

2020

First ever RPC to qualify with Field Officers holding National Skills Passport

Ranked within the LMD Top 50 Most Awarded Companies 2019/20 Hall of Fame.

2021

GREAT PLACE TO WORK® Great Place to Work® Certified - with highest ever marks in employee survey

CA BEST ANNUAL REPORT AWARD-2021 (Institute of Chartered Accountants of Sri Lanka) KELANI VALLEY – PLANTATION COMPANIES - GOLD AWARD (Joint)

Best Corporate Citizen Sustainability Award – 2021 Agriculture Sector – Gold

2022

LMD - MOST AWARDED 2022 - SECTOR WINNER Kelani Valley Plantations PLC No. 01 company in Plantations Sector and Overall Ranking 27 for 2022.

Ever Highest profit

PBT	PAT
Group Rs. 3 B,	Group Rs. 2 B,
Company Rs. 2.5 B	Company Rs. 1.8 B

CA TAGS AWARDS (FOR BEST ANNUAL REPORT) -2022 Institute of Chartered Accountants of Sri Lanka PLANTATION COMPANIES - GOLD AWARD

SAFA BEST PRESENTED ANNUAL REPORTS AWARDS - 2022 AGRICULTURE SECTOR - GOLD AWARD

GREAT PLACE TO WORK CERTIFICATION

Kelani Valley Plantations PLC Certified As GREAT PLACE TO WORK for 2023 to 2024 being the 1st Plantations Company in the Country to Receive this Certificate for 2 Consecutive Years.

Environment



- 1 **Energy Globe National Award 2022**
Energy Globe Foundation - Austria
Country Winner 2022 – Sri Lanka
(KVPL's Rooftop Solar Projects and Steps towards Carbon Neutrality)
- 2 **Chairman's Awards 2022**
- 3 **Plantations Sector - Gold Award**
- 4 **Second World Black Tea Quality Evaluation Competition**
China Tea Marketing Association
Silver Award

- 1 **GREAT PLACE TO WORK**
Best Work Places in Asia - KVPL Ranks No 30
- 2 **On The Best Work Places In Asia In Large Size Category**
KVPL – Best Work Places In Asia

- 3 **GREAT PLACE TO WORK**
Great Place to Work – Certified™ (Dec 2023-Dec 2024)
KVPL – Great Place To Work

- 4 **GREAT PLACE TO WORK**
Great Place to Work – Certified™ (Dec 2021-Dec 2022)
KVPL – Great Place To Work

- 5 **GREAT PLACE TO WORK**
Best Work Places In Sri Lanka- Large - 50 Best Work Places
- 6 **KVPL – Best Work Place**

- 7 **Chairman's Awards 2022**
Plantations Sector Merit Award

- 8 **GREAT PLACE TO WORK**
Best Work Places For Women
- 9 **KVPL – Best Work Places For Women**

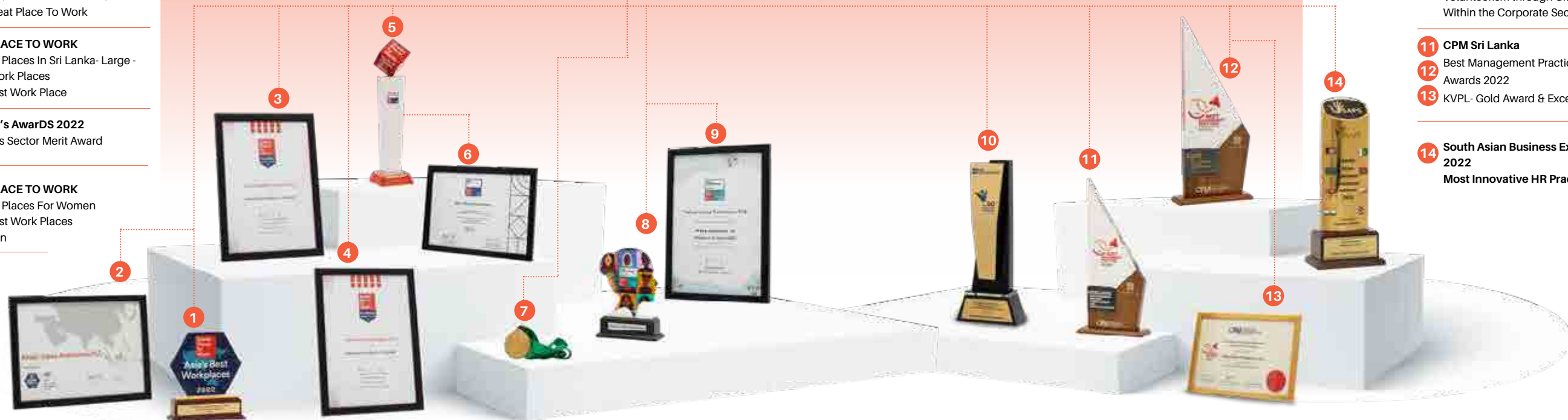
Governance



- 1 **TAGS Awards 2022**
Plantation Companies Category
- 2 **Gold – Award Winner**
Institute of Chartered Accountants of Sri Lanka
- 3 **Second Highest GSA in Tea Sector 2021**
Forbes & Walker Tea Brokers (Pvt) Ltd
KVPL – 2nd Highest GSA In Tea Sector & 1st Runnerup Among Hayleys Plantations Sector
(Both High Grown & Low Grown)
- 4 **South Asian Federation of Accountants SAFA Best Presented Annual Report Awards Ceremony**
Agriculture Category
Gold – Award Winner
- 5 **Second World Black Tea Quality Evaluation Competition**
China Tea Marketing Association
Excellence Award

AWARDS & ACCOLADES

Social



- 10 **UN Volunteers 50 Country Awards**
- In Recognition of Promoting the Value of Volunteerism through Citizen Engagement Within the Corporate Sector in Sri Lanka
- 11 **CPM Sri Lanka**
Best Management Practices Company Awards 2022
- 12 **KVPL- Gold Award & Excellence Award**
- 13 **South Asian Business Excellence Awards 2022**
Most Innovative HR Practices Award

BOARD OF DIRECTORS



(Standing) - Left to Right

1. **A M PANDITHAGE** - Chairman and Executive Director
2. **DR. ROSHAN RAJADURAI** - Managing Director/Executive Director
3. **A WEERAKOON** - Chief Executive Officer/Executive Director

4. **S C GANEGODA** - Non-Executive Director
5. **F MOHIDEEN** - Independent Non-Executive Director
6. **C V CABRAAL** - Independent Non-Executive Director
7. **N EKANAYAKE** - Independent Non-Executive Director

BOARD OF DIRECTORS

A M PANDITHAGE

Chairman and Chief Executive

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 Kelani Valley Plantations PLC in July 2009.

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, Horana 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/Executive Director

Appointed to the Board in 2013. Joined the Plantation Sector in 1983, and served in the Janatha Estates Development Board (JEDB) till 1992 privatisation 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.

A WEERAKOON

Chief Executive Officer/Executive Director

Appointed as an Executive Director to the Board of Kelani Valley Plantations PLC in December 2018 after being promoted as a Chief Executive Officer. He serves on the Boards of DPL Plantations (Pvt) Ltd, Kalupahana Power Company (Pvt) Ltd and Kelani Valley resorts (Pvt) Ltd since December 2018. Appointed as a Director of Mabroc Teas (Pvt) Ltd (A fully owned subsidiary of Kelani Valley plantations PLC) in January 2023. Prior to rejoining served as a Director in Malwatte Valley Plantations PLC. He counts over 38 years of experience in the plantations industry. Specialised in introducing modern management systems and system development strategies to the plantation sector.

F MOHIDEEN

Independent Non-Executive Director

An Independent Non-Executive Director of Kelani Valley Plantations PLC since October 2008. Holds a B.Sc. in Mathematics, University of London and a M.Sc. in Econometrics, London School of Economics. Former Deputy Secretary to the Treasury and Director General, External Resources Department, Ministry of Finance and Planning.

S C GANEGODA

Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board 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, Horana Plantations PLC.

C V CABRAAL

Independent Non-Executive Director

Appointed to the Board in January 2013.

Chatura V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology. He is currently working for CHEC Port City Colombo (Pvt) Ltd. as Senior Manager – Estate Management.

He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. He also serves on the boards of Vallibel Power Erathna PLC, Renuka City Hotel PLC and The Fortress Resort and Spa PLC.

N EKANAYAKE

Independent Non-Executive Director

An Independent Non-Executive Director of Kelani Valley Plantations PLC since June 2022. Fellow Member of the Institute of Chartered Accountants of Sri Lanka possessing over 30 years of post-qualifying experience at different management levels. He is also an Associate member of Certified Practicing Accountants (CPA) Australia and an alumna of the London Business School UK and IMD business school in Switzerland.

He is currently serving as the Chairman of Siam City Cement Lanka Ltd – Colombo. He has served as the Head of the divestment project and as the Finance Director of Holcim (Vietnam) Ltd, Ho Chi Minh City, as the Vice President – Finance, IT and Procurement of Holcim Lanka Ltd – Colombo and as the Finance Controller / General Manager of Ruhunu Cement Co. Ltd – Colombo. He is the Chairman of Mahaweli Marine (Pvt) Ltd (90% owned subsidiary of Siam City Cement (Lanka) Ltd) and Insee Ecocycle Lanka (Pvt) Ltd (fully owned subsidiary of Siam City Cement (Lanka) Ltd. Mr. Ekanayake also is an Independent Board Member of Biodiversity Sri Lanka.

CORPORATE MANAGEMENT



Head Office

1st Row (Seated) - Left to Right

A P Senanayake : Regional General Manager-Project | **R M V W Weerabahu** : Director - Finance | **G T O V Ruberu** : Director Plantations - Rubber
R N A Bandaranayake : Director - Strategic Agri-Business Development | **R D G Fernando** : Director - Rubber Marketing & Administration
A T Gamage : General Manager - HR & Corporate Sustainability | **D M Wickramaratne** : General Manager - Marketing

Head Office

2nd Row (Standing) - Left to Right

R M Vithanawasam : Senior Manager - Sustainability | **D D C Senevirathne** : Senior Manager - Accounts
M A L Prabath : Manager - Accounts | **K Murugadas** : Senior Manager - Marketing
W L P S Wijesinghe : Assistant General Manager - Information Technology | **K A R Alles** : Assistant General Manager - Corporate Affairs

CORPORATE MANAGEMENT PROFILE

BOARD OF DIRECTORS

KELANI VALLEY PLANTATIONS PLC

Tea & Rubber Plantations
Incorporated in 1992 in Sri Lanka
Stated capital – Rs. 340 m

Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer
F Mohideen
S C Ganegoda
C V Cabraal
L N De S Wijeyeratne – retired w.e.f. 28.06.2022
N Ekanayake – appointed w.e.f. 29.06.2022

DPL PLANTATIONS (PVT) LTD.

Plantation Management, Managing Agent
Incorporated in 1992 in Sri Lanka
Stated capital – Rs. 550 m

Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai
A Weerakoon
S C Ganegoda
Soon Huat NG - resigned w.e.f. 18.01.2023

KALUPAHANA POWER COMPANY (PVT) LTD.

Generates Hydro Power
Incorporated in 2003 in Sri Lanka
Stated capital – Rs. 30 m
Group interest – 60%

Directors:
Dr. Roshan Rajadurai
A Weerakoon
M F M Ismail
P A L Fernando

MABROC TEAS (PVT) LTD.

Exports Bulk & Retail Packed Tea
Incorporated in 1988 in Sri Lanka
Stated capital – Rs. 90 m
Group interest – 100%

Directors:
A M Pandithage - Chairman
J A G Anandarajah - resigned w.e.f. 01.11.2022
N R Ranatunga - Managing Director
S C Ganegoda
Dr. Roshan Rajadurai
A Weerakoon - appointed w.e.f. 01.01.2023
R S Samarasinghe
S C Hikkaduwage

KELANI VALLEY RESORTS (PVT) LTD.

Operates Boutique Bungalow
Incorporated in 2017 in Sri Lanka
Stated capital – Rs. 50 m
Group interest – 100%

Directors:
A M Pandithage
Dr. Roshan Rajadurai
A Weerakoon
R J Karunarajah

KELANI VALLEY PLANTATIONS PLC

Board of Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Director/Chief Executive Officer

Operational Directors:
G T O V Ruberu - Director Plantations (Rubber)
R N A Bandaranayake - Director Strategic Agri - Business Development
R D G Fernando - Director Rubber Marketing & Administration
R M V W Weerabahu - Director Finance

General Managers:
A T Gamage - Human Resources & Corporate Sustainability
D M Wickramaratne - Marketing

Regional General Managers:
K W S F Fernando - Dewalakande
P D Pathirana - Pedro
D I Gallearachchi - Invery
A P Senanayake - Projects

Senior Deputy General Managers:
D E P K Welikala - Panawatte

Deputy General Managers:
A M C B Attanayake - Annfield
P U Wanigathunge - Nuwara Eliya

Assistant General Managers:
W L P S Wijesinghe - Information Technology
K A R Alles - Corporate Affairs

Estate Group Managers:
W P S B Abeywardena - Lavant
A R C Gnanasekeram - Ingestre
Y A Hettiarachchi - Fordyce
W R W M S S B Bulumulla - We-Oya

Senior Managers:
W A K Chandana - Centrifuge Factory - Kiriporuwa
D D C Senevirathne - Accounts
R M Vithanawasam - Sustainability
K Murugadas - Marketing

Managers:
M A L Prabath - Accounts
D P H Paranawithana - HRD and Health

Estate Managers:
Up Country (Nuwara Eliya & Hatton Group)
H E Peiris - Robgill
K T Benthota - Uda Radella
C M K Wijayawardane - Oliphant
D Augustine - Glassaugh
L P John * - Tillyrie
H R H Peiris * - Battalgalla
R A M A N Ranasingha ** - Edinburgh

Low Country (Tea & Rubber Group)
R M U S Jayasundara - Ederapola
K K A I Perera - Kelani
D J C S Chandrasekera - Kitulgala
T Karthik - Kiriporuwa
N M S B Nawarathne - Urumiwela
A W R Senawiratne - Kalupahana
A K D I Rukmal - Ganepalla
S W S I Jackson * - Halgolla

* Acting Estate Manager
** Deputy Estate Manager in charge

MABROC TEAS (PVT) LTD

Directors:
N R Ranatunga - Managing Director
R S Samarasinghe - Deputy Managing Director
S C Hikkaduwage - Director

General Managers:
T M L J Peris - International Marketing
U A D S Kulasiri - Internal Trade
G A M S Perera - Operations

Deputy General Managers:
K Wilegoda - Finance
V A W Wakista - Tea
E F W Samaraweera - Factory

Managers:
T L Rupasinghe - Schedule Planning & Efficiency Management
U A T S Samarasinghe - Finance
L D Y E Rupasinghe - Tea

CORPORATE MANAGEMENT PROFILE



Up Country
Seated - Left to Right
Y A Hettiarachchi : Estate Group Manager - Fordyce Estate | A M C B Attanayake : Deputy General Manager - Annfield Estate
D I Gallearachchi : Regional General Manager - Invery Estate | P D Pathirana : Regional General Manager - Pedro Estate
P U Wanigathunga : Deputy General Manager - Nuwara Eliya Estate | R C Gnanasekeram : Estate Group Manager - Ingestre Estate

Standing - Left to Right
K T Benthota : Estate Manager - Uda Radella Estate | D Augustine : Estate Manager - Glassaugh Estate
L P John : Acting Estate Manager - Tillyrie Estate | H E Peiris : Estate Manager - Robgill Estate
C M K Wijayawardane : Estate Manager - Oliphant Estate | R A M A N Ranasingha : Deputy Manager in-charge - Edinburgh Estate
H R H Peiris : Acting Estate Manager - Battalgalla Estate

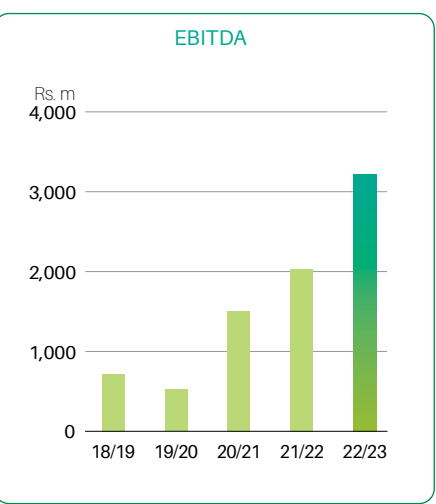
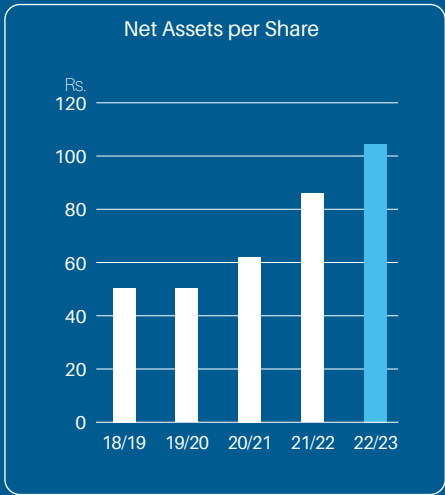
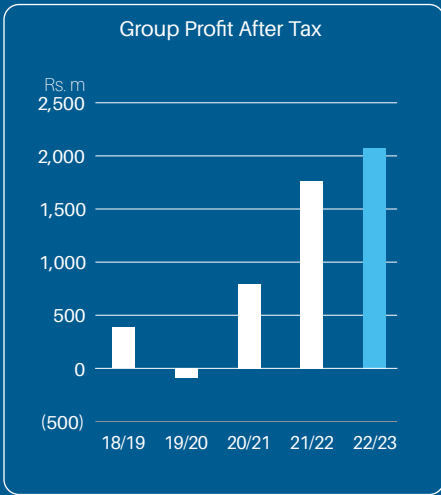
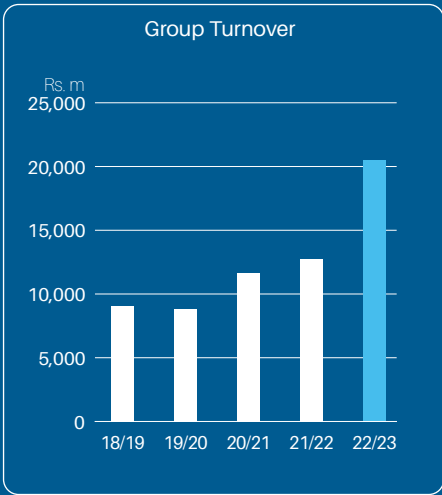


Low Country
Seated - Left to Right
W A K Chandana : Senior Manager - Centrifuge Factory | W P S B Abeywardena : Estate Group Manager - Lavant Estate
K W S F Fernando : Regional General Manager - Dewalakande Estate
D E P K Welikala : Senior Deputy General Manager - Panawatte Estate | W R W M S S B Bulumulla : Estate Group Manager - We Oya Estate

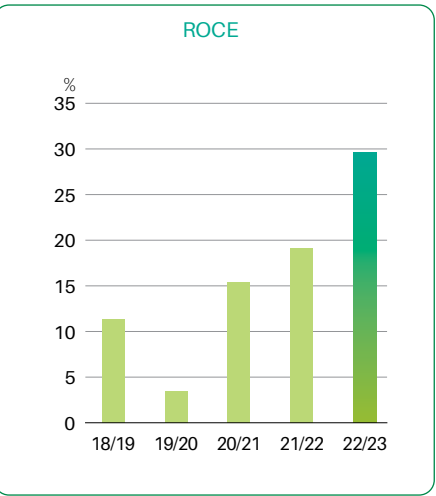
Standing - Left to Right
S W S I Jackson : Acting Estate Manager - Halgolla Estate | R M U S Jayasundara : Estate Manager - Ederapola Estate
T Karthik : Estate Manager - Kiriporuwa Estate | A K D I Rukmal : Estate Manager - Ganepalla Estate
A W R Senawiratne : Estate Manager - Kalupahana Estate | K K A I Perera : Estate Manager - Kelani Estate
N M S B Nawarathne : Estate Manager - Urumiwella Estate | D J C S Chandrasekera : Estate Manager - Kitulgala Estate

FINANCIAL HIGHLIGHTS

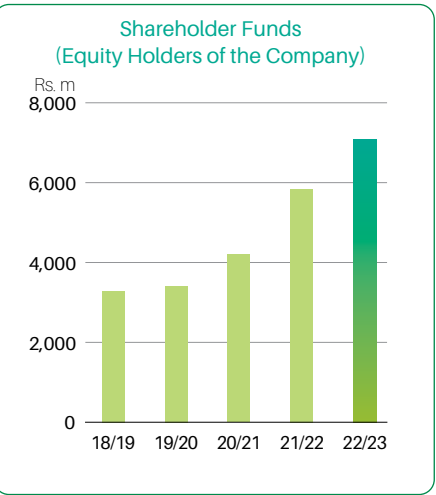
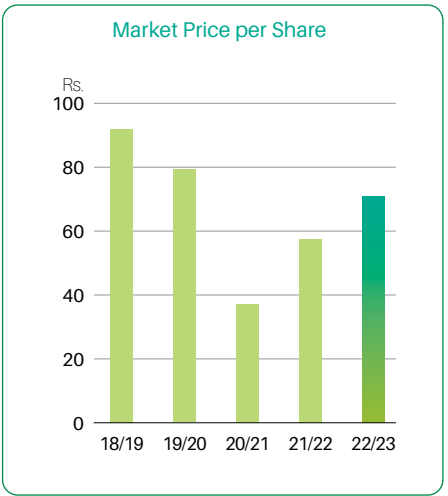
		Group			Company		
		2022/23	2021/22	% of change	2022/23	2021/22	% of change
Earning Highlights and Ratios							
Revenue	Rs.'000	20,704,226	12,925,850	60%	8,389,910	5,351,531	57%
Result from operating activities	Rs.'000	2,825,715	1,675,516	69%	2,369,973	949,055	>100%
Profit before tax	Rs.'000	3,040,670	1,965,171	55%	2,538,536	923,024	>100%
Profit after tax	Rs.'000	2,087,844	1,777,464	17%	1,784,855	938,834	90%
Operating profit margin	%	13.65	12.96	5%	28.25	17.73	59%
Net profit margin	%	10.08	13.75	(27%)	21.27	17.54	21%
Return on assets (ROA)	%	14.56	14.21	3%	17.77	11.72	52%
Return on capital employed (ROCE)	%	29.74	19.17	55%	39.91	18.61	>100%
Interest cover	Times	3.87	2.50	55%	20.32	7.23	>100%
Financial Position Highlights and Ratios							
Shareholders' Funds							
(Equity Holders of the Company)	Rs.'000	7,155,218	5,892,995	21%	5,132,711	4,167,764	23%
Gearing (Debt/(Equity+Debt))	%	25	32	(22%)	14	18	(26%)
Working capital	Rs.'000	2,731,865	1,591,640	72%	1,707,948	525,569	>100%
Current ratio	Times	1.73	1.43	21%	2.02	1.44	40%
Market capitalisation	Rs.'000	4,862,000	3,944,000	23%	4,862,000	3,944,000	23%
Capital expenditure	Rs.'000	958,267	384,476	>100%	601,817	289,644	>100%
Per Share (Year End):							
Earnings	RS.	30.70	26.02	18%	26.25	13.81	90%
Dividend	RS.	-	-		10.00	4.45	>100%
Market value	RS.	71.50	58.00	23%	71.50	58.00	23%
Net assets	RS.	105.22	86.66	21%	75.48	61.29	23%



Ever Highest PBT
Group
3.4 B
Company
2.5 B



Dividend Paid
680 m
Rs. 10.00 per
Share



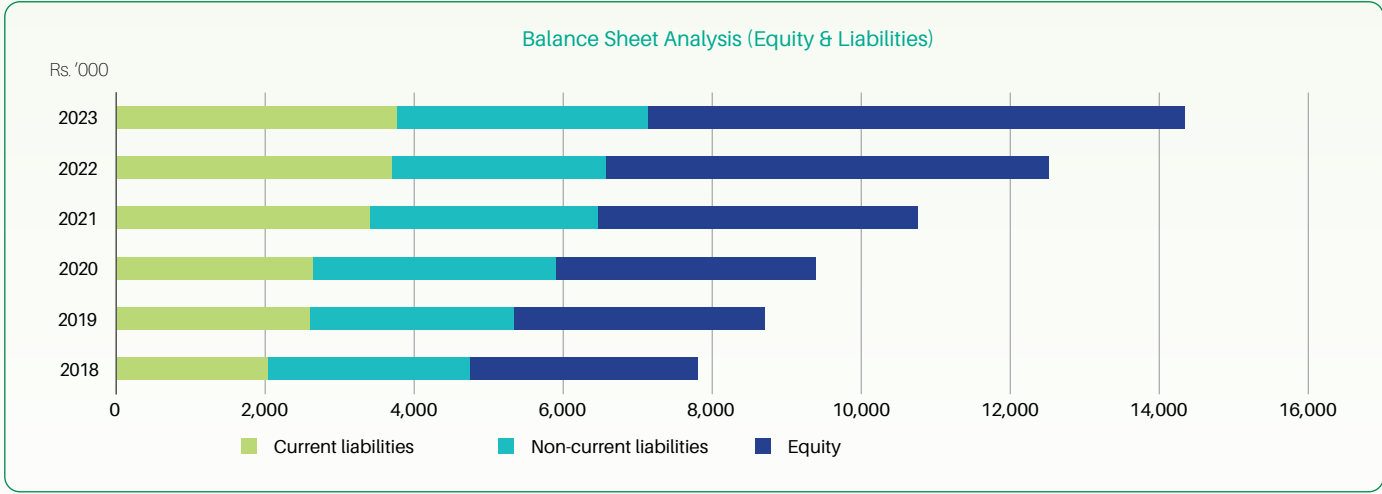
Short-term
Investment
1.5 B



HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

	31.03.2023	23 Vs 22	31.03.2022	22 Vs 21	31.03.2021	21 Vs 20	31.03.2020	20 Vs 19	31.03.2019	19 Vs 18	31.03.2018
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
ASSETS											
Non-current assets											
Right-of-use Assets	597,533	0.41	595,090	(4.76)	624,842	(2.50)	640,895	93.32	331,527	(6.48)	354,506
Freehold property, plant & equipment	2,587,345	22.82	2,106,696	4.21	2,021,491	(3.30)	2,090,554	50.77	1,386,546	(1.11)	1,402,119
Improvements to leasehold property	3,985,445	2.71	3,880,180	0.56	3,858,625	0.76	3,829,473	3.13	3,713,349	5.65	3,514,927
Biological assets											
- consumable	237,603	11.71	212,691	4.17	204,178	2.60	199,003	12.58	176,767	16.36	151,920
Other non-current financial assets	396,970	1.55	390,920	-	390,920	-	390,920	-	390,920	-	-
Intangible assets	38,673	(6.25)	41,251	1.80	40,521	15.25	35,161	(1.56)	35,718	6.82	33,436
Deferred tax assets	1,221	-	-	-	-	-	-	-	-	-	-
Total non-current assets	7,844,790	8.55	7,226,828	1.21	7,140,577	(0.63)	7,186,006	19.08	6,034,828	10.59	5,456,908
Current assets											
Produce on bearer biological assets	28,660	68.79	16,980	82.86	9,286	65.19	5,621	(65.93)	16,498	76.16	9,366
Inventories	2,359,023	27.15	1,855,248	37.81	1,346,248	27.45	1,056,294	(5.78)	1,121,098	(14.88)	1,317,085
Amounts due from other related companies	57,876	(74.26)	224,877	209.52	72,655	71.65	42,327	(47.11)	80,033	133.24	34,314
Amounts due from equity accounted investee	-	-	-	-	-	-	-	-	-	(100.00)	14,404
Trade and other receivables	2,304,369	(0.64)	2,319,105	28.48	1,804,972	129.67	785,902	(41.15)	1,335,375	60.62	831,378
Income tax receivable	-	(100.00)	138	(67.33)	422	(32.10)	622	(7.19)	670	4.23	643
Short-term investment	1,539,471	210.34	496,060	976.33	46,088	10.45	41,726	19.79	34,834	0.08	34,806
Cash and cash equivalents	200,720	(46.03)	371,939	11.98	332,148	31.20	253,162	299.82	63,318	(27.61)	87,467
Total current assets	6,490,119	22.82	5,284,347	46.31	3,611,819	65.25	2,185,654	(17.58)	2,651,826	13.84	2,329,463
Total assets	14,334,909	14.58	12,511,175	16.36	10,752,396	14.73	9,371,660	7.89	8,686,654	11.56	7,786,371



	31.03.2023	23 Vs 22	31.03.2022	22 Vs 21	31.03.2021	21 Vs 20	31.03.2020	20 Vs 19	31.03.2019	19 Vs 18	31.03.2018
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
EQUITY AND LIABILITIES											
Equity											
Stated capital	340,000	-	340,000	-	340,000	-	340,000	-	340,000	-	340,000
Revenue reserves	6,815,218	22.73	5,552,995	42.05	3,909,055	26.21	3,097,193	3.84	2,982,544	11.38	2,677,740
Total equity attributable to equity holders of the company	7,155,218	21.42	5,892,995	38.69	4,249,055	23.62	3,437,193	3.45	3,322,544	10.10	3,017,740
Non-controlling interest	49,582	1.01	49,085	19.19	41,182	(1.67)	41,882	25.47	33,380	6.07	31,470
Total equity	7,204,800	21.25	5,942,080	38.50	4,290,237	23.32	3,479,075	3.67	3,355,924	10.06	3,049,210
Non-current liabilities											
Interest-bearing borrowings	17,456	(86.10)	125,574	(34.97)	193,108	(28.69)	270,817	66.22	162,924	(45.53)	299,132
Other financial liabilities	-	-	-	(100.00)	71,454	(64.35)	200,411	605.88	-	-	-
Amounts due to other related companies	-	-	-	-	-	(100.00)	13,086	-	28,392	(34.04)	43,041
Deferred income	653,266	(2.85)	672,440	0.75	667,443	8.24	616,630	3.40	596,351	3.20	577,874
Deferred tax liability	992,118	123.39	444,120	(3.90)	462,162	11.27	415,361	2.47	405,363	(5.18)	427,497
Retirement benefit obligations	1,077,144	4.14	1,034,290	(3.61)	1,073,035	(6.86)	1,152,014	3.79	1,109,974	21.05	916,919
Lease liability	631,871	5.32	599,964	0.14	599,096	2.06	587,014	34.11	437,712	(0.50)	439,902
Total non-current liabilities	3,371,855	17.23	2,876,388	(6.19)	3,066,298	(5.81)	3,255,333	18.78	2,740,716	1.34	2,704,365
Current liabilities											
Trade and other payables	1,773,310	27.45	1,391,394	71.00	813,673	41.29	575,877	(8.60)	630,095	(1.89)	642,230
Lease liability	19,963	18.13	16,899	14.30	14,785	47.51	10,023	357.66	2,190	12.98	1,939
Amounts due to other related companies	80,200	(3.09)	82,753	(8.25)	90,199	(30.89)	130,512	85.51	70,353	89.55	37,115
Amounts due to equity accounted investee	-	-	-	-	-	-	-	-	-	(100.00)	94
Income tax payable	207,087	113.68	96,915	125.40	42,997	4.58	41,114	(6.99)	44,206	69.10	26,141
Interest-bearing borrowings payable within one year	110,097	(20.14)	137,861	(13.54)	159,454	(14.38)	186,233	25.64	148,223	0.88	146,923
Other financial liabilities	-	(100.00)	92,081	(38.61)	150,000	-	150,000	-	-	-	-
Short-term interest bearing borrowings	1,416,682	(23.23)	1,845,270	(6.96)	1,983,276	118.29	908,564	(10.91)	1,019,864	6.40	958,527
Bank overdraft	150,915	411.00	29,534	(79.12)	141,477	(77.72)	634,929	(5.95)	675,083	207.10	219,827
Total current liabilities	3,758,254	1.78	3,692,707	8.74	3,395,861	28.77	2,637,252	1.82	2,590,014	27.41	2,032,796
Total liabilities	7,130,109	8.54	6,569,095	1.65	6,462,159	9.67	5,892,585	10.54	5,330,730	12.53	4,737,161
Total equity and liabilities	14,334,909	14.58	12,511,175	16.36	10,752,396	14.73	9,371,660	7.89	8,686,654	11.56	7,786,371

VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

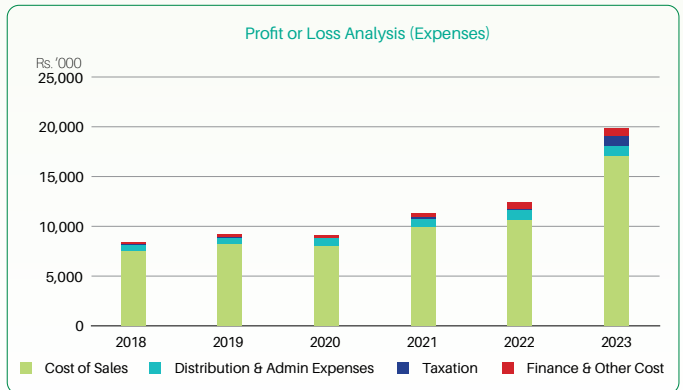
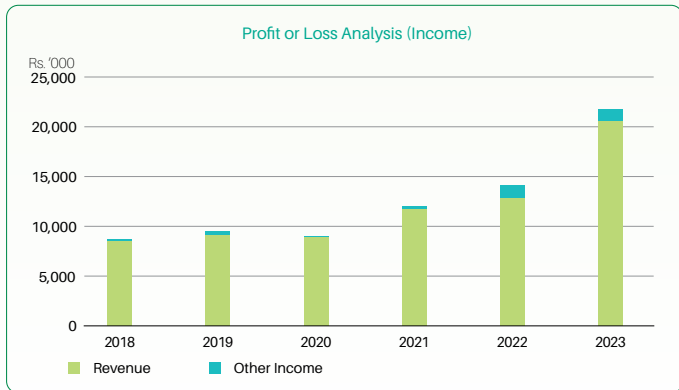
	2022/23		2021/22		2020/21		2019/20		2018/19	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
ASSETS										
Non-current assets										
Right-of-use Assets	597,533	4.17	595,090	4.76	624,842	5.81	640,895	6.84	331,527	3.82
Freehold property, plant & equipment	2,587,345	18.05	2,106,696	16.84	2,021,491	18.80	2,090,554	22.31	1,386,546	15.96
Improvements to leasehold property	3,985,445	27.80	3,880,180	31.01	3,858,625	35.89	3,829,473	40.86	3,713,349	42.75
Biological assets - consumable	237,603	1.66	212,691	1.70	204,178	1.90	199,003	2.12	176,767	2.03
Other non-current financial assets	396,970	2.77	390,920	3.12	390,920	3.64	390,920	4.17	390,920	4.50
Intangible assets	38,673	0.27	41,251	0.33	40,521	0.38	35,161	0.38	35,718	0.41
Deferred tax assets	1,221	0.01	-	-	-	-	-	-	-	-
Total non-current assets	7,844,790	54.73	7,226,828	57.76	7,140,577	66.41	7,186,006	76.68	6,034,828	69.47
Current assets										
Produce on bearer biological assets	28,660	0.20	16,980	0.14	9,286	0.09	5,621	0.06	16,498	0.19
Inventories	2,359,023	16.46	1,855,248	14.83	1,346,248	12.52	1,056,294	11.27	1,121,098	12.91
Amounts due from other related companies	57,876	0.40	224,877	1.80	72,655	0.68	42,327	0.45	80,033	0.92
Trade and other receivables	2,304,369	16.08	2,319,105	18.54	1,804,972	16.79	785,902	8.39	1,335,375	15.37
Income tax receivable	-	-	138	-	422	-	622	0.01	670	0.01
Short-term investment	1,539,471	10.74	496,060	3.96	46,088	0.43	41,726	0.45	34,834	0.40
Cash and cash equivalents	200,720	1.40	371,939	2.97	332,148	3.09	253,162	2.70	63,318	0.73
Total current assets	6,490,119	45.27	5,284,347	42.24	3,611,819	33.59	2,185,654	23.32	2,651,826	30.53
Total assets	14,334,909	100.00	12,511,175	100.00	10,752,396	100.00	9,371,660	100.00	8,686,654	100.00
EQUITY AND LIABILITIES										
Equity										
Stated capital	340,000	2.37	340,000	2.72	340,000	3.16	340,000	3.63	340,000	3.91
Revenue reserves	6,815,218	47.54	5,552,995	44.38	3,909,055	36.36	3,097,193	33.05	2,982,544	34.33
Total equity attributable to equity holders of the company	7,155,218	49.91	5,892,995	47.10	4,249,055	39.52	3,437,193	36.68	3,322,544	38.25
Non-controlling interest	49,582	0.35	49,085	0.39	41,182	0.38	41,882	0.45	33,380	0.38
Total equity	7,204,800	50.26	5,942,080	47.49	4,290,237	39.90	3,479,075	37.12	3,355,924	38.63
Non-current liabilities										
Interest-bearing borrowings	17,456	0.12	125,574	1.00	193,108	1.80	270,817	2.89	162,924	1.88
Other financial liabilities	-	-	-	-	71,454	0.66	200,411	2.14	-	-
Amounts due to other related companies	-	-	-	-	-	-	13,086	0.14	28,392	0.33
Deferred income	653,266	4.56	672,440	5.37	667,443	6.21	616,630	6.58	596,351	6.87
Deferred tax liability	992,118	6.92	444,120	3.55	462,162	4.30	415,361	4.43	405,363	4.67
Retirement benefit obligations	1,077,144	7.51	1,034,290	8.27	1,073,035	9.98	1,152,014	12.29	1,109,974	12.78
Lease liability	631,871	4.41	599,964	4.80	599,096	5.57	587,014	6.26	437,712	5.04
Total non-current liabilities	3,371,855	23.52	2,876,388	22.99	3,066,298	28.52	3,255,333	34.74	2,740,716	31.55
Current liabilities										
Trade and other payables	1,773,310	12.37	1,391,395	11.12	813,673	7.57	575,877	6.14	630,095	7.25
Lease liability	19,963	0.14	16,899	0.14	14,785	0.14	10,023	0.11	2,190	0.03
Amounts due to other related companies	80,200	0.56	82,753	0.66	90,199	0.84	130,512	1.39	70,353	0.81
Income tax payable	207,087	1.44	96,915	0.77	42,997	0.40	41,114	0.44	44,206	0.51
Interest-bearing borrowings payable within one year	110,097	0.77	137,861	1.10	159,454	1.48	186,233	1.99	148,223	1.71
Other financial liabilities	-	-	92,081	0.74	150,000	1.40	150,000	1.60	-	-
Short-term interest bearing borrowings	1,416,682	9.88	1,845,270	14.75	1,983,276	18.44	908,564	9.69	1,019,864	11.74
Bank overdraft	150,915	1.05	29,534	0.24	141,477	1.32	634,929	6.77	675,083	7.77
Total current liabilities	3,758,254	26.22	3,692,707	29.52	3,395,861	31.58	2,637,252	28.14	2,590,014	29.82
Total liabilities	7,130,109	49.74	6,569,095	52.51	6,462,159	60.10	5,892,585	62.88	5,330,730	61.37
Total equity and liabilities	14,334,909	100.00	12,511,175	100.00	10,752,396	100.00	9,371,660	100.00	8,686,654	100.00

HORIZONTAL AND VERTICAL ANALYSIS

STATEMENT OF PROFIT OR LOSS

HORIZONTAL ANALYSIS	2022/23	23 Vs 22	2021/22	22 Vs 21	2020/21	21 Vs 20	2019/20	20 Vs 19	2018/19	19 Vs 18	2017/18
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
Revenue	20,704,226	60.18	12,925,850	9.91	11,760,469	32.00	8,909,174	(2.80)	9,166,118	6.06	8,642,220
Cost of sales	(17,045,866)	59.89	(10,661,213)	6.57	(10,003,835)	24.05	(8,064,217)	(1.64)	(8,199,034)	8.59	(7,550,537)
Gross profit	3,658,360	61.54	2,264,637	28.92	1,756,634	107.90	844,957	(12.63)	967,084	(11.41)	1,091,683
Gain on change in fair value of biological assets	36,592	125.78	16,207	83.35	8,840	(22.18)	11,359	(64.48)	31,979	182.21	11,332
Other income	213,062	(35.75)	331,637	136.40	140,284	46.13	95,998	(21.58)	122,413	7.03	114,374
Administrative expenses	(989,099)	12.68	(877,826)	23.88	(708,587)	4.47	(678,266)	10.21	(615,422)	10.67	(556,078)
Distribution expenses	(93,200)	57.59	(59,139)	139.08	(24,737)	(49.65)	(49,130)	(9.27)	(54,151)	(33.78)	(81,774)
Results from operating activities	2,825,715	68.65	1,675,516	42.91	1,172,434	421.27	224,918	(50.23)	451,903	(22.02)	579,537
Finance income	945,493	(1.60)	960,908	443.78	176,711	404.82	35,005	507.35	5,763	56.09	3,693
Finance expenses	(640,686)	8.93	(588,140)	83.47	(320,568)	57.61	(203,396)	46.69	(138,656)	43.43	(96,671)
Interest paid to Government on lease	(89,852)	8.11	(83,113)	2.54	(81,056)	2.22	(79,299)	4.48	(75,896)	6.77	(71,080)
Net finance income/(cost)	214,955	(25.79)	289,655	(228.79)	(224,913)	(9.20)	(247,690)	18.63	(208,789)	27.26	(164,058)
Share of loss from equity accounted investee	-	-	-	-	-	-	-	-	-	(100.00)	(212,992)
Deemed disposal gain on equity accounted investee	-	-	-	-	-	-	-	(100.00)	204,653	-	-
Profit/(loss) before tax	3,040,670	54.73	1,965,171	107.40	947,521	(4,260.98)	(22,772)	(105.09)	447,767	121.13	202,487
Tax expense	(952,826)	407.61	(187,707)	29.15	(145,336)	126.21	(64,247)	7.34	(59,854)	42.29	(42,065)
Profit/(loss) for the year	2,087,844	17.46	1,777,464	121.58	802,185	(1,021.85)	(87,019)	(122.43)	387,913	141.81	160,422

VERTICAL ANALYSIS	2022/23		2021/22		2020/21		2019/20		2018/19	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Revenue	20,704,226	100.00	12,925,850	100.00	11,760,469	100.00	8,909,174	100.00	9,166,118	100.00
Cost of sales	(17,045,866)	(82.33)	(10,661,213)	(82.48)	(10,003,835)	(85.06)	(8,064,217)	(90.52)	(8,199,034)	(89.45)
Gross profit	3,658,360	17.67	2,264,637	17.52	1,756,634	14.94	844,957	9.48	967,084	10.55
Gain on change in fair value of biological assets	36,592	0.18	16,207	0.13	8,840	0.08	11,359	0.13	31,979	0.35
Other income	213,062	1.03	331,637	2.57	140,284	1.19	95,998	1.08	122,413	1.34
Administrative expenses	(989,099)	(4.78)	(877,826)	(6.79)	(708,587)	(6.03)	(678,266)	(7.61)	(615,422)	(6.71)
Distribution expenses	(93,200)	(0.45)	(59,139)	(0.46)	(24,737)	(0.21)	(49,130)	(0.55)	(54,151)	(0.59)
Results from operating activities	2,825,715	13.65	1,675,516	12.96	1,172,434	9.97	224,918	2.52	451,903	4.93
Finance income	945,493	4.57	960,908	7.43	176,711	1.50	35,005	0.39	5,763	0.06
Finance expenses	(640,686)	(3.09)	(588,140)	(4.55)	(320,568)	(2.73)	(203,396)	(2.28)	(138,656)	(1.51)
Interest paid to Government on lease	(89,852)	(0.43)	(83,113)	(0.64)	(81,056)	(0.69)	(79,299)	(0.89)	(75,896)	(0.83)
Net finance income/(cost)	214,955	1.04	289,655	2.24	(224,913)	(1.91)	(247,690)	(2.78)	(208,789)	(2.28)
Deemed disposal gain on equity accounted investee	-	-	-	-	-	-	-	-	204,653	2.23
Profit/(loss) before tax	3,040,670	14.69	1,965,171	15.20	947,521	8.06	(22,772)	(0.26)	447,767	4.89
Tax expense	(952,826)	(4.60)	(187,707)	(1.45)	(145,336)	(1.24)	(64,247)	(0.72)	(59,854)	(0.65)
Profit/(loss) for the year	2,087,844	10.08	1,777,464	13.75	802,185	6.82	(87,019)	(0.98)	387,913	4.23



NON-FINANCIAL HIGHLIGHTS

Economic Performance

Value created shared with



53.00%
Employees



8.10%
Government of Sri Lanka



8.80%
Shareholders



-1.00%
Lenders of Capital

Intellectual Capital

1,775,755

Rubber Direct Export
Sales Revenue (US\$)

440,310

Rubber Direct Export
Quantity (kg)



Natural Capital

7,759

GHG Emission
(tCO₂e)

7,330,661

Hydropower
generation (kWh)

113,836

Solar Power
(kWh)

97,741,121

Water Treatment
(L)

0.96

Electrical
Intensity- Tea
(kWh/kg)

0.39

Electrical
Intensity- Rubber
(kWh/kg)

2,048

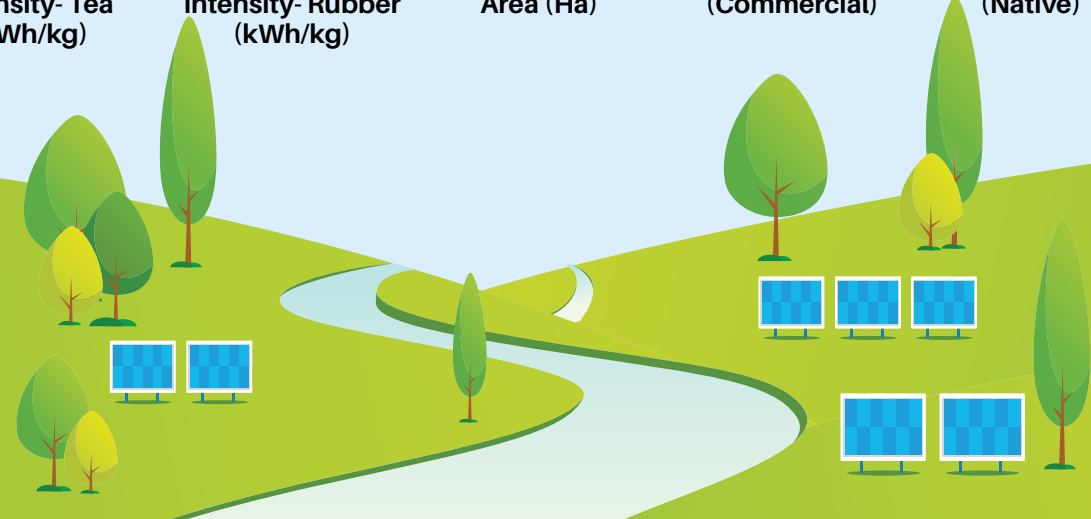
Conservation
Area (Ha)

780

Tree Planting
(Commercial)

385

Tree Planting
(Native)



Human Capital

222

Total New Employee
Hires

40,683

Training Head
Count

70,152

Training Hours

12,041,746.73

Training Investment
(Rs.)



Social Capital

35

New Houses Build
(units)

3

Water Schemes
(units)

6

Sanitation - Toilets
(units)

46

Electrification
(housing units)

8

Field Rest Room
(units)

15

Oral Cancer
Programmes

6

AIDS Awareness
programmes

64

Dengue Awareness
Programmes

28,736,574

Micro Financing
(Rs.)

Eye Care Operations

2

Cataract

147

Spectacles

27

Clinics

883

No. of
Borrowers

8,853,331

Deposits
Accepted (Rs.)

36

Prevention of
Alcoholism
programmes

39

House Hold Cash
Management
programmes

15

Training for
Small business
Management

69

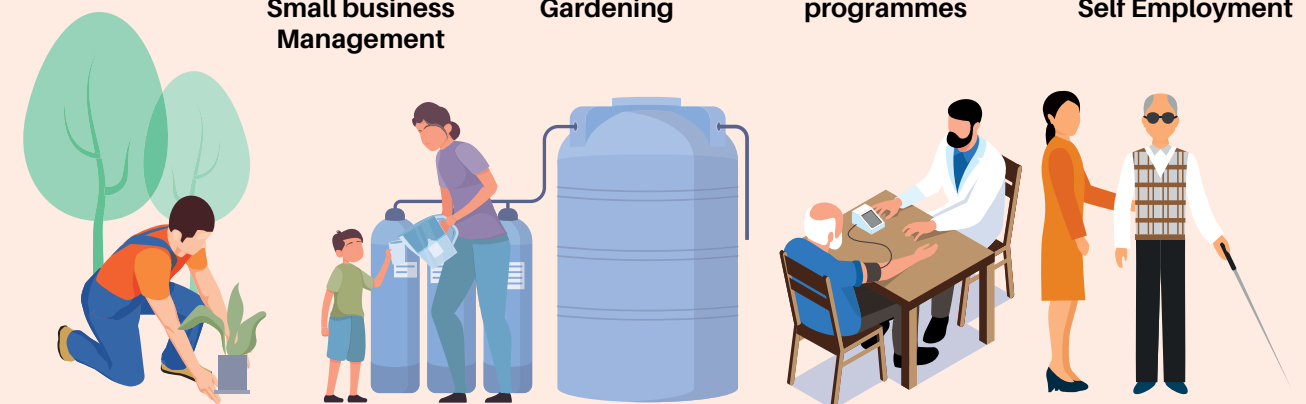
Home
Gardening

42

Other
programmes

34

Vocational Training -
Self Employment



CHAIRMAN'S MESSAGE



“

Integrating environmental and social sustainability, at KVPL, began decades ago, and long before it became the buzz word it is today. We have pioneered many initiatives that have become milestones in KVPL's fast tracked journey towards its vision of a Triple Bottom Line focused business. Amongst them are the flagship initiative “A Home for Every Plantation Worker” a holistic social initiative aimed launched in 2006 at driving socio-economic empowerment within our estate communities.

”

Dear Stakeholder,
It gives me great pleasure to share the 9th Integrated Annual Report and audited financial statements for Kelani Valley Plantations PLC for the financial year ended 31 March 2023. I am also delighted to report that despite the convergence of a multitude of challenges that shaped the operating landscape, the Company was able to deliver the best financial performance of its operating history.

Performance in Context

KVPL Group achieved its highest Revenue as well as highest Profits since inception, crossing the Rs. Three billion mark for the first time, with a 55% growth in Consolidated Profits Before Tax (PBT) amidst numerous challenges. KVPL's marketing arm Mabroc Teas (Private) Limited was once again the largest contributor to the Tea sector, accounting for over 60% of Revenue.

The country's acute economic crisis led to unprecedented and rapidly evolving challenges during the year, which included supply chain disruptions, shortages of fuel and other essentials, escalating inflation and interest rates and a steeply depreciated Rupee. Twin deficits in the fiscal and current account balances, together with the gradual depletion of foreign currency reserves and external shocks pushed the country into a sovereign debt crisis. This prompted a downgrade of Sri Lanka's sovereign Credit Rating, which, combined with public unrest further contributed to diminishing confidence amongst Sri Lanka's export customers about the country's socio-economic stability. While KVPL's excellent results reflect the robust market prices for tea that prevailed during the year, performance was also underpinned by the Group's strategic foresight in pre-empting potential challenges, its deeply-rooted sustainability conscious business model.

Sri Lanka's Agriculture sector, suffered a severe setback due to the prohibition of imported Chemical fertilisers and weedicide in April 2021. Despite the subsequent reversal of the policy, lingering impacts of the ban together with fuel shortages, disruptions to supply chains and high cost of production resulted in the Agriculture Sector contracting by 4.6% during the year. The lagged effects on soil productivity and short supply of fertiliser

contributed to a decline in crop output in Tea and Rubber. Sri Lanka's overall Tea production hence decreased by 16% and KVPL's Tea crop output also declined by 16% during the financial year.

The resulting shortfall in production contributed to higher Tea prices at the Colombo Tea Auction (CTA). I am happy to note that KVPL continued to command premium pricing and recorded the second highest prices for Tea amongst all Regional Plantation Companies (RPC's) for the 5th consecutive year.

Sri Lanka's Rubber production decreased by 7.8% mainly owing to the effects of a leaf disease (PESTA) that began impacting the previous year, accordingly, KVPL's Rubber production also continued to decline by 14%.

Sri Lanka's export earnings from Tea and Rubber decreased in US Dollar terms by over 4.9% and 0.8% respectively, due to the production shortfall whilst in rupee terms export revenue from both Tea and Rubber grew by 56% and 52% respectively, supported by a sharp 81.2% depreciation of the rupee vis a vis the US Dollar between 31, December 2021 and 31, December 2022. However, the costs of production of both Tea and Rubber were affected by the quantum increases in prices of fertiliser, agro chemicals and other imported input due to the depreciation of the Rupee as well as the increase in global commodity prices. This partially offset gains of higher export income in Rupee terms; thus, offsetting some of the gains of higher export income in Rupee terms, to inhibit growth in profitability.

Dividend

KVPL continued to deliver on its shareholder commitments, declaring the highest ever interim dividend of Rs. 8.50 per share.

Accolades

Several external accolades during the year continued to reaffirm our commitment to making “Excellence a habit” across all areas of our operations. The range of aspects which have been recognised include Overall Business Excellence, Sustainability, Human Capital management and Financial Reporting. Please refer to page 12 and 13 for a full list of the awards won during the year. I am particularly heartened that KVPL

was chosen as “A Great Place to Work” by its people for the second consecutive year, amongst the “15 Best Workplaces for Women” in Sri Lanka and ranked among Asia's best large workplaces 2022. The award is particularly noteworthy in a workplace where women account for more than 54% of its human capital.

Integrating ESG

Integrating environmental and social sustainability, at KVPL, began decades ago, and long before it became the buzz word it is today. We have pioneered many initiatives that have become milestones in KVPL's fast tracked journey towards its vision of a Triple Bottom Line focused business. Amongst them are the flagship initiative “A Home for Every Plantation Worker” a holistic social initiative aimed launched in 2006 at driving socio-economic empowerment within our estate communities. In 2009, KVPL became the first RPC to commission an assessment of the biodiversity on the Halgolle estate, by the International Union for the Conservation of Nature (IUCN), which led to the discovery of several endemic and unnamed species of fauna and flora.

The findings of a third follow up bio diversity survey has prompted us to initiate a first of its kind venture - a “Bio Diversity Research Centre” in partnership with local and international scientists, on the Halgolle property. Anticipated to be launched next year, the initiative will encompass a research station, which will facilitate the harnessing of valuable knowledge on Sri Lanka's biodiversity. The venture will also help create economic value by generating foreign exchange income as a research destination for international researchers, and by creating employment opportunities for the local communities.

During the year, the Company began implementation of its ESG framework following the initiation of a formalised structure and systems in 2021. Internally branded as “KVPL's Corporate DNA”, the comprehensive and documented framework sets forth KVPL's strategic objectives and action plans towards 2025, as well as towards 2030 for achieving the United Nations Sustainable Development Goals (UN SDG's) to which the Company has pledged commitment. As a member of Hayleys Group, KVPL's ESG strategies are also aligned with the Hayleys Group's ESG

CHAIRMAN’S MESSAGE

objectives and strategies presented in the “Hayleys Lifecode”.

Moreover, in 2008 KVPL became the first RPC to become a signatory to the United Nations Global Compact (UNGC), thereby committing to the 10 principles and to the CEO Water Mandate since 2008. It has also been a member of the Ethical Tea Partnership;. In addition, it continues to comply with several social and environmental accreditations whilst partnering a number of other Government, non-governmental and International agencies to expand its triple bottom line value creation.

Governance

Your Company believes that the highest standards in Governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. As a member of Hayleys Group, the Boards of both Hayleys and KVPL set the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. The Company ensures that mechanisms for good governance are constantly reviewed and benchmarked and strengthened to meet evolving requirements. The inclusion of Governance to “KVPL’s Corporate DNA”, offers a more formalised and structured process to embed Governance considerations across the many locations and operations, setting in place solid mechanisms for periodic review, update and enhancement.

Accordingly, the Company approaches the continuous strengthening of Governance under five key pillars; namely, Stakeholder Engagement, Transparency & Accuracy of Reporting, Enterprise Risk Management, Structure & Oversight, Ethics & Culture.

Board Changes

Group Independent Non-Executive Director & Chairman of the Audit Committee, Mr. L. N. De S. Wijeyeratne retired on 28th June 2022. We wish to express our sincere appreciation for his invaluable contribution to the progress of the Group since July 2013, and wish him the very best in his future endeavors. I would also like to warmly welcome Mr. Nandana Ekanayake who joined our Board as an Independent Non-Executive Director on 29th June

2022 and replaces Mr. Wijeyeratne as Head of Audit Committee. I believe that his knowledge and experience will contribute significantly to Board deliberations and the furtherance of good governance.

Strategies and Outlook

The Tea and Rubber Plantations sector plays a critical role in Sri Lanka’s economy, accounting for 9.9% of the country’s foreign exchange earnings, with over Rs. 2.5 m. people either employed in, or directly or indirectly engaged in jobs related to the Tea industry; overall, the plantation sector is responsible for nearly 10% of Sri Lanka’s population. As we have articulated before, the sector contends with a multitude of challenges that impacts its medium to long term commercial sustainability and value creation Key challenges include the high cost of production -being the highest in the world amongst Tea and Rubber exporters, the out-migration of skilled labour as reflected in a 10-15% annual decline in the plantation labour force, comparatively lower soil productivity and dwindling land extents. Industry collaboration, innovation and conducive regulatory frameworks will be prerequisites in effectively addressing these issues.

We have identified technology to be an imperative to sustain our competitiveness and enhance value creation. KVPL will accelerate the infusion of technology to enhance resource efficiency, productivity and product quality and to transform the cultivation of Tea and Rubber from traditional labour intensive ones to technology driven ones. The automation of two Rubber manufacturing facilities to reduce manufacturing costs and improve product quality is in progress.

Simultaneously, crop diversification; development of the KVPL brand in the Sri Lankan market; entry into the specialty Tea market through a range of innovative products are strategies we will pursue to drive profit growth in the medium-to-long term. Whilst we review our strategies and explore alternatives to meet changing external dynamics we will continue with those strategies that have served us well and continue to remain relevant. KVPL, as are other Companies of Hayleys Group; is also currently formulating a “Purpose Statement” which will help reiterate and give added focus to its Mission and raison d Etre.

We remain cautiously optimistic that the economy will gain momentum over the medium-term. The approval of an Extended Fund Facility by the IMF together with coordinated policy interventions to restore macro-economic stability have set Sri Lanka’s economy on a tepid path to recovery.

The firm foundation on which we have built our value creation model has seen it, stand strong amidst challenges and be nimble enough to capture opportunities even in the most challenging of times. We are thus, buoyant on the myriad opportunities that KVPL is well positioned to capture to enhance value creation for all its stakeholders in the ensuing years.

I would also like to reiterate the need for greater policy consistency across the board in all areas of the country. More importantly, the need for critical decision making underpinned on informed thinking, insight and understanding of ground realities by decision makers are critical to avoid pitfalls and ensure the long-term sustainability of the industry. We as industry stakeholders will continue to innovate to more than survive the hard times, to thrive.

Appreciation

As we look to the year ahead, I would like to convey my sincere appreciation to my colleagues on the Boards of KVPL and Mabroc for their valued contribution and constant support for steering the Company to achieve another outstanding result which bettered last year’s, and to the entire team of loyal employees led by the Group Managing Director, whose talents, unreserved effort and commitment, continue to broaden the horizons for the Company. My gratitude also goes out to our customers and all stakeholders who are integral to our journey. Their trust and confidence in us continue to inspire us and spur us on to stay focused, making Excellence a habit, and to keep raising the bar for ourselves and the industry.



Mohan Pandithage
Chairman

12 May 2023

MANAGING DIRECTOR’S REVIEW



I am happy to share KVPL Group’s best performance to date despite this back drop, as its Revenue and profits bettered last year’s with Profitability Before Tax (PBT) crossing the Rs. Three billion mark for the first time. **PBT reached Rs. 3,040,670,860 whilst Group’s Revenue grew by 60% to Rs. 20,704,225,946/-**



MANAGING DIRECTOR’S REVIEW

Dear Stakeholder,

The plantations sector in Sri Lanka remains unique in terms of the length and breadth of its responsibility, for its human and natural capital vis a vis any other industry and the fact that its responsibility for their wellbeing does not end with the end of a work day to begin the next morning, but continues through out. We have always been aware of the great responsibility that comes as a custodian of great resources. It is also one of the reasons that we remain acutely aware of the importance of ensuring that the protection and enhancement of those resources are integral to the Company’s performance. The comprehensive Environmental, Social Sustainability and Governance measures for which KVPL has planted seedlings over the decades, have sprouted the resources that help us, thrive even during the most challenging of times and be nimble and swift enough to always preempt and capture new opportunities.

The past two years have been the most challenging for the entire country as Sri Lanka’s economy sought to adjust to macro-economic instability resulting from a depletion of foreign reserves and a debt crisis. KVPL’s performance in such a socio-economic crisis environment highlighted its collective resourcefulness in responding effectively to volatility and uncertainty.

KVPL Group’s Performance

I am happy to share KVPL Group’s best performance to date despite this back drop, as its Revenue and profits bettered last year’s with Profitability Before Tax (PBT) crossing the Rs. Three billion mark for the first time. PBT reached Rs. 3,040,670,860/- whilst Group’s Revenue grew by 60% to Rs. 20,704,225,946/-. The growth in Revenue was enabled by the higher Tea prices in the domestic and international market amidst a shortfall in supply whilst the appreciation of the US Dollar also contributed to higher earnings in Rupee terms.

Once again, the Tea segment was the main contributor to Group’s Revenue, contributing 89%, whilst the Rubber segment contributed 11% and the remaining 1% came mainly from the hydro power segment of Kalupahana Power Company. The Tea sector’s Revenue primarily comprised a contribution of 33%

from KVPL and 67% from its marketing arm Mabroc Teas (Private) Limited. The growth in Group’s Revenue and Profits was bolstered by the higher Rubber prices in the international and domestic market in the first half of the year and the marginal increase in Tea production.

Group’s Profitability Before Tax (PBT) grew by 55%. Our leisure sector subsidiary Kelani Valley Resorts was able to reduce its losses as tourist arrivals picked up marginally, during the latter part of the year.

It is noteworthy that KVPL continued to achieve the second highest Gross Sales Average (GSA) amongst Tea producers for the 5th consecutive year; recording Rs. 1,292/35 per kg; thus, reflecting the focus on producing a quality Tea and our refusal to compromise on quality despite the steep escalation in costs of production.

As we pre-empted last year, inflation escalated during 2022 to unprecedented levels, impacting lives and life styles, sparing no one. The Plantations were thus impacted across their value chain due to higher costs of fuel, energy and transportation as well as higher prices of fertiliser, weedicides and other imported inputs due to depreciation of the rupee vis a vis the US Dollar. The comparative disadvantage of higher costs of production vis a vis other Tea grower such as India and Kenya, which the sector has grappled with for several years, has hence been further exacerbated during the year, reiterating the urgency for all industry stakeholders to find solutions.

Subsidiary Performance

Our marketing subsidiary Mabroc Teas improved on its previous best performance to record its highest ever Revenue and Profits since inception. Revenue increased by 62% to Rs. 12,624 m, compared to Rs. 7,806 m in the previous year mainly contributed to by bulk tea exports with accounted for 76% of total Revenue. It is most noteworthy that Mabroc also doubled its value-added tea sales during the year (Rs. 2,730 m) compared to last year (Rs. 1,367 m).

The Company’s Gross Profit increased by 18%, to Rs. 1,546 m compared to Rs. 1,310 m in the last financial year whilst PBT decreased by 24% and PAT decreased by

27%. This is mainly due to a reduction in the exchange gain, compared to previous year.

In line with the Group’s growth strategy of enhancing the value of its products Mabroc focused on new product and market development. Accordingly, Mabroc augmented its Manufactured Capital with the purchase of a new tea bagging machine to increase the tea bagging capacity and a colour sorter machine to enhance the process of cleaning tea and thereby increase value, quality and reliability of our end products. Moreover, a re branding and development of new packaging designs are currently in progress.

It is noteworthy that the Company added two new export destinations to its customer portfolio, bringing the total number of countries to 55 and number of export customers to 210 during the year.

Tea Sector

The Tea crop output in the country declined by 16% in 2022 due to the lagged effects of the prohibition of fertiliser and weedicides and other Agro-Chemical inputs in 2021. Although the prohibition on fertiliser was lifted, a continuing short fall in fertiliser and weedicides in the market led to a decline in productivity, whilst a more than tenfold increase in fertiliser and weedicide prices exerted pressure on our margins. It is hence most creditable that the higher prices fetched by a higher quality Tea enabled KVPL to achieve its highest ever profits, despite the escalation in cost of production during the year.

Production of High, Medium, and Low grown Tea, which contributes to about 22%, 16% and 62% of Sri Lanka’s total Tea production, respectively, declined by 13.8% 21.2% and 15.4%, respectively, in 2022. Western High Grown make up 78% of KVPL’s Tea Production whilst the remaining 22% comprises Low Grown. KVPL’s crop output also decreased by 16%.

Tea prices at the Colombo Tea Auction (CTA) reached the historically highest level in 2022 and remained elevated throughout the year compared to pre-pandemic levels, the average price of Tea increased notably by 105.2% to Rs.1,270/50 per Kg. during the year from Rs. 619/15 per Kg. recorded in 2021. Accordingly, the average tea prices for

high, medium, and low grown tea reported year on-year increase of 94.6%, 93.5% and 110.8%, respectively, in 2022.

The average export price (FOB) of tea increased by 8.7 % to USD 5.03 per kg during 2022, compared to USD 4.63 per kg recorded in the preceding year.

The increase in average tea prices during the year was partly attributed to the decline in the quantity supplied to the CTA amidst the decline in local production, while the depreciation of the Sri Lanka rupee also contributed to the price gain in rupee terms.

We continued with the “Buy Back of Weeds” programme which was our innovative solution to the unavailability of weedicide during the banned period in 2021. This win-win solution to the Company, the resident population as well as the environment, continues to be beneficial, especially during times of scarcities and high costs of weedicides. The practice encourages our estate communities to earn an extra income by removing weeds during their non-working hours to sell them to KVPL at an agreed price per kg for the Company to use as input for organic fertiliser. This practice is also a win, environmentally as the manual weeding process offers benefits to bush productivity by activating the surface ‘Feeder Root” system of the tea ushes and boosts their intake of nutrients from the soil.

Rubber Sector

Rubber production showed a rising trend during the first half of 2022, but declined thereafter, for total rubber production to decline by 7.8% to 70.9 m kg year-on-year basis. It was the second consecutive year of a decline, largely driven by the combined effect of adverse weather conditions that prevailed in rubber growing areas during the last quarter of the year- the peak yielding season of Rubber plantations, fertiliser shortages, and the spread of the Pestalotiopsis (PESTA) disease.

However, crepe rubber production recorded a growth of 3.9 % during year. Despite the notable increase in local rubber prices, productivity and tapping limitations in the rubber sector prevented plausible improvements in production.

The prices of most varieties of rubber at the Colombo Rubber Auction reached historically high levels during the first half of 2022, driven by the favourable demand in the global market. At the Colombo Rubber Auction, the annual average price of Ribbed Smoked Sheet No.1 (RSS1) increased to Rs. 595.00 per kg in 2022 from Rs. 460.78 per kg in 2021, registering a year-on-year increase of 29.1%, while the average price of latex crepe also increased notably by 44.2%, year-on-year, to Rs. 903.27 per kg from Rs. 626.32 per kg in 2021. Nevertheless, towards the latter part of the year, rubber prices were on a decelerating trend, mainly due to weaker demand for rubber-based products in both domestic and global markets.

Accordingly, at end of 2022, the average auction prices of RSS1 and latex crepe rubber stood at Rs. 517.67 per kg and Rs. 628.33 per kg , respectively. The average FOB price of rubber also marginally increased to USD 2.73 per kg in 2022 from USD 2.72 per kg recorded in the previous year.

Strategies adopted by the Rubber Development Department (RDD) and the Rubber Research Institute (RRI) for developing the Rubber sector, aiming at improving sectoral productivity as well as raising the value addition in the Rubber industry, continued in 2022.

KVPL continued with its effective home-grown solution of installing rain guards on rubber trees to increase the tappable days and crop.

Harnessing and Embedding an ESG driven culture

As we reap the harvest of our Triple Bottom Line focused model we will continue to bolster that model for win-win value creation. Following a thorough study of the business, its strategic priorities and processes we established and documented a comprehensive Environmental, Social and Governance (ESG) sustainability framework in 2021. The year under review saw the appointment of an ESG Steering Committee comprising a senior management team, representing experienced, relevant expertise, qualifications and decision-making ability, to give leadership to ESG sustainability at KVPL and implement the strategic objectives set forth in the framework.

Amongst a host of environmental initiatives spread across our many locations, the following are considered KVPL’s flagship initiatives - an Agro Forestry programme; the Bio diversity Research Center and tourism project; and the Kelani Valley Protectors initiative -a community-based volunteer project to clean rivers close to our locations, begun in 2021 with the cleaning of the We-Oya catchment of Kelani river basin. In addition to environmental upliftment, these initiatives also incorporate local communities. The first of its kind Bio Diversity Research Centre and tourism model to be launched in the year ahead on the Halgolle estate, one of Sri Lanka’s prime bio diversity hot spots, would be a classic example of a Triple Bottom Line initiative that links ecology and conservation of nature for a win win impact on local communities and the Company. The project follows three bio diversity assessments on the Halgolle estate, commissioned by KVPL in partnership with the International Union for the Conservation of Nature (IUCN) in 2009 and 2022. The assessment has revealed a rich endowment of fauna and flora including more than 45 endemic species of fauna and over 16 endangered species and over 199 species of flora of which 26 are endemic to Sri Lanka.

Our People

KVPL’s journey of achievements and resilience over the decades stand as testimony to the passion, dedication and talents of its people across the entire value chain.

We are, in turn most heartened by the endorsement by our people of KVPL as “A Great Place to Work” for the second consecutive year with benchmark results; being one of two RPC’s to be thus endorsed. Moreover, KVPL was also ranked as “One of the Best 15 Workplaces for Women” in Sri Lanka, and “ranked 30th amongst Asia’s Best Large Workplaces 2022”. The certification is particularly noteworthy as the survey sampled all segments of our employees with as much as 93% of responses being from Associates and operational Staff from all the estates; whilst 99% of the employees said that they were made to feel welcome when they joined the Company. The fact that women make up 54% of our human capital gives us reason

MANAGING DIRECTOR’S REVIEW

to be humbly proud that it is considered amongst the best workplaces by women. Furthermore, the fact that their positive sentiments and perceptions of the Company were conveyed at a survey which was conducted during one of the most difficult periods for people across the board, is most uplifting. We are also encouraged that our HR practices were recognised the “Most Innovative HR Practices” to win a Gold award at the South Asian Business Excellence Awards.

KVPL is more than a workplace for its people, as its estates are also home for almost all of its 7,600 plus employees spread across the many localities. The Company’s strategies to enhance the value of its human capital is hence also linked to social capital initiatives such as building community capacity and community infrastructure and youth empowerment at its locations. The ESG framework and systems established by the Company will now enable it to implement the multitude of HR and social capital initiatives under a relevant strategic framework.

Since becoming the first plantation Company to establish a HR strategic plan in 2014, KVPL has continued to review and set forth new strategies for a five-year horizon. However, the uncertainty and volatility in the past three years prompted us to reduce the period to three years. Accordingly, the plan for 2022-2025 has prioritised the building of a “Knowledge Driven” culture, training of our leadership on ESG including training of our leadership and management team on ESG, Skills and competency level, building knowledge think-tank through various intellectual and knowledge sharing sessions and promoting innovations and creativity. The Company has launched a range of training and development and technology transformative initiatives towards these ends.

Looking Ahead

We expect the demand for Tea and Rubber to remain around the same levels although the global environment could pose some threat to demand in the year ahead. The demand for Rubber which rose significantly during the Covid pandemic in 2020-2021, on the back of a worldwide demand for rubber gloves, declined in 2022, and is

expected to prevail at same levels in the year ahead. Moreover, the rapid deceleration of Rubber prices and crop loss as a result of PESTA is a cause for serious concern.

The Rupee’s depreciation vis a vis the US Dollar saw a reversal beginning February 2023, - the last quarter of our financial year, leading to around 10% appreciation between 28, February and 31, March 2023. A continuation of this trend and a more stable rupee, as expected, over the next two quarters, would see a downward trend in rupee earnings from tea and rubber, whilst favorably, it would also inhibit the increase in costs of imported input which saw a many fold increase in 2022.

Several challenges we have mentioned previously such as the escalating cost of labour, and production vis-a-vis competition, low productivity, as well as the growing scarcity of labour due to the out-migration of skilled labour and the diminishing appeal of the industry to the younger generations; continue to threaten the medium to long term sustainability of the Tea plantations. Labour costs account for as much as 65%-70% of total costs of production in Tea & Rubber and as we have repeatedly articulated, the delay in introduce a wage policy which links wages to productivity has been to the medium to long term detriment of the entire industry.

KVPL will thus pursue the “Revenue Sharing Model” with added vigour as a win-win strategic solution which will help mitigate most of the above challenges. The model empowers daily wage earners to earn higher incomes by improving their own productivity for the respective plots which they are responsible. They would hence become self-motivators benefitting both Company and themselves with higher incomes.

Moreover, innovative solutions to optimise resources and reduce pressure on profit margins, such as expanding the deployment of technology are also on the list of immediate priorities. KVPL will continue with the deployment of technology on the field and at its factories. We will deploy more machines for pruning and harvesting whilst the modernisation and automation of two of KVPL’s main Rubber manufacturing

plants would be initiated in the year ahead to reduce costs of production as well as improve product quality.

In line with “KVPL’s Corporate DNA” , we will also pursue Regenerative Agricultural Practices and the adoption of non-chemical methods of pest and disease management.

We intend the ESG framework which is now being instilled across the Group to strengthen the cascading down of KVPL’s strategic level commitments to ground level activation and concrete action. Our team thus brims with enthusiasm on the many opportunities we foresee, to capture and innovate, whilst standing firm on a win-win model which aims to create sustainable value for all our stakeholders. We also remain mindful of the important contribution that the industry makes to the country’s economy and our role as custodian of the country’s brand name as a manufacturer of “Ceylon Tea”.

Conclusion

I would like to convey my heartfelt appreciation to our Chairman and my colleagues on the Board for their guidance, unstinted support and the confidence placed in me. My sincere appreciation also to the Senior Management Team and 7,664 individuals who make up a team driven by a spirit of winning together when times are good and sticking together when times are tough. Their unstinted commitment, and “habit of excellence” has fueled KVPL’s journey to become an industry leader, helping it to remain resilient amidst difficult times whilst being a pioneer in environmental and social sustainability. My sincere thanks also to our customers, suppliers, business partners, shareholders and other stakeholders for their continued trust and loyalty and the inspiration they give us to keep raising the bar for ourselves and the industry.

Dr. Roshan Rajadurai
Managing Director

12 May 2023

DEVELOPING THE FINE TASTE OF SRI LANKA



STRATEGY AND FOCUS

Stakeholder Engagement

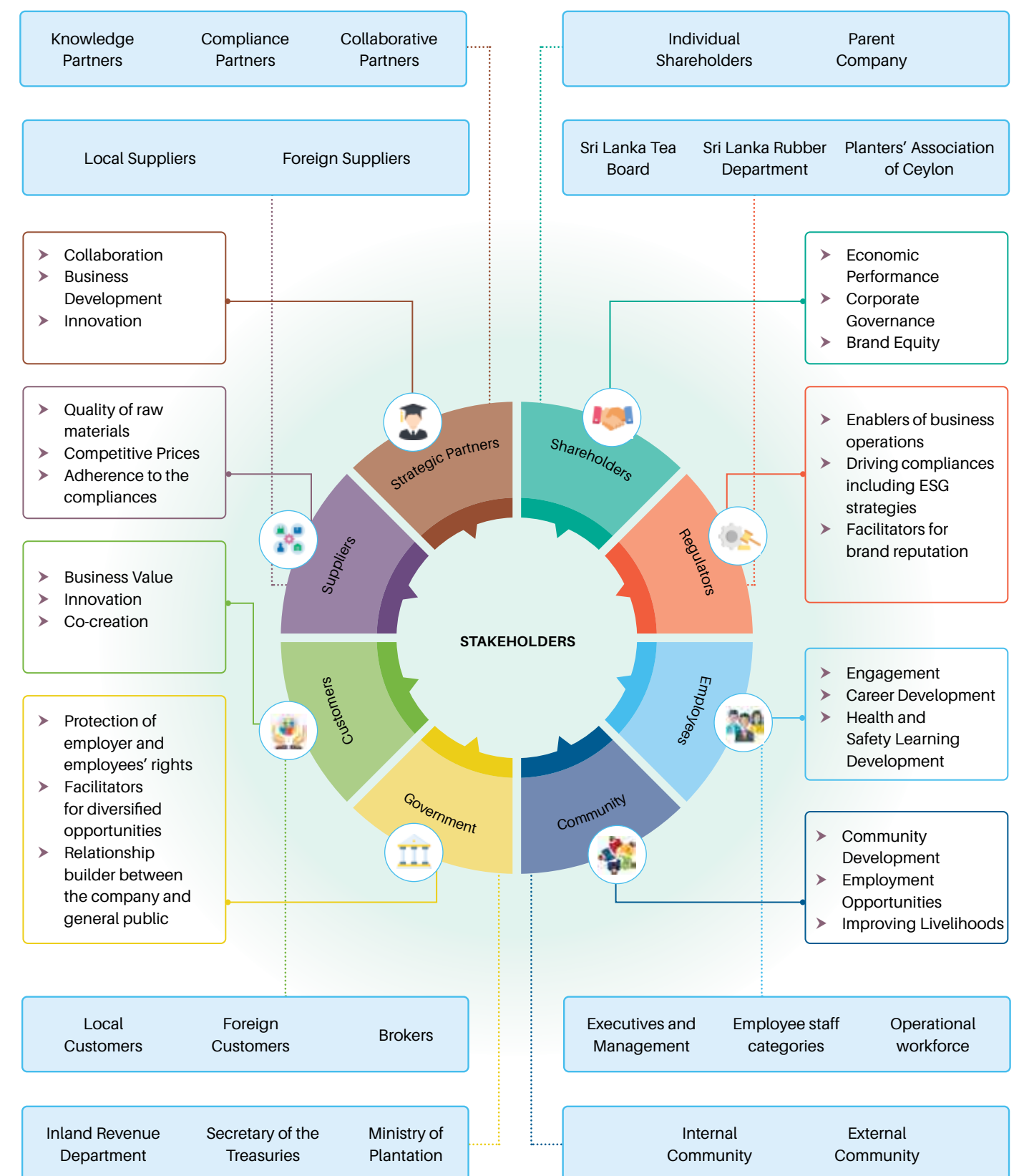
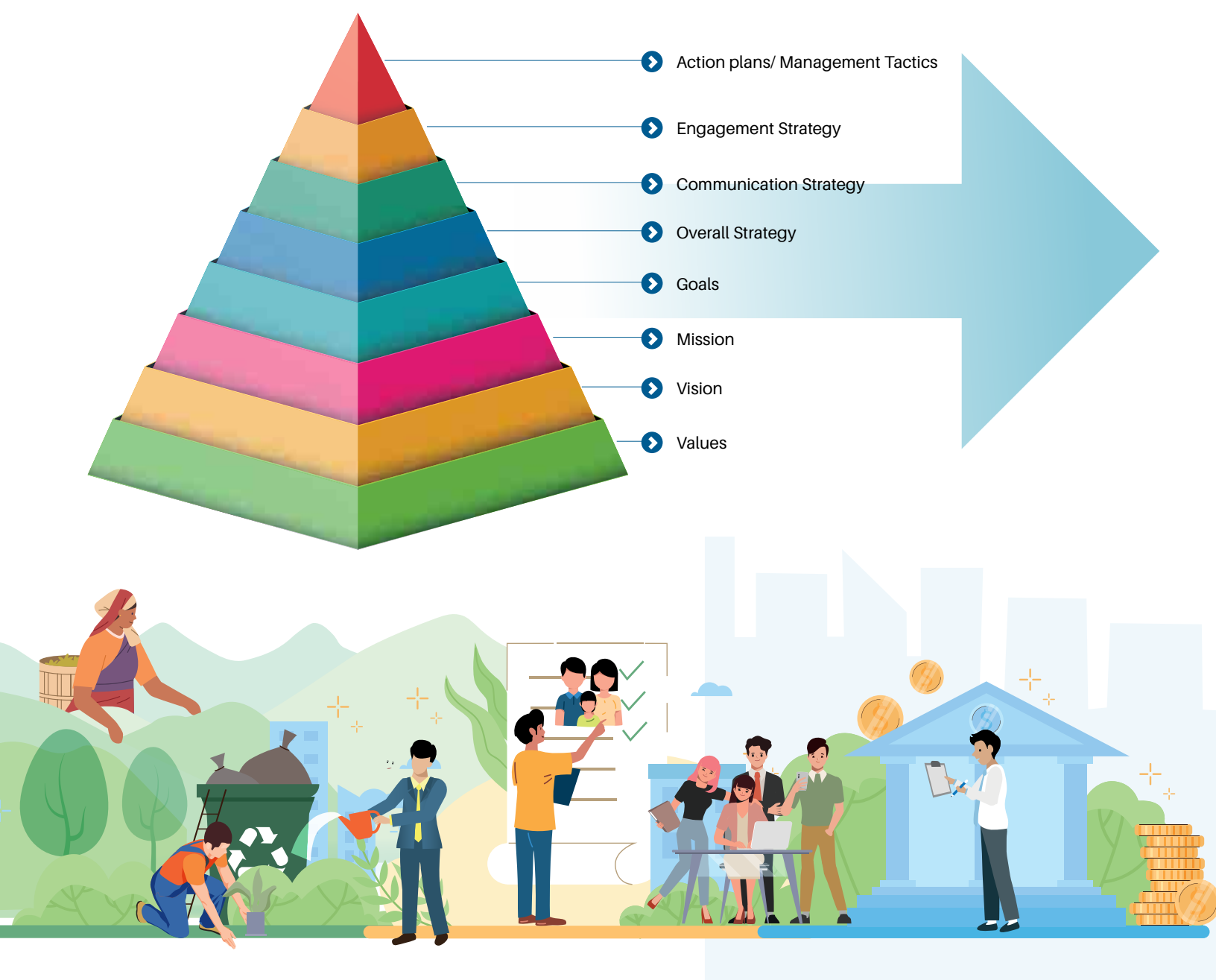
GRI 2-29

Any business enterprise interacts with multiple stakeholders; to varying degrees in varying numbers and in varying of intensity. The KVPL's stakeholder network, listed below, includes multiple stakeholders spread across locally and globally, who are important for the Company's value creation. We consider these stakeholders as value networks which contribute to sustainable value creation.

KVPL's strategy in managing its plantations takes on a non traditional approach and we have thus set forth on a transformative journey which looks to enhance our capabilities and differentiate ourselves from competition and strengthens innovation and productivity for sustained profitability. Engaging all of our stakeholders is vital in understanding and preemting risks and challenges and foreseeing opportunities on the one hand and in building our credibility and communicating the same.

Moreover, Global Sustainable Governance frameworks such as the Sustainable Development Goals, United Nations Guiding Principles on Business and Human Rights and OECD guidelines for multinational enterprises emphasize the significance of meaningful stakeholder engagement for the effective implementation of those sustainable frameworks.

List of Stakeholder Groups



STRATEGY AND FOCUS

Collective Bargaining Agreements

GRI 2-30, 13.21

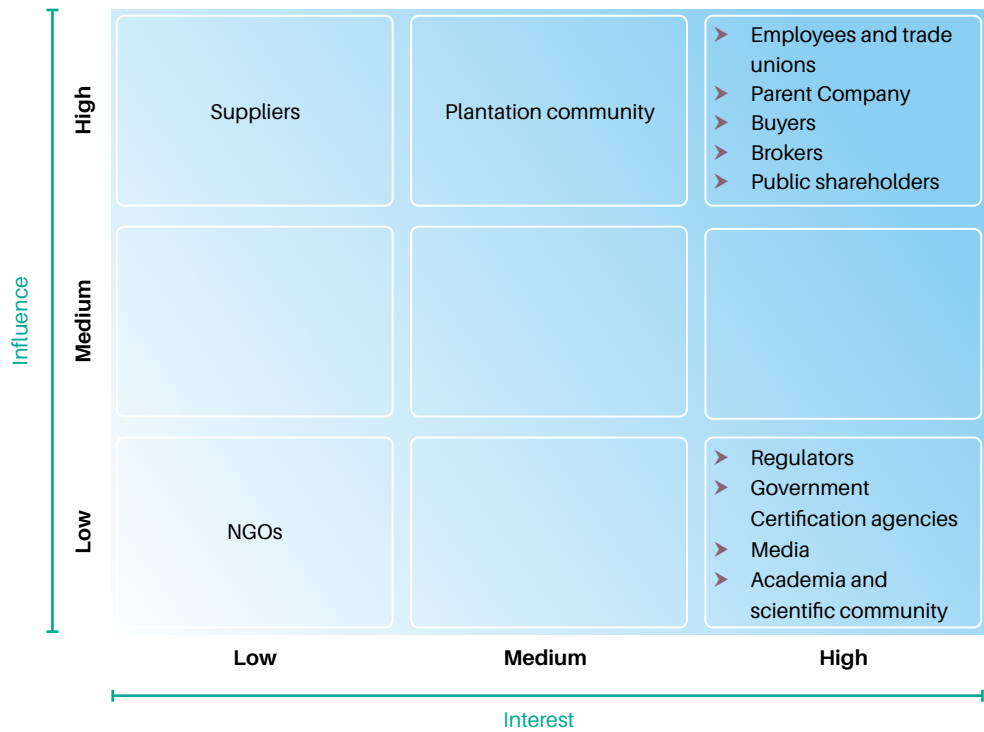
From the KVPL workforce, 99% of employees (non-executives, non-executive staff, operational workforce excluding executives) are covered by collective bargaining agreements.

But all the employees are facilitate right to freedom and collective bargaining.

Identifying and Selecting Stakeholders

GRI 2-29

Stakeholder groups are prioritised based on the level of influence of stakeholders and the level of interest in the company.



Creating Meaningful Relationships with Stakeholders

Communication is vital in helping our stakeholders understand the motives, goals and plans for what we do for it is that understanding and transparency that will help in sustained stakeholder support in creating value. We use multiple modes of communication as appropriate for each stakeholder and these are listed below. We are also mindful in our communication that how we say is as important as what we say especially with our key stakeholders, of employees, suppliers, business partners, customers and residents on our plantation communities.

Approach to stakeholder engagement

GRI 2-29

● Annual ● Monthly ● Quarterly ● On request ● Committed ● Regular

Stakeholder Category	Position in Stakeholder Landscape	Measurables/ KPIs (Expected Outcomes)	Mode of Engagement	Frequency					
				1	2	3	4	5	6
Employees	Internal	<ul style="list-style-type: none">➤ Career progression and succession➤ Fair benefits & remuneration➤ Training and education➤ Skills & competency development➤ Health, safety and well-being➤ Employee retention & rewarding➤ Quality of work-life	Employer- Employee discussion days					●	
			Grievance mechanism						●
			Engagement Surveys	●					
			Company newsletter - “Hayplan”			●			
			Evening with an Expert/ Technical development programmes						●
			Estate and Corporate review meetings			●			
			Long-service Awards	●					
			KVs together - Annual employee gatherings	●					
			Best Harvester competition	●					

Stakeholder Category	Position in Stakeholder Landscape	Measurables/ KPIs (Expected Outcomes)	Mode of Engagement	Frequency					
				1	2	3	4	5	6
Community	Internal/ External	<ul style="list-style-type: none">➤ Community Engagement➤ Youth Empowerment➤ Living environment➤ Community Health and Safety and Well-being➤ Promoting youth skills and education➤ Climate action and environment stewardship➤ Waste Management/ water management➤ Household budgeting and cash management➤ Sustainable livelihood	A Home For Every Plantation Worker						●
			Scholarship for higher studies opportunities				●		
			Household waste management systems						●
			‘Kelani Valley Protectors Initiative’ - National Surakimu Ganga Programme					●	
			KVs Green Clubs/ Youth Clubs		●				
			KVs Ladies’ - Women Empowerment	●					
			Mother & Child safety tea estates/ child policy					●	
			Website, PR and Social media						●
			Signatory to UNGC 10 principles					●	
Shareholders	Internal	<ul style="list-style-type: none">➤ Sustainable & favourable financial performances➤ Sustainable ROI➤ Ethical & transparent reporting➤ Strategy and business diversification➤ Sustainability framework/ Sound ESG initiatives➤ Stable business growth & responsible resource management	Corporate website/ PR campaign and Social media						●
			Annual Report/ AGM	●					
			Financial compliances and reporting						●
			Reviews and Shareholder meetings			●			
			Newsletters			●			
						●			
Regulators	External	<ul style="list-style-type: none">➤ Monitoring of workplace safety and environmental issues.➤ Evaluating and monitoring the compliances of product, quality and supply chain procedures.	Progress reviews.	●		●			
			Annual Reports and other compliance reports	●					
Government	External	<ul style="list-style-type: none">➤ Compliance with set laws and regulations➤ Financial and/or operational controls.	Collective agreements, state agreements and other financial/ compliance reports.				●		
Customers	Internal/ External	<ul style="list-style-type: none">➤ Product quality testing➤ Timely delivering➤ Adherence to ESG - Sustainability compliances	Annual reports/ Newslettrs/ websites.				●		
			Annual SDG Report					●	
			Customer engagement platforms					●	

STRATEGY AND FOCUS

Stakeholder Category	Position in Stakeholder Landscape	Measurables/ KPIs (Expected Outcomes)	Mode of Engagement	Frequency					
Suppliers	External	<ul style="list-style-type: none">➤ Quality of the raw materials➤ Competitive prices➤ Adherence to ESG - Sustainability compliances	Annual reports/ Company website					<div></div>	
			Supplier reviews and engagement platforms						<div></div>
Strategic Partners	External	<ul style="list-style-type: none">➤ Research and development, scale of advance and new knowledge transfer➤ Level of alignment for market completion with the culture of innovations and creativity➤ Maintaining sustainability on non-conformity with standards➤ Evaluation of produce and market alignment➤ Fostering best industrial relationship mechanism	Research placements/ Internship programmes/ Research publications and Knowledge sustainability approaches						<div></div>
			Market reviews/ Competitor analysis reports/ Competitor engagement mechanisms						<div></div>
			Regular reviews/ Audits/ Continuous awareness					<div></div>	
			Market reviews/ Broker engagement & communication mechanisms						<div></div>
			Appeal for the productive wage model/ Employer - Employee discussion days/ Regular reviews/ Grievance handling mechanism					<div></div>	

Entities included in the consolidated financial statements

GRI 2-2

- a.

A list of all entities included in the organisation’s consolidated financial statements or equivalent documents.
- b.

Kelani Valley Resort
- c.

Kelani Valley Instant Tea
- d.

Mabroc Teas
- e.

Kalupahana Power Company

All entities included in our consolidated financial statements, or equivalent documents, are covered by the report.

MATERIALITY ASSESSMENT

GRI 3-1

Defining Report Content and Topic Boundaries

Selection of material topics and topic boundaries took into account the disclosure requirements under:

1.

The GRI Universal Standards 2021
2.

The International Integrated Reporting (IR) framework of 2013
3.

United Nations Global Compact (UNGC) Communication of Progress (COP) requirements
4.

United Nations Sustainable Development Goals (UNSDGs)
5.

The Companies Act of 2007
6.

Listing rules of the CSE
7.

The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange

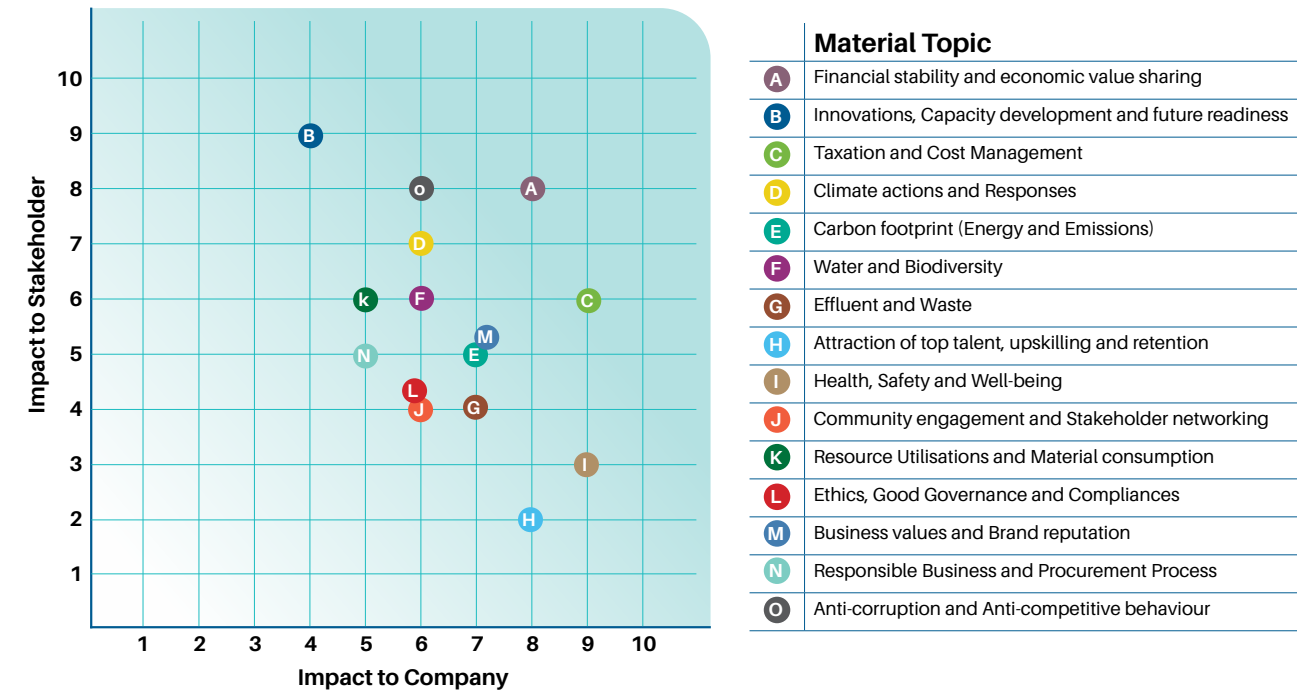
Complying with Reporting Principles

Due to the sustainability reporting frameworks and regulatory compliances, the sustainability context has been integrated into the report. The contents have been selected according to materiality to both the Company and key stakeholders and we have attempted to present complete information wherever possible.

In terms of quality principles, financial statements of the Company have been audited by Chartered Accountants, and regular internal audits are conducted throughout the year. All other information has been reviewed and approved by relevant senior managers to ensure maximum reliability. Two years of comparative quantitative data has been provided in most cases as required by the GRI Standards.

The Determining Material Matters

Kelani Valley Plantations PLC, conducts a comprehensive materiality assessment annually, with the engagement of company’s leadership, corporate & estate management teams, and other key stakeholder groups. The process was strengthened by taking critical consideration of changes to global commitments and principles as well as dynamic changes of country’s laws, compliances, regulations and principles. The process facilitates regular review and update of material topics which are material to the company’s stakeholders and value creation, in view of changes in both the internal and external operating environment. The assessment is conducted at estate level & corporate level and aggregated at KVPL, with each topic weighted using a suitable metric based on the importance of the company’s impacts to the group.



MATERIALITY ASSESSMENT

Our Material Matters

Materiality themes: For better clarity, we have clustered the identified material topics into four themes, aligned to our EESG framework, as listed below.

- **Economic** Topics
- **Environmental** Topics
- **Social** (People & Community) Topics
- **Governance** Topics

A list of relevant material issues has been selected as process parameters towards conducting the materiality assessment by company's ESG- Sustainability Division based on, regular discussions with company's leadership, Corporate and Estate management teams, analysing the strategic direction given by company's ESG Framework (KVPLs Corporate DNA), and guidelines recommended by local and international corporate reporting frameworks including IR Framework and GRI Standards.

The Reporting boundary remains unchanged over the previous year.

Restatements of information

GRI 2-4

GHG Emission Data has been re-stated as the scope is expanded and the calculation method is changed.







































Membership of Associations

GRI 2-28

- Planters' Association
- Ceylon Chamber of Commerce
- Rubber Research Institute
- Tea Research Institute
- United Nation Global Compact
- Bio-diversity Sri Lanka
- Wild Life and Nature Protection Society of Sri Lanka

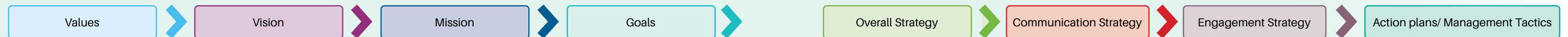
List of material topics GRI and Management Approach

GRI 3-1, 3-2, 3-3

Material Themes	Material Topics	GRI Topics	Management of Material Topics	UN SDG Goals
 Economic	Financial stability and economic value sharing	201, 203	KVPL has implemented a crop and business diversification strategy to re-balance the risk portfolio, to reduce the risk of concentration on agriculture and absolute dependence on tea & rubber by way of development of other revenue sources	  
	Innovations, Capacity development and Future Readiness	203	Innovation is key to lead our competitive edge and ensuring we remain relevant to global demand and dynamic customer requirements	
	Taxation and Cost Management	203	Created significant risks and challenges towards PBT and the business uncertainty, as well employee morale. Proactive cost management strategies and change management framework helped to reduce the impact	 
 Environment	Climate Actions and Responses	201	Our approach on climate change impact and mitigation, was strengthened by our sustainable investment portfolio on renewable energy sources, commitments to UNSDGs and UNGC	 
	Carbon footprint (Energy and Emissions)	302, 305	Energy is material due to risk of availability and rising energy costs. Our approach on reducing energy consumption and impact of emissions was strengthened by our commitments to UNSDGs and UNGC	 
	Water and Biodiversity	303, 304	We have expressed our commitment as ethical corporate citizen to maintain and protect all natural assets within our estate boundaries. We have pledged to comply with UN SDG and UNGC principles	 
	Effluent and Waste	306	KVPL's 3R policy to support on limiting use of material inputs and dispose the waste using environmentally friendly methods	 
 Social (People and Community)	Attraction of top talent, Upskilling and Retention	401, 404, 405	Consistent adherence to HR strategic plan to be the 'Great Place To Work' certified 1st Plantation Company in the country for two consecutive years	 
	Health, Safety and Well-being	403, 416	Committed for National OHS & Well-being policies and all products and processes are fully compliant with ISO 22000:2005 HACCP GMP and (Good Manufacturing Practices) Certification	   
	Community engagement and Stakeholder networking	413, 202	UN accreditation, KVPL's flagship Corporate Sustainability and Responsibility (Strategic CSR) framework, 'A Home For Every Plantation Worker', since 2006 has provided sustainable pathway for effective community engagement	  
 Governance	Resource Utilisations and Material Consumption	301	Our approach is to conserve limited resources and promote Reuse - Reduce - Recycle (3R) concept for effective utilisation of material inputs	 
	Ethics, Good Governance and Compliances	407, 408, 409, 415, 416	KVPL complies fully with national regulations on freedom of association, collective bargaining, child labour and forced labour. Therefore, the company refrains from dealing with suppliers that commit infringements	  
	Business values and Brand reputation	408, 402, 406, 409, 417, 418	KVPL has a policy of compliance with all universal and national laws and regulations	 
	Responsible Business and Procurement Process	407, 416, 301	KVPL has a policy of procurement align with all universal and national laws and regulations	 
	Anti-corruption and Anti-competitive behaviour	205	KVPLs commitment to UNGC principles and Hayleys Anti-corruption policy	 

VALUE CREATION

GRI 2-6



PRODUCT RESPONSIBILITY AND CUSTOMER HEALTH & SAFETY

GRI 3-3, 13.10, 416-1, 416-2

All our products and processes are fully compliant with ISO 22000:2018 and HACCP certifications issued by the Sri Lanka Accreditation Board. Additionally, all factories received GMP (Good Manufacturing Practices) Certification.

Implementing and maintaining the Food Safety Management System (ISO 22000:2018 & HACCP) for all Black Tea manufacturing facilities reinforces our commitment towards product responsibility and ensures food safety and quality standards are maintained from end-to-end - from planting to harvesting, production, processing and dispatch/distribution. The quality of tea is tested annually for heavy metals, microbiological criteria and agro-chemical residues as per the requirements of the ISO 3720 standard.

In addition, KVPL has established a set of internal standards which reach beyond the TRI (Tea Research Institute) specified maximum residue limits (MRLs) for Japan and EU countries. KVPL has also reduced chemical application compared to previous years.

The Rubber plantations too have been endorsed by Forest Stewardship Council (FSC™) Certification and Organic Rubber Certifications (USDA/NOP & EU) while products of sole crepe, Centrifuge Latex and Crepe Rubber are certified with FSC chain of custody certification and Global Organic Latex Standard (GOLS) certification. We have Fair Rubber Certification for two of our Rubber plantations with processing centers, which allows us to improve the working and living conditions of estate workers through offered Fair Rubber Premium. In the year under review, we got Sustainability Framework certification for all 10 Rubber estates. Sustainability Framework is a multipurpose framework, which can be used for verification of forest and farm management, as well as for other sectors such as sustainable travel and financing.

Our Rainforest Alliance farm certifications further demonstrate our commitment toward sustainability (Find out more at ra.org.). In addition, a designated in-house team has been established at each estate, to monitor compliance with rigorous environmental, social and economic criteria, with regular internal audits and an external audit conducted annually, to ensure continuous improvements are made.

KVPL Certifications

Food Safety Commitments	ISO 22000:2018
	HACCP
	GMP
Environmental Commitments & Social Commitments	Rainforest Alliance
	Forest Stewardship Council
	EU Organic and USDA/NOP
	Fair Rubber
	Sustainability Framework
	ISO 14064-1:2018



Compliance with Product and Service Labelling:

GRI 3-3, 417-1, 417-2, 417-3, 418-1

For Tea, KVPL adheres to the labelling requirements specified by the Ceylon Tea Traders Association (CTTA) and the Ceylon Tea Board,

The details stenciled onto each package include the following:

- Garden Mark
- Invoice No.

- Net Weight
- Gross weight
- Serial number of the package
- MF No.
- Grade
- Company Name

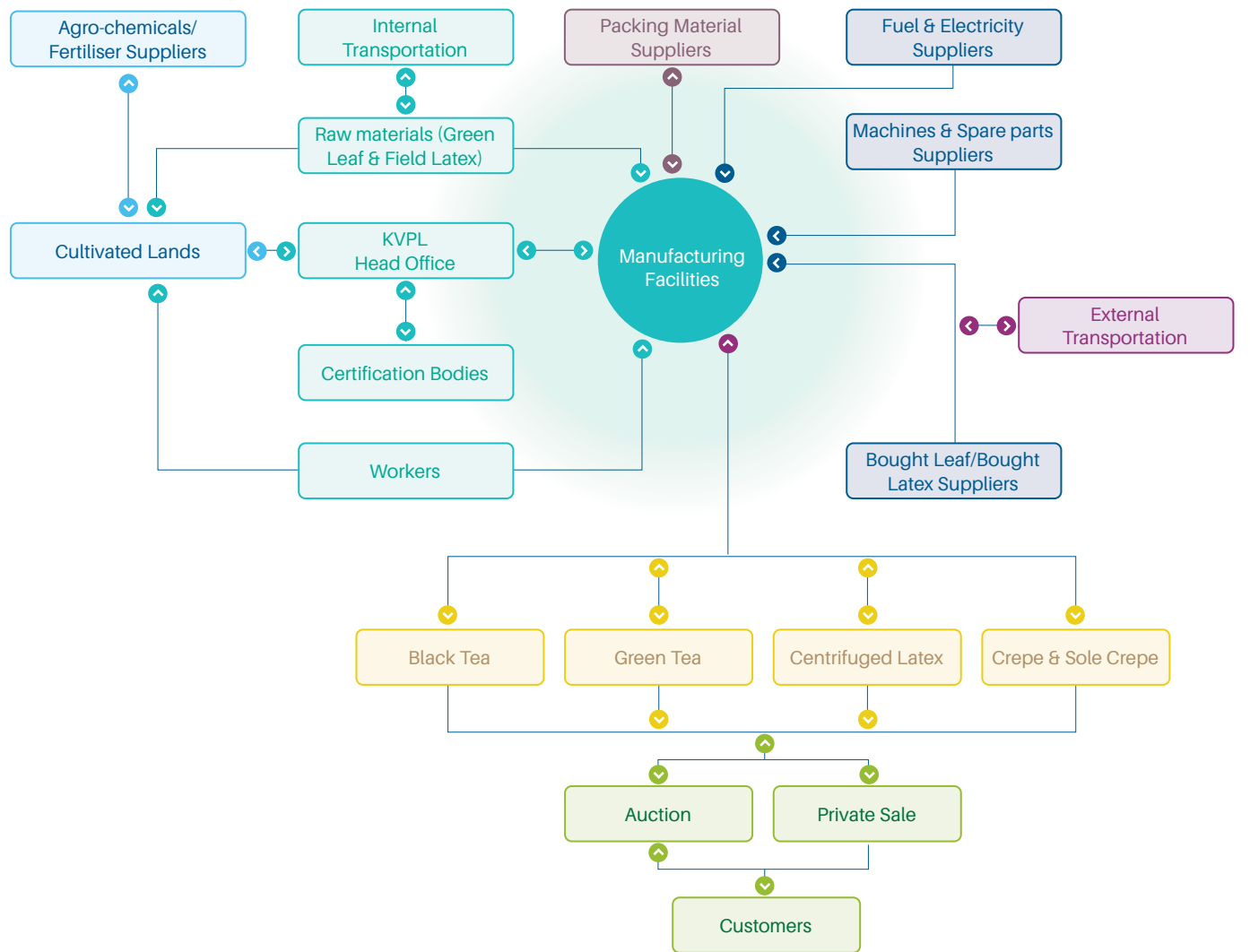
Given the strict compliance in place, there were no reported incidents of non-compliance of laws and regulations with regard to labelling of products. Further, there were no complaints received on breach of customer privacy.

- There were no incidences of non-compliance with product and service information and labeling during the reporting year.
- There were no incidences of non-compliance concerning marketing communications during the reporting year.
- There were no complaints received on breaches of customer privacy or losses to customer data during the reporting year.

Supply Chain

GRI 2-6

There were no significant changes to KVPL and its supply chain during the reporting period



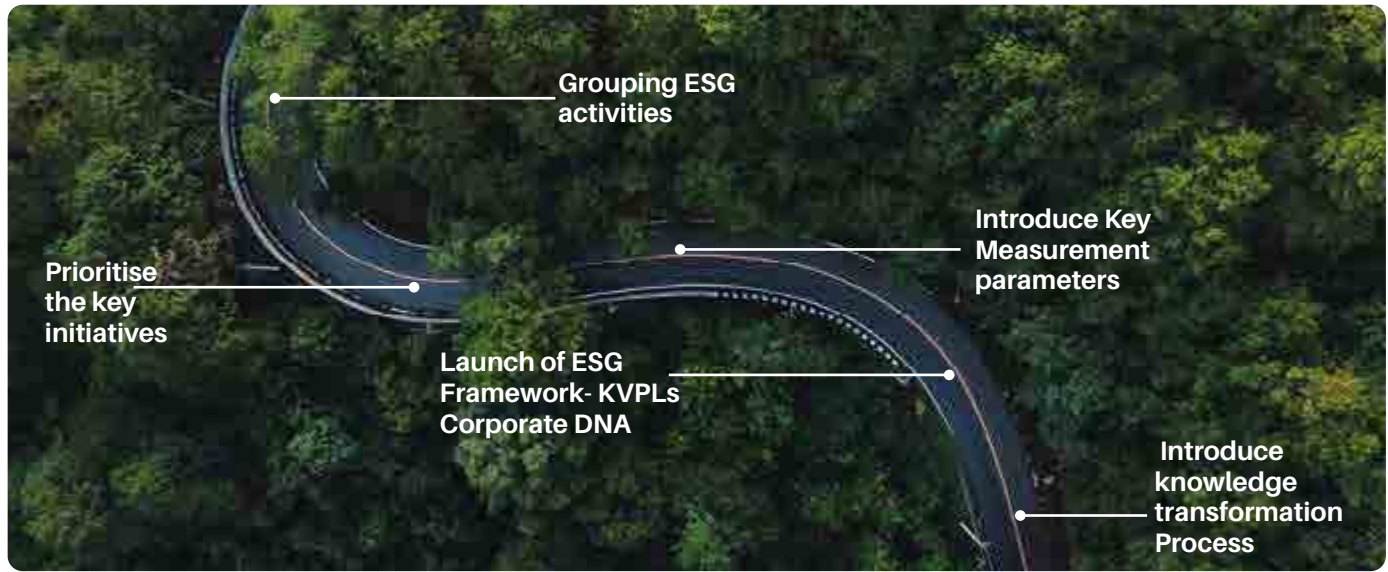
ENVIRONMENTAL, SOCIAL & GOVERNANCE ESG FRAMEWORK GRI 2-22

KVPL’s “Corporate DNA” - to build now, to sustain for tomorrow; for planet and people

Establishing the ESG framework

The previous year saw the launch of a comprehensive ESG framework which sets forth a set of strategies, objectives and a formalised structure to bolster and strategically align the Company’s Sustainability Development strategy with its overarching business strategies. The ESG framework was designed upon a thorough understanding of the strategic requirements of KVPL’s business and decision making process, with the objective of efficient resource allocation, which is fundamental and critical to our industry, considering the limitations to its resources, their rapid depletion and the impact of climate change on the business. During year 2022/23, KVPL established the required frameworks to translate its ESG concepts and strategies into action on its plantation landscape. “Transforming” the mindsets across the Company, from the leadership to the corporate and estate management and the operational workforce; and internalising the importance of ESG, and ESG strategies, objectives and the achievement of targeted actions were given priority to, during the year under review. The transformation is also about extending our goals beyond “responsibility” to capturing opportunities and creating value. We hence identify the year as a Transformational year in our ESG journey.

Internally branded as “KVPL’s Corporate DNA”, the comprehensive and documented ESG framework sets forth KVPL’s strategic objectives and action plans towards 2025, as well as towards 2030 for achieving the United Nations Sustainable Development Goals (UN SDG’s) to which the Company has pledged commitment . “KVPL’s Corporate DNA” also aligns KVPL strategies with those of Hayleys Group, and is modeled after the “Hayleys Life Code” which sets out the Hayleys ESG framework.



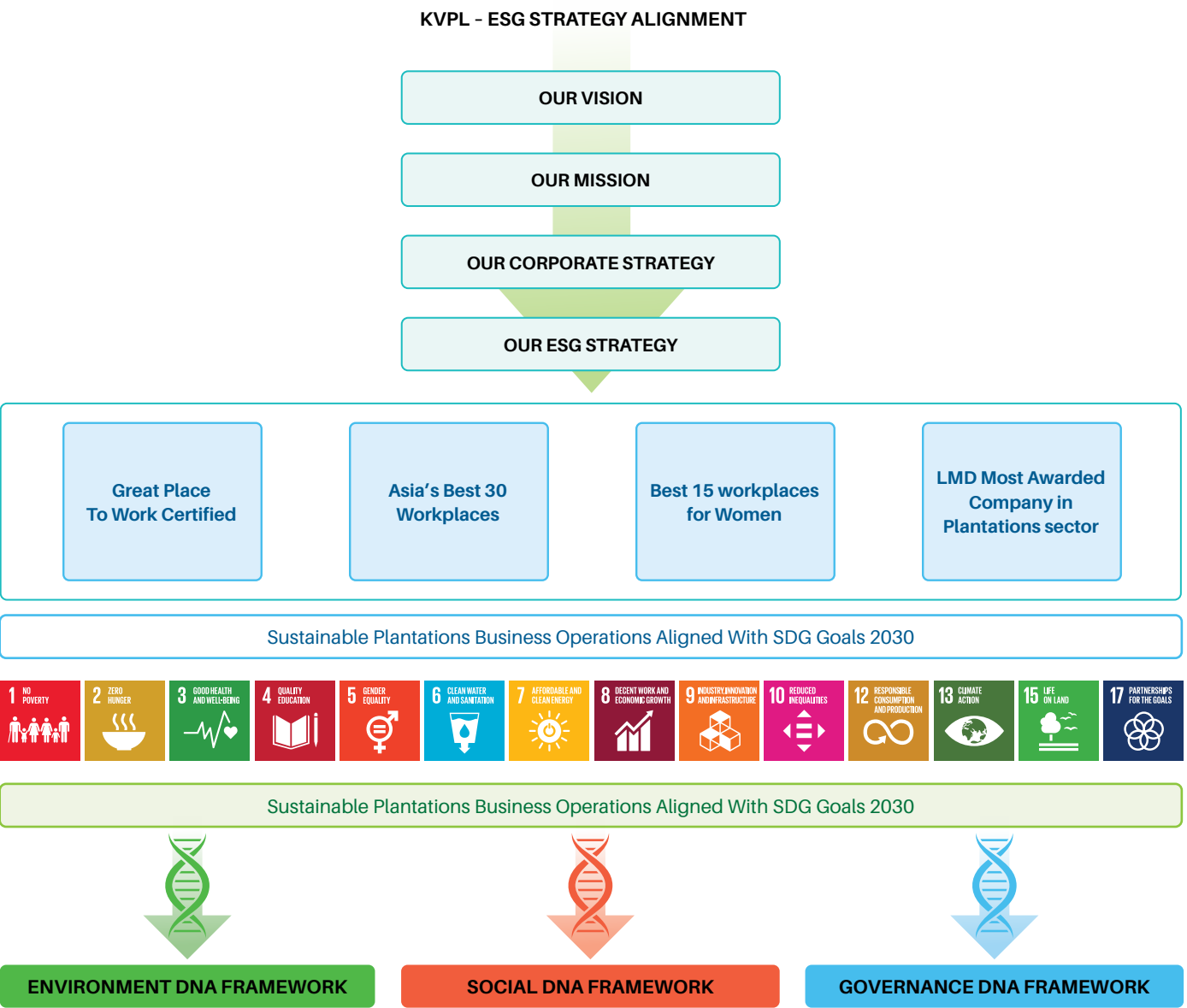
Our ESG approach

We understand and appreciate that being environmentally and socially sustainable is an absolute necessity for the sustainability of our enterprise. It’s this inherent commitment which has propelled us to pioneer many initiatives and be a benchmark Regional Plantation Company in the country. The ESG framework “provides ways to bridge the gap between sustainability and other key aspects of business operations, and transform our organisation’s commitment to achieving excellence in the long run.” Our ESG strategies are intended to create more than just ‘Good Will’ but create economic benefits and shared value for our plantation community. The flagship projects designed and discussed under the Capitals Reports, exemplify a classic Triple Bottom Line impact. KVPL’s goals to create value, as illustrated in diagramme below, is pursued under three pillars - Environment DNA, Social DNA and Governance DNA.

The KVPL Corporate DNA targets higher and steady financial growth and optimisation of resources, lower volatility, higher employee productivity, reduced regulatory and legal interventions, top-line growth and cost reduction.

Our Social and Environmental DNA targets social development of our people and communities, sustainable financing and natural resource management.

Our Governance DNA strengthens good governance policies and procedures across the many locations to enhance investor confidence, encourage stakeholder engagement and make sustainable investments.



Stakeholder engagement in the ESG process

We also recognise the importance of engaging our stakeholders throughout the ESG process. Stakeholder engagement is vital in order to identify the high-priority and high-impact areas which our ESG efforts should focus on. The fact that KVPL follows a proactive approach to sustainability rather than a “reactive sustainability” model, further underscores the importance of stakeholder engagement. At the same time,as stakeholder concerns and opinions are important, we also need to prioritise engagement with, and the ensuing ESG action for, those who have the highest influence and interest in the Company.

KVPL’s performance during the crises ridden environs of the past few years, due to the pandemic and subsequently the socio-economic crisis in 2022, highlights the efficacy of its engagement of key stakeholders and how it has contributed to changing the many ‘risks’ into ‘opportunities’. Our proactive initiatives also helped acquire and retain talent and in managing our GEN Y & GEN Z, who represent 40% of our total work-force.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

ESG FRAMEWORK

ESG Education is key for the transformation process

Based on our premise that “Sustainability is everyone’s responsibility” the year under review saw us create awareness amongst the leadership to ground level employees, and ensuring the cascading down of the Company’s strategic level commitment to ground level action. We understand the important roles of leaders, decision makers, Heads of Departments and practitioners in the Company in innovating and driving sustainable change at KVPL and the society as a whole.

Effective communication and education are critical to enabling the ESG strategy and communicating the ‘why’, while educating everyone on the ‘how’ is needed to make change easier, more effective and sustainable over time in the most dynamic of business landscapes. KVPL adopted a comprehensive and industry focused ESG change management approach which encompassed development, execution and internalisation of the goals.

Sustainability | ESG Steering Committee

During the year, an ESG Steering Committee was established to give leadership to implementation of the framework. The Committee is tasked with monitoring the progress on the goals, managing deviation, advising and realignment of strategy and reporting on ESG data in a transparent, accurate and ethical manner, and in alignment with global principles and corporate strategies.

The Steering Committee constitutes an eight member team of internal experts in Human Resources, Environment, Finance, Marketing, Supply Chain and IT who are at Executive level and above. Together they bring in the required expertise, experience and decision making authority for the Committee. The Committee is spearheaded by a Senior Corporate Management professional who is the reporting point to the MD, the Group and Board of Directors on the ESG KPI’s. The Committee meets

once a month and once every quarter with the MD and Director/CEO. Since its establishment in 2022, the Committee met five times during the year and minutes of all meetings were circulated amongst the corporate management.

Priority was given during the year to internalising the ESG framework, establishing targets action plans and assigning specific responsibilities for every individual in the Company. Aligning our Human Capital with the ESG framework and objectives, with an emphasis on training the Company’s leadership; and transforming the year’s unprecedented challenges into opportunities were also priorities during the year.

The documented framework and systems and objectives would also play a valuable role in strengthening stakeholder engagement; especially given the wide geographic spread of our business within the country and the global reach of our products. Profile of ESG committee members are given in the SDG report attached to the SDG summary via QR code.

ESG Reporting

Reporting on Environmental, Social, and Governance performance offers many mutual benefits to external stakeholders and the Company. As Companies across industries know that each one is a part of another company’s supply chain, the sustainability of other entities hence become important to sustain one’s own operations which in turn drives interest in the ESG performance of each other. At the same time consumers who are becoming increasingly aware, and socially and environmentally conscious demand products, which are manufactured by enterprises that share the same ethical principles. Moreover, investors have started to utilise ESG reporting as a means of ensuring that their investments are in line with their values. Through ESG reporting, we are able to provide a deeper overview of our operations, making it easier for the stakeholders to have informed conversations with them.

ESG reporting also provides a valuable tool for us to enhance our brand reputation and capture new opportunities. Whilst reporting offers our companies an opportunity to be transparent it in turn demonstrates our unwavering dedication to sustainability in a meaningful way. We believe in the well known premise that “If you can’t measure it you can’t manage it” and the commitment to periodic reporting ensures that our Company stays committed to measuring and also strives to continuously enhance the mechanism of obtaining data and the accuracy of data.

For the consolidated statement of ESG Performances, Notes to the consolidated ESG Statement, please refer page no. 284 to 289.

Also, for Independent Assurance Report by Auditors on GRI Reporting and EESG Report, please refer page No. 276.



KVPL’s ENVIRONMENTAL DNA

Strategic Vision - “Upholding environmental responsibility—being efficient in resource utilisation, managing operational impacts and controlling our carbon emissions—stands strategically significant and warrants our focus and due investments”.

We have always been aware of the great responsibility that comes as a custodian of great resources. It is also the reason that we remain acutely aware of the importance of ensuring that the protection and enhancement of those resources are integral to the Company’s performance.

With over 13,000 hectares of land extent under our custody and most of them located in ecologically important areas of the country we have always been driven to conserve natural resources around our estates. We also stay mindful of the direct impact of climate on the viability and sustainability of our operations. Thus our active contribution to preserve our planet for the future is two fold, minimising our footprint and proactively seeking ways to shape a greener earth.

Accordingly KVPL’s Corporate DNA has identified the following as key pillars of its environmental stewardship :

- Reliance on sustainable and renewable energy sources
- Reduction in energy intensity through improving operational efficiencies
- Phasing-out our absolute carbon footprint (aligning with Science based targets)
- Application of sustainable water sources, reduction in water intensity through efficiency improvements
- Managing waste generation, ensure the responsible consumptions of natural resources and sustainable production across the group

- Ensuring best chemical management practices across the supply chain
- Conservation and preservation of bio diversity and water catchments in relation to our business operations

In order to achieve the above and to ensure continuity of our efforts, KVPL has set ourselves year on year targets up to the year 2030. We have identified the **most significant target amongst them to be the 30% reduction in absolute GHG emissions which is also related to ensuring that 90% of our energy needs are met by sustainable and renewable energy applications and reducing energy intensity by 30% by 2030.**

We have also identified the following 6 SDG’s out of 17, as those which we could contribute the most to.



During the year KVPL Environmental sustainability initiatives were many across its many locations whilst the following which are ongoing are the flagship initiatives :

- Kelani Valley Protectors Initiative as a community based volunteer project
- Agro Forestry programme
- Biodiversity Research Centre and Tourism project.

The Research Centre and Tourism project which is the first of its kind in the country and probably the region (discussed in detail in the Natural Capital section of this report) would see our sustainability drive transcend to new heights as a Triple Bottom Line venture which would also impact the Company’s bottom line.

Furthermore, Third party verifications and endorsements comprise a key aspect of KVPL’s Environmental DNA as they enable us to raise benchmarks for ourselves and all stakeholders and obtain expertise and reaffirm and fine tune our efforts. The Environmental certifications we have obtained include :

- ISO 14064 -1 GHG verification
- Rainforest Alliance certification (RA)
- Forest Stewardship Council Certification (FSC)
- Organic Rubber Certification (USDA/NOP, EU organic)
- Preferred By Nature™ Sustainability Framework Certification

E

ENVIRONMENTAL, SOCIAL & GOVERNANCE

ESG FRAMEWORK

Below is an update of our progress on the set goals during the reporting year as well as our future plans aligned with the SDG targets, and the respective stakeholder categories engaged with.

ESG Strategy	Goals in 2022/ 2023	Our Progress/ Score	2030 Plan	Alignment to SDG targets	Engaged Stakeholder category
Biodiversity Conservation and Preservation	<ul style="list-style-type: none">➤ 100% biodiversity assessments and improve biodiversity in riparian buffers	<ul style="list-style-type: none">➤ 100% biodiversity assessments.➤ Improve the biodiversity in riparian buffers with research-based evidence.	<ul style="list-style-type: none">➤ Increase the biodiversity enhancing programme to cover 5 times the area occupied by company Infrastructure	15.5 to 15.8 and 17.7	Community, Employees, Scientific Community & Academia, NGOs and strategic partners
Reliance On Sustainable Energy Sources	<ul style="list-style-type: none">➤ Identify solar power and hydro power project opportunities.	<ul style="list-style-type: none">➤ 3 Solar projects are identified in Panawatte, Ingestre and Regional office➤ Waharaka/ Kalupahana Hydropower project	<ul style="list-style-type: none">➤ 90% sustainable and renewable energy applications by 2030	7.2, 7.3, 8.4, 12.2, 12.4, 12.6, 13.2	Employees, Shareholders, Regulators and Government, Financial institutions
Phase-Out Our Absolute Carbon Footprint	<ul style="list-style-type: none">➤ Fully identify the Group’s direct and indirect GHG emissions	<ul style="list-style-type: none">➤ Invested on re-forestation, solar and hydro projects for Carbon sinks and to reduce the GHG emission	<ul style="list-style-type: none">➤ 30% reduction in absolute GHG emissions of scope 1 & 2 by 2030	7.2, 7.3, 8.4, 12.2, 12.4, 12.6, 13.2	Employees, Community, Suppliers, Scientific Community & Academia
Reduction in Energy Intensity	<ul style="list-style-type: none">➤ 5% energy intensity reduction➤ Identify possible energy efficiency measures➤ Replace LED for all possible locations➤ Firewood splitters for all tea factories	<ul style="list-style-type: none">➤ Provided firewood splitters for tea factories➤ Replaced conventional bulbs with LED bulbs.➤ Invested on energy efficient machinaries	<ul style="list-style-type: none">➤ 30% energy intensity reductions by 2030	7.2, 7.3, 8.4, 12.2, 12.4, 12.6, 13.2	Employees, Shareholder, Scientific Community & Academia

ESG Strategy	Goals in 2022/ 2023	Our Progress/ Score	2030 Plan	Alignment to SDG targets	Engaged Stakeholder category
Application of Sustainable Water Sources and Reduction in Water Intensity	<ul style="list-style-type: none">➤ Identify possible ways of rainwater harvesting➤ 5 % reduction of water intensity➤ Water meters for factories	<ul style="list-style-type: none">➤ Purchasing water meters for 4 main Tea factories in Hatton region	<ul style="list-style-type: none">➤ 30% sustainable water sourcing (rain water / water recoveries / recycled water usage)	6.3 to 6.6, 12.4	Employees, Shareholders, Scientific Community & Academia
Ensure Best Chemical Management Practices Across The Supply chain	<ul style="list-style-type: none">➤ Increase training and awareness on safe chemical handling➤ Design and Implement Integrated pest management practices➤ Streamline fertiliser testing before purchasing	<ul style="list-style-type: none">➤ Health and Safety Training for all chemical Spraying gangs and store keepers.➤ TRI approved IPM plan for Tea.	<ul style="list-style-type: none">➤ 100% Aligning with safe chemical management practices	3.9, 6.3, 12.4	Employees, Suppliers, Buyers, Scientific Community & Academia
Value Additions Over all Waste Generations	<ul style="list-style-type: none">➤ Promote waste separation➤ Promote sale of identified waste	<ul style="list-style-type: none">➤ Awareness training on waste separation➤ Selling of identified waste at Panawatte estate	<ul style="list-style-type: none">➤ Zero landfilling by 2030➤ 25% reduction of waste intensity	8.4, 12.2, 12.4, 12.5, 12.6, 14.1	Employees, Community, Buyers
Ensure The Responsible Consumptions of Natural Resources And Sustainable Productions	<ul style="list-style-type: none">➤ Increase the awareness of sustainability team on Green initiatives	<ul style="list-style-type: none">➤ ESG training for management and ESG steering committee members - 110 training hours➤ Started the process of implementation of Eco-labelling certification	<ul style="list-style-type: none">➤ Application of green initiatives across 30% of products / services by 2030 (LCA / recyclable products / green ratings etc.)	8.4, 12.2, 12.4, 12.5, 12.6, 14.1	Employees, Suppliers, Buyers, Scientific Community & Academia

ENVIRONMENTAL, SOCIAL & GOVERNANCE

ESG FRAMEWORK

Strategic Vision - “To improve quality of life and quality of work-life of all our employees as well as plantation community by application of sustainable human capital and people management initiatives, in order to achieve sustained performances with higher level of productivity”.

KVPL’s operations encompass 7,626 direct employees as well as a 58,000 strong plantation community – facts which motivate us to drive our social sustainability strategy, because of the impact we know we can have. The plantation industry stands unique in that its responsibility for its people’s well-being does not end with the end of a work day to begin the next morning, but is one that continues through out. Sustaining our Human Capital is hence integral to building community capacities, and community infrastructure and youth empowerment.

Our ESG model hence takes an approach of facilitating better quality of life and care and knowledge management as a valuable bridge between organisational performance and community expectations.

Following are the key issues /challenges in our Human Capital Management that the ESG strategies aim to address:

- Annual 10-15% reduction in labour force due to out-migration of skilled workers and diminishing appeal of plantation work amongst the younger generation.
- Rising costs of labour and
- Low labour productivity

As we implement our Social DNA with more concerted effort a critical understanding of the emerging issues is an important forerunner to establishing our Social DNA goals. For instance becoming the “Best Employee brand” and the “Plantation Company of Choice” requires an understanding of the emerging generations as our plantation community comprises of Gen Y (Millennials) who make up 36%, and Gen Z who make up 3%, and Gen X who accounts for the remainder.

Key Actions for Social and People Sustainability

- Highly engaged teams
- Health – Safety and Well-being at high priority
- Strengthen the supplier and customer Relationship
- Strengthen the Community Relationship and Community Empowerment
- Development of “Skills Inventory” to strategically position right skill at right place.

Our social Capital DNA has also committed to the following SDGs as important to sustaining its Social Capital :



The following framework summarises our progress on the set goals during the reporting year and the future plans aligned with the SDG targets and respective stakeholders engaged with .

ESG Strategy	Goals in 2022/ 2023	Our Progress/ Score	2030 Plan	Alignment to SDG targets	Engaged Stakeholder category
Competent and Skillful Team	<ul style="list-style-type: none">➤ Identify the competency/ skills gaps and effective execution of skills inventory	<ul style="list-style-type: none">➤ Analyse the competencies through ORACLE HCM➤ 98% employee satisfactory feedback from GPTW survey	Ensuring 100% quality and affordable education and training for all in our workforce and the community through technical, vocational, tertiary and university education	4.5 to 4.7, 9.5 and 17.7	Community and Employees

ESG Strategy	Goals in 2022/ 2023	Our Progress/ Score	2030 Plan	Alignment to SDG targets	Engaged Stakeholder category
Health, Safety and Well-Being Towards Quality of Work Life of Employees	<ul style="list-style-type: none">➤ Expanding the focus on “Key Value Drivers”, in order to ensure employees health, safety & well-being	<ul style="list-style-type: none">➤ 23% increase in training person hours on health, safety and well-being over last year 0.02% workplace injuries and 0.2% of occupational diseases	Zero workplace injuries/disease by 2030,while 100% assurance on quality of work life	2.2, 3.1 to 3.9	Community and Employees
Higher Level of Quality of Life & Living Standards	<ul style="list-style-type: none">➤ Expanding the opportunities for extra earnings to ensure per plantation family income➤ Frequent, continuous and comprehensive awareness to increase the level of quality of life by increasing the per family earnings	<ul style="list-style-type: none">➤ 69 model home gardens and 5600+ beneficiaries.➤ Revenue share model – 20% increase in family income➤ Buy-back weeds project – 2,208,760 kgs of weeds➤ 215 household cash management awareness programmes	Eradicate extreme poverty for all the people under our purview by increasing their earnings	6.1, 8.1, 9.1	Community and Employees
Full and Productive Employment and Decent Work for all Workforce	<ul style="list-style-type: none">➤ Development of employee productivity to increase the individual contribution and effective measures to eradicate forced labour, elimination of the all forms of child labour for promoting safe and secure working environment for all employees	<ul style="list-style-type: none">➤ Highest ever investment on skills and capacity building T & D - Rs. 12,041,746.73➤ Strengthening the commitment to UNGC 10 principles➤ Adherence to child policy and ‘SEAL’ Pledge	Fully implementation of strategies to achieve higher levels of productivity through diversification, technological upgrading and innovation through creativity	8.1, 8.2, 8.3, 8.5, 8.7, 8.8	Community and Employees
Customer Relationships	<ul style="list-style-type: none">➤ Conduct customer satisfaction surveys with a customer coverage of at least 50%.➤ Establish the KVPL brand name with zero customer complains	<ul style="list-style-type: none">➤ Development of a customer satisfaction survey mechanism and zero major customer complaints	Customer satisfaction surveys and grievance mechanisms for 100% of operations	12.1,12.6, 12.7, 12.8 17.1, 17.16, 17.17	Employer and customers
Supplier Relationship	<ul style="list-style-type: none">➤ 40 % of suppliers to be screened on social and environmental criteria	<ul style="list-style-type: none">➤ Development of a formal supplier screening mechanism	40 % of suppliers to be screened on social and environmental criteria	8.10 17.1, 17.10 17.11, 17.16, 17.17	Employer and suppliers

ENVIRONMENTAL, SOCIAL & GOVERNANCE

ESG FRAMEWORK



KVPL's GOVERNANCE DNA

Strategic Vision - - *"To promote good corporate governance that builds investor confidence and to ensure policies that encourage shareholder engagement and seek diverse investments whilst being transparent and accountable to shareholders"*.

Governance towards the sustainability of our enterprise is approached via five key pillars as illustrated below :

Governance DNA Framework



Our stakeholders, and particularly the investors, have a right to know and may exercise that right to know that the Company uses transparent and accurate accounting methods and meet the relevant accounting standards in its reporting. Shareholders are also allowed to vote on important issues. Investors may also screen for Governance practices as well as for Environmental and Social practices. In addition to the fundamental that the Company does not engage in any illegal activity they are also entitled to assurances of ethical considerations and that the Company avoids conflicts of interest and refrain from political contributions to obtain undue favorable treatment.

Transparency and Accurate Reporting at KVPL :
As a public listed limited liability company, KVPL is required to provide quarterly accounts and annual reports which adhere to the relevant accounting and auditing

standards; to its stakeholders by publishing in the Colombo Stock Exchange. KVPL's reporting exceeds the minimum standards required and has received external recognition for its reporting and disclosure. The most recent being the Gold award for the best Annual Report from the South Asian Federation of Accountants in 2022 and the Gold award from the Chartered Institute of Accountants (CA Sri Lanka) also for its 2022 report.

In addition to accounts, related party transactions are separately monitored by a Related Party Transaction Review Committee, ensuring that the transactions occur at arm's length without any abnormal or bias transactions.

Furthermore, the relevant expertise and skills that the Company possesses ensures accurate and transparent reporting to the public and relevant experience and industry knowledge provide investors the

assurance that the Company's operations are carried out in a transparent manner.

Structure and Oversight:
Proper governing procedures at KVPL are enabled by a solid governance structure which is in keeping with the rules and regulations of the Companies Act. The investor/shareholders are the highest level to which the Company reports. The Board of Directors has overall responsibility and accountability for risk management, internal control and corporate governance in the organisation. The role of external auditors in corporate governance is to make sure that the Board of Directors and the management are acting responsibly towards shareholders' investment interests. The Board of Directors appoint the Managing Director and the Audit Committee who are expected to be accountable to the Company's procedures.

As a member of the Hayleys Group, KVPL's management, from highest level to the most junior, are bound to adhere to the Code of Conduct named "The Hayleys Way", which stipulates a wide range of principles which KVPL as a responsible corporate citizen should adhere to. Some of the elements of the policy and its intentions are listed in table below.

Policy Factors	Commitment
Competition	➤ Marketing of Company products will be done in adherence to the rules and regulations & will not make any misleading statements about the Company or Competitor products
Employees	➤ Will provide equal opportunities to all its employees without considering the race, caste, religion etc
	➤ Will comply with all local labour laws & will not use any form of child labour in any company operations.
Consumers	➤ Committed to provide world class quality products and services under proper labels and advertisements with applicable national & international standards.
Shareholders	➤ Committed to enhance shareholder value and produce reliable information in a timely manner on business activities in accordance with relevant rules & regulations
Conflict of Interest	➤ Employees are always committed to act in the interest of the company & should not seek any gains by misusing their positions

Enterprise Risk Management at KVPL
In comparison to most other industries, the Plantation industry faces higher levels of risks due to its dependence on the natural environment and the vulnerability to vagaries of weather. Risk Management is hence an area of highest priority which at KVPL is facilitated by a comprehensive Risk Management Process that encompasses risks associated with the entire environment and employees.

The Risk Process, Risk Architecture and the Risks faced by the company during the year are discussed broadly in the Risk Management section of this report (Page 183-192).

Below is an update of our progress on the set goals in respect of Governance DNA framework during the year.

ESG Strategy	Goals in 2022/ 2023	Our Progress/ Score	2030 Plan	Alignment to SDG targets	Engaged Stakeholder category
Stakeholder Engagement	➤ Maintain a good relationship with the stakeholders.	100%	➤ Enhance the relationship with the stakeholders through introducing customer & supplier surveys, suggestions	17.16	All the stakeholder categories
Transparency & Accurate Reporting	➤ Gold Award in TAGS from Institute of Chartered Accounts of Sri Lanka ➤ Gold Awards in SAFA Best Presented Annual Report	100%	➤ Maintain the current accuracy & transparency while further improving the quality of reporting	17.18 17.19	All the stakeholder categories
Structure & Oversight	➤ Align with the Government Rules & Regulations	100%	➤ Maintain a solid Governing Structure following the rules & regulations	17.13	All the stakeholder categories
Ethics & Culture	➤ Maintain a better corporate culture while following the "The Hayleys Way"	100%	➤ Improve the corporate Culture within the Company with global new trends	4.7 10.2 10.3 10.4	All the stakeholder categories
Enterprise Risk Management	➤ Mitigate the all level of risks up-to a manageable level	60%	➤ Reduce the risk by proper risks forecast and planning continuing from 2021/22	17.18	All the stakeholder categories

SDG SUMMARY

SDG 2022/23
Full Report:

1 NO POVERTY
Investment on community capacity development increased compared to previous year

S

16.70%
Earnings from Revenue Share Model (RSM) increased compared to the last year - Promoting entrepreneurship within the workplaces

2 ZERO HUNGER
No. of programmes and beneficiaries increased on providing nutritional herbal drinks to all the workers during the work

S

3 GOOD HEALTH AND WELL-BEING
No. of beneficiaries increased on dental, eye, pregnant mothers and children medical clinics to ensure healthy life and well-being

S

5 GENDER EQUALITY
Effective training person hours and No. of beneficiaries increased compared to the last year on "Gender equality and women empowerment" programmes.

S

6 CLEAN WATER AND SANITATION
No of beneficiaries increased on receiving water schemes, sanitation and infrastructure facilities

S

7 AFFORDABLE AND CLEAN ENERGY
2nd highest revenue generation through hydro-power, compared to last 7 years

E

4 QUALITY EDUCATION
126.20%
Learning and education investment increased more than twice compare to the mean average investment in last 5 years
84.30%
Effective learning and education hours per person increased compared to the mean average training hours per person in last 5 years

S

8 DECENT WORK AND ECONOMIC GROWTH
Employee earnings increased by expanding the working opportunities, capacity/ facility development and uplifting quality of work-life - Great Place To Work

S

9 INDUSTRY INNOVATION AND INFRASTRUCTURE
Investment on uplifting capacities, efficiencies via strategic interventions by facility modernisation, innovation promotions and inclusivity increased compared to last 3 years' mean average.

S

G

10 REDUCED INEQUALITIES
Increase compared to the last reported year on the employment opportunities for differently abled persons in the operational workforce.

S

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Intensity of Electricity energy consumption per unit of production increased over mean average of last 3 years.

E

13 CLIMATE ACTION
Absolute emission reduction in Scope 1 & 2

E

17 PARTNERSHIPS FOR THE GOALS
72.30%
Effective No. of engagement hours for global partnership development increased for development of Sustainable Tea-based Agro-forestry model with the government of Netherlands.

E S G

15 LIFE ON LAND
66.70%
Bio-diversity richness for both flora and fauna, increased due to adoption of significant conservation measures, agreements, awareness enhancement and investment on conservation.

E



Goals Not Reported



SECTOR REVIEW



Operating Environment:
Global Economy

Global economic activity is estimated to have decelerated sharply in 2022 due to synchronous policy tightening by central banks globally, aimed at containing elevated inflation, stemming from the Russia-Ukraine war and a resurgence of COVID-19 in China. Tightening financial conditions amidst the global fight against inflation and the continuation of the Russia-Ukraine war are expected to impact global economic activity in 2023; but the favourable impacts of reopening of China is expected to partially offset this impact. According to the World Economic Outlook (WEO) update of the IMF released in April 2023, global economic growth is forecast at 3.4 % in 2022, and is expected to fall to 2.9% in 2023 and settle at 3.1% in 2024. Advanced economies, including the United States, Euro Zone and the United Kingdom; are expected to see an especially pronounced growth slowdown, from 2.7 % in 2022 to 1.3 % in 2023 but expected to pick up modestly in 2024.

Global inflation which peaked in 2022 is expected to remain elevated for longer than previously forecast (in January) but is projected to ease in 2023 to 6.6% (from 8.8% in 2022) amidst weakening demand and easing commodity prices according to the WEO.

Subdued economic activity in advanced economies could have an impact on Sri Lanka’s exports, as low external demand

could result in reduced exports of major items, mainly textiles and garments. As the US and the European Union serve as the largest export destinations for Sri Lanka, any reduction in demand from these regions would have a sizeable negative impact on export performance, thereby affecting economic growth.

Furthermore, a lower growth in income levels in advanced economies could mean a reduction in global tourist movements originating from such nations. Meanwhile, economic activity in emerging market and developing economies is projected to increase marginally from 3.9 % in 2022 to 4 % in 2023.

Sri Lankan Economy

In 2022, Sri Lanka experienced its harshest economic downturn in post-independence history, as it sought to adjust to macro-economic instability resulting from a depletion of foreign reserves and a debt crisis. As per Central Bank (CBSL) statistics, real GDP contracted by 7.8%, reversing the post pandemic growth of 3.5% in 2021. Long standing macro-economic weaknesses due to persistent budget deficits and external current account deficits, worsened during 2022 owing to the impact of policy delays in addressing these imbalances and wrong policy decisions in the months preceding, especially with regard to taxation and agriculture, amongst others.

Against this backdrop the CBSL and the Government initiated several containment and remedial policy measures. These include the significant tightening of monetary policy, and the unprecedented fiscal reforms in taxation and revision of utility prices, and the fuel rationing system among others, which helped contain excessive price pressures from demand side, improve foreign exchange liquidity conditions, reduce external and fiscal sector pressure, support economic activity, and steer the economy towards stability, albeit with some significant adjustment costs in the near term.

The real economy faced a broad-based contraction in 2022, with all three sectors, Agriculture, Industries and Services, contracting. The energy crisis and tighter monetary conditions also weighed on the performance of the industry subsectors. The Construction subsector, which accounted for 28% of the Industry sector, registered a year-on-year contraction of 20.9 %, while overall manufacturing activities, which accounted for about 59 % in the total industry sector, contracted by 12.6 %, year-on-year, in 2022. Despite the resilient performance in the Services sector during the first quarter of 2022, supported by the gradual normalisation of Services sector activity following the fading out of the COVID-19 pandemic, the economic headwinds that intensified thereafter, hindered further expansion in the Services sector, resulting in an overall contraction of 2%, year-on-year.

Having sought assistance from the IMF for a funding arrangement and following a debt standstill, Sri Lanka managed to secure IMF Executive Board approval for the EFF arrangement of SDR 2,286 million (approximately US Dollars 3,000 million) in March 2023.

Key Economic Indicators

	2022	2023	2024	2025	2026	2027
	Actual	Projections by CBSL				
Real sector:						
Real GDP Growth	(7.8)	(2)	3.3	4	4.5	5
Per Capita GDP	3,474	3,489	3,621	3,811	4,030	4,281
External sector:						
Exports US \$ B	13.1	14.1	15.5	17.1	18.8	20.2
Imports US \$ B	18.3	19.4	21.6	22.9	24.4	26.0
Current Account Balance as a % of GDP	(1.9)	(1.1)	(1.3)	(1.2)	(1.1)	(0.9)

Interest Rates

The Central Bank continued the tight monetary policy stance that commenced in August 2021, through 2022, as its key mechanism for arresting inflationary pressures and preempting the escalation of adverse inflationary expectations. The extended period of the accommodative monetary stance since the onset of the COVID-19 pandemic, from early 2020 until August 2021, and a sharp depreciation of the Sri Lanka Rupee against the US Dollar during March 2022; resulted in significant upside risks to the inflation outlook, compelling the Central Bank to raise the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), in January, March, April and July of 2022.

Certain market lending interest rates reached the highest levels on record in 2022. The Average Weighted Lending Rate (AWLR) increased by around 9 % points to 18.70 % by end 2022, while the Average Weighted New Lending Rate (AWNLR) recorded the historically highest value of 26.20 % in December 2022, increasing by around 17 % points, compared to end 2021. Meanwhile, the monthly Average Weighted Prime Lending Rate (AWPR), the lending interest rate for prime customers, closely followed the yields on government securities and peaked at 28.25 % in November 2022, surpassing other lending interest rates.

The Commercial Banks Average Weighted Prime Lending rate (weekly indicator) as at 31 December 2022 stood at 27.24% in comparison to 8.61% in 2021. Interest rates are expected to move downwards as the CBSL would consider the deceleration in the pace of inflation and the need to kindle investments into economic activity.

Inflation

Headline inflation continued to accelerate in 2022 reaching a historic high of 69.8% in September 2022, before trending downward thereafter due to the effects of tight monetary conditions and the gradual easing of supply side disruptions. The impact of significantly tight monetary policy and other demand management measures, such as prioritising essential imports, along with the softening of food and energy prices helped moderate the pace of headline inflation from the latter part of 2022. Accordingly, year-on-year headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100), which was recorded at 12.1 % at the end of 2021, was at 57.2 % by December 2022. Following a similar trend, year-on-year headline inflation, based on the National Consumer Price Index (NCPI, 2013=100), was recorded at 73.7 % by end September 2022 and 59.2 % by end 2022, compared to 14 % at end 2021.

Inflation is expected to stabiise at the targeted levels over the medium term, following the disinflation that is taking place since the onset of 2023, supported by subdued aggregate demand, the easing of supply disruptions both globally and domestically, along with the favourable statistical base effect. Improved availability of fertiliser and fuel are expected to contribute to easing supply-related constraints in 2023.

Exchange Rate

The Sri Lanka Rupee experienced high volatility and registered the historically largest depreciation against the US Dollar during the first half of 2022, before stabilising around the guidance band introduced in May 2022. The significant shortage in liquidity in the domestic foreign exchange market exerted pressure on the exchange rate, necessitating a measured adjustment in the exchange rate in early March 2022 by the Monetary Board. However, market speculation resulted in an overshooting of the exchange rate subsequently, and the Rupee to depreciate substantially by 41.4 % against the US Dollar by end April 2022. From mid-May 2022, with the aim of curbing any significant intraday volatility due to excessive speculation, the CBSL commenced offering market guidance by publishing a middle rate and a variation margin applicable to the interbank weighted average spot exchange rate. The Rupee’s depreciation for the year 2022 as per CBSL calculations thus amounted to 44.8%.

Accordingly, the Annual Average exchange rate in 2022 declined to Rs. 324.55 per US Dollar from Rs. 198.88 in 2021, whilst the year end rate on 31, December 2022 stood at Rs. 363.11 per U.S. Dollar compared with Rs. 200.43 at 31, December 2021.

However, the Rupee’s depreciation has begun to see a reversal since February 2023; appreciating by over 12% between the last week of February and the first week of May 2023. Although, cumulative export earnings have recorded a decline (YoY) in the first two months of 2023; a strong rebound in remittance inflows and improvement in earnings from tourism supported the strengthening of the Rupee

SECTOR REVIEW

whilst growing foreign interest in treasury bills and bonds in the recent few weeks also augmented the positive sentiments. Moreover, on the supply side, import controls and the drop-in oil prices in the global market have helped to curtail foreign exchange outflows; helping to bolster the Rupee in the past three months. The exchange rate is hence expected to remain stable over the next few months.

Fiscal Sector

Fiscal sector imbalances that persisted for several decades reached a tipping point in 2022, resulting in an unprecedented socio-economic and political crisis. The public debt reached an unsustainable level, due to perpetual budget deficits and significant fiscal slippages in recent years amidst the COVID-19 pandemic and policy missteps, despite limitations enshrined in the Fiscal Management (Responsibility) Act, No. 3 of 2003 and its amendments as well as the Active Liability Management Act, No. 8 of 2018.

Falling government revenue and rising debt service obligations over the years heightened the country's vulnerabilities to domestic and global economic shocks. A series of sovereign credit rating downgrades by international rating agencies that started in January 2020 and intensified during the second half of 2021 through early 2022 posed a formidable challenge for the Government in mobilising foreign financing required for servicing foreign debt. Lack of access to foreign financing and the depletion of usable official reserves to near-zero levels in early 2022 constrained foreign debt servicing by the Government. Consequently, the Government announced a temporary suspension of selected foreign debt service payments, on 12 April 2022.

Supported by the revenue enhancement measures implemented in 2022 and the elevated price level in the economy, government revenue in nominal terms grew year-on-year by 35.8% to Rs. 1,979.2 billion in 2022; reflecting higher tax and non-tax revenue collections. Tax revenue increased by 34.9 % in 2022 benefitting from the increased revenue mobilisation from income taxes, VAT, PAL, and the

excise duties on liquor and cigarettes. Meanwhile, the rise in revenue collection from all the subcategories of non-tax revenue, except profit and dividend, resulted in an increase of 43.4% in non-tax revenue during the year. Following revenue enhancing measures initiated during the year government revenue, as a percentage of GDP, recorded a marginal decline due to the notable growth in nominal GDP. The overall budget deficit declined to 10.2 % of GDP in 2022, in comparison to 11.7 % of GDP in 2021.

Share Market

Even though the All Share Price Index (ASPI) recorded the historically highest value of 13,462.4 on 19 January 2022, the indices witnessed a declining trend since early February 2022, reversing its expansionary trend observed during 2021. Accordingly, ASPI and Standard & Poor's Sri Lanka 20 (S&P SL 20) Index contracted by 30.6 % and 37.7 %, respectively, during 2022 while market capitalisation deteriorated by 29.9 % and stood at Rs. 3,847.2 B as at end 2022. Market Capitalisation as a percentage of GDP declined to 15.9% as at end 2022 compared to 31.2 % as at end 2021. Meanwhile, the Colombo Stock Exchange (CSE) recorded an average daily turnover of Rs. 2,972.3 m in 2022, which was a considerable decline compared to Rs. 4,888.2 m recorded in 2021.

Agriculture

The Agriculture sector, which has been experiencing lackluster performances since 2019, contracted by 4.6 % in 2022, compared to a growth of 0.9% a year earlier. This mainly reflected the severe shortages in chemical fertiliser and other agrochemicals, increased cost of raw materials, as well as the disruptions to supply networks. Decline of the subsectors of growing of rice, tea, vegetables, animal production, cereals, rubber and marine fishing and marine aquaculture largely contributed to the contraction in Agriculture. However, forestry and logging, agriculture support activities, growing of oleaginous fruits (including coconut), spices, and fruits increased during the year. On a positive note, a recovery in Agriculture activities was observed during

the last quarter of the year with improved availability of agricultural inputs and fuel, and favourable weather conditions.

Agriculture Exports

Earnings from Agricultural exports registered an overall contraction of 5.9% in 2022 compared with 2021, owing mainly to the lagged effect of inadequate availability of fertiliser and other agro chemicals. Earnings from Tea exports declined due to the larger drop in volumes, despite the increase in prices on average. The lower export earnings from spices was due to both lower volumes (mainly Pepper and Cloves) and lower prices (Cinnamon). The decline in earnings from Coconut-related products was due to the lower prices for kernel exports. However, earnings from minor agricultural products recorded a notable increase during 2022, reflecting the impact of higher export volumes of certain products.

Tea Industry Review

Sri Lanka's Tea production registered a notable decline of 16%, year-on-year, in 2022, largely due to the lagged effect of acute shortages of fertilisers and agrochemicals domestically. The preliminary diagnosis carried out by the Tea Research Institute (TRI) on the large decline of crop yields in several regions of the country (as per the CBSL report) pointed out that inaccessibility to chemical fertilisers and agrochemicals, particularly urea based fertilisers and weedicides, significantly impacted to cause yield losses during the year. Accordingly, production of High, Medium, and Low grown tea, which contributed to around 22%, 16%, and 62% of the total production, respectively, declined by 13.8%, 21.2%, and 15.4%, respectively, in 2022. Meanwhile, the average yield in the smallholder sector decreased to 1,193 kilogrammes per hectare, compared to 1,414 kilogrammes per hectare reported in 2021, registering a year-on-year decline of 15.6% in average yield.

As we anticipated in last year's report, the estimated costs of production of Tea rose by Rs. 20.00 to Rs. 639.00 per kilogramme in 2022, compared to 2021, due to the elevated prices of chemical fertilisers and

other agricultural inputs coupled with domestic shortages of those inputs, as well as the upward adjustments in utility prices, including fuel, electricity, and water, thereby hampering the country's competitiveness in global tea markets. Following the short supply of Tea due to declined production, prices at the Colombo Tea Auction (CTA) reached the historically highest level in 2022 and remained elevated throughout the year.

The average price of Tea increased notably by 105.2 % to Rs. 1,270.50 per kilogramme during the year, from Rs. 619.15 per kilogramme recorded in 2021. Accordingly, the average tea prices for High, Medium, and Low grown tea reported year-on-year increase of 94.6 % , 93.5 % , and 110.8 % , respectively, in 2022. Further, the average price received by smallholders for green leaves also increased significantly to Rs. 182.07 per kilogramme in 2022, compared to Rs. 93.67 per kilogramme in 2021. The average export price (FOB) of tea increased by 8.7 per cent to US dollars 5.03 per kilogramme during 2022, compared to US dollars 4.63 per kilogramme recorded in the preceding year. The increase in average Tea prices during the year was partly attributed to the decline in the quantity supplied to the CTA amidst the decline in local production, while the depreciation of the Sri Lanka rupee also contributed to the price hike in rupee terms.

2022, saw several measures undertaken by the Government to enhance productivity, value addition, and competitiveness of Sri Lanka's Tea Industry. The Sri Lanka Tea Board (SLTB) initiated a concessionary loan scheme at an interest rate of 8% enabling tea factories to purchase fertiliser for their Green Tea leaves suppliers. During the year, SLTB disbursed Rs.16.9 million among 38 tea factories under the Factory Modernisation Subsidy Scheme, supporting modernisation activities of these factories with the aim of improving the quality of the production process. In addition, SLTB granted Rs. 56.4 million through the Replantation Subsidy Programme to enhance the productivity of Tea lands, while a subsidy of Rs. 24.5 million was provided for the installation of



irrigation sprinkler systems in 204 acres of medium scale tea lands. Several measures were undertaken by the Tea Small Holdings Development Authority (TSHDA) in relation to tea replanting and new planting programmes and crop rehabilitation subsidy programmes. During the year, 912 hectares of Tea lands were replanted and 408 hectares of new lands were converted into Tea lands, while the process of infilling in Tea lands was continued. Throughout the year, efforts towards enhancing awareness among tea smallholders were carried out through advisory services. TRI continued its efforts in relation to research and development activities and service projects pursuant to its strategic plan. Accordingly, special projects, such as the development and introduction of a motorised selective Tea harvester suitable for tea lands in the country, establishment of seed gardens to increase the production of improved seeds as a source of planting materials in drought prone areas, promotion of commercialisation of microbial bio pesticides in Tea cultivation, and expansion of mother bush areas of new Tea cultivars were welcome initiatives which were underway during the year.

SECTOR REVIEW

Company Performance

KVPL Tea Sector Performance

KVPL Group’s Tea sector achieved its best performance surpassing the previous years to achieve the highest ever Revenue and Consolidated Profits Before Tax, despite the most inimical operating environment. Tea Revenue grew by 69% to Rs. 18,745 m despite a decrease in crop production. The increase in Tea profitability and Revenue were thus primarily driven by higher prices.

The Tea segment continues to be the main contributor to KVPL Group’s profitability, accounting for 91% of KVPL’s group revenue and 95% of its gross profits. The Tea sector’s Revenue primarily comprised a contribution of 33% from KVPL and 67% from its marketing arm Mabroc Teas reversing the trend of previous years in which Mabroc contributed more.

KVPL’s (company) Tea crop declined by 16% to 3.4 m Kgs. during the year due to the shortage of fertiliser and weedicides. It is noteworthy that in this backdrop, KVPL recorded the second highest GSA amongst Tea producers for the fifth consecutive year, as the Company continued to focus on producing a high-quality tea. The increase in GSA’s was also supported by the steep depreciation of the Sri Lankan Rupee by a significant 81% between 31 December 2021 and 31 December 2022.

The 103% increase in our Tea Sector’s Gross Profits is most commendable as it was despite a sharp escalation in prices of fertiliser and other inputs, due to the depreciation of the Rupee as well as a short supply of Tea in the local and global market. The prices of fertiliser saw more than a tenfold increase during the year whilst prices of agro chemicals increased by around 150%. KVPL also planted Tea in selected new areas to maintain crop and yield amidst decreasing productivity due to the lack of input.

As we have articulated before, sustaining the profitability of the Tea sector, amidst challenges of declining productivity and unchanging demand over the next five years, underscores the importance of adding value to our products, of direct exports, of customisation and niche marketing, of harnessing brand identity and resource optimisation through technology.



Tea Revenue grew by **69%** to Rs. **18,745 m**

KVPL also continued to expand the use of technology (as detailed in the Manufactured Capital Report) from field to office and factory floor. During the year, Mabroc Teas invested in a new Color Sorter machine to improve the cleaning process of the tea and thereby increase the quality, reliability and value, of our products to the end consumer. It also acquired a new Tea Bagging machine to increase the bagging capacity at the plant.

KVPL’s ability to sustain its profitability amidst a multitude of challenges that the entire country faced, from supply chain disruptions to scarcities of essentials such as fuel and escalating costs reflect the Company’s socially and environmentally sustainable model and prudent planning. Some of the responses which the Company has successfully initiated are summarised below.

Challenges in 2022/23	KVPL’s Responses
Continuing escalation of production due to steep rise in inflation.	<div>➤ Cost management Measures</div> <div>➤ Resource Optimisation through technology and mechanisation.</div> <div>➤ Crop Diversification strategies.</div>
<div>➤ Short supply of pesticides and weedicides due to the lagged effects of the prohibition imposed in 2021, and the high costs due to world market conditions.</div> <div>➤ Significant increases in cost of Fertiliser from Rs. 30/- to Rs. 400/- per kg,</div>	<div>➤ Continued to expand the production of organic fertiliser.</div> <div>➤ Continued with the “Buy Back of Weeds” programme as a win-win for employee and company.</div> <div>➤ Continued to expand the use of non-chemical methods for pest and deceases management.</div> <div>➤ Planted tea in selected new areas to maintain crop and yield amidst decreasing land productivity due to lack of Agro inputs.</div>
Attracting and retaining younger generation of workers	<div>➤ Launched the implementation of a comprehensive ESG model</div> <div>➤ Mechanisation and automation</div> <div>➤ Progressed towards the adoption of Artificial intelligence</div>

Outlook

We expect the global demand for Tea to remain around the same levels with no significant change over the next five years; although the market uncertainty and possible volatility due to the Russian -Ukranian war could pose some threat to demand in the year ahead. In this backdrop, value addition to our teas and product innovation would be the key to growth in revenue and profitability into the future. The Company’s R&D and brand equity, which are a key component of its Intellectual Capital will be vital to sustained profitability. KVPL will also look at intercropping as well as crop diversification for growth as the Company seeks to widen its business model to be a Agri Business.

The Rupee’s depreciation vis a vis the US Dollar has begun to since February 2023 recording about a 12% appreciation between the last week of February and the first week of May 2023 and this trend seems likely to continue over the next two quarters, which would contribute to a downward trend of earnings in rupee terms from Tea and Rubber more favorably, it would also inhibit the increase in costs of imported input which in the case of some input saw a many fold increase in 2022.

Several challenges we have mentioned previously; such as the escalating cost of labour, rising costs of production vis a vis competition, low productivity as well as the growing scarcity of labour due to the out-migration of skilled labour and the diminishing appeal of the industry to the younger generations, continue to threaten the medium to long term sustainability of the tea plantations. Labour costs account for as much as 65% of total costs of production in Tea and as we have repeatedly articulated, the reluctance to introduce a wage policy which links wages to productivity has been to medium to long term detriment of the entire industry.

We will pursue the Revenue Sharing model with added vigor as we have identified it to be a win-win solution which will help mitigate most of the above challenges. The model empowers daily wage earners to earn higher incomes by improving their own productivity for the respective plots which they hold responsibility. They would hence become self-motivators, benefitting both Company and them with higher incomes.

The above challenges also underscore the need to expand the use of technology on our plantations. We continued to make progress in our journey towards automation on

field, factory floor and office, to shift from a traditional labour intensive model to a technology driven one. Mechanised pruning and harvesting will be expanded to meet the challenges in the labour market as well as for cost management.

Moreover, spurred by our Triple Bottom Line objectives, regenerative agricultural practices and the adoption and development of non-chemical methods of Pest and Decease management will also be high on our list of priorities.

Whilst we will strive to innovate and adapt and adopt new strategic action, to preempt and overcome challenges on the supply side in Tea production, we will also continue to expand demand through innovations in product and marketing. Enhancing the value of our products, expanding direct and niche marketing and customised branding strategies, by leveraging our brand identity are hence key strategic imperatives in order to sustain and grow the profitability of Tea and bolster its role as a leading contributor to Sri Lanka’s export revenue.

SECTOR REVIEW

Rubber Industry Review

Rubber production continued to decline in 2022 for the second consecutive year, largely driven by the combined effect of adverse weather conditions that prevailed in Rubber growing areas, fertiliser shortages, and the spread of the Pestalotiopsis (PESTA) disease. The impact of fertiliser shortages on immature Rubber plantations during 2022 was significant, causing stunted tree growth that results in delays in the tapping stage of plantations and reduces land productivity in the period ahead. Furthermore, the scarcity of agrochemicals resulted in severe propagation of the PESTA disease in rubber plantations during the year, affecting around 40,000 hectares of rubber plantations, resulting in a decline in yield ranging from 0-10 % in affected rubber plantations. Accordingly, Sri Lanka’s total Rubber production decreased by 7.8% to 70.9 m kilogrammes, year-on-year, in 2022. Among major categories of rubber, Sheet rubber production accounted for 49% of the total Rubber production with a contraction of 9.6%, while production of other categories of Rubber recorded a decline of 11.7% during the year, compared to 2021. However, Crepe rubber production recorded a growth of 3.9 % during 2022. Despite the notable increase in local rubber prices in 2022, productivity and tapping limitations in the rubber sector prevented plausible improvements in production. Meanwhile, the average yield of Rubber reduced by 2.1 %, year-on-year, to 665 kilogrammes per hectare in 2022 due to the reduction in tapping days.

The cost of production of Rubber increased by 30.3% during the year to reach Rs. 288.00 per kilogramme by end 2022. Moreover, the domestic consumption of raw rubber by the industrial sector contracted by 12.4 % to 117.3 m kilogrammes during 2022, and it is partially attributed to the decline in demand for medical gloves in both domestic and global markets as the COVID-19 pandemic began to recede. The prices of most varieties of Rubber at the Colombo Rubber Auction reached historically high levels, driven by the favourable demand in the global market during the first half of 2022.



Rubber

At the Colombo Rubber Auction, the annual average price of Ribbed Smoked Sheet No.1 (RSS1) increased to Rs. 595.00 per kilogramme from Rs. 460.78 per kilogramme in 2021, registering a year-on-year increase of 29.1%, while the average price of latex crepe also increased notably by 44.2%, year-on-year, to Rs. 903.27 per kilogramme from Rs. 626.32 per kilogramme in 2021. Nevertheless, towards the latter part of the year, Rubber prices were on a decelerating trend, mainly due to weaker demand for rubber-based products in both domestic and global markets such as for rubber gloves. Accordingly, at end 2022, the average auction prices of RSS1 and Latex crepe rubber stood at Rs. 517.67 per kilogramme and Rs. 628.33 per kilogramme, respectively. The average FOB price of Rubber also marginally increased to US Dollars 2.73 per kilogramme in 2022 from US Dollars 2.72 per kilogramme recorded in the previous year.

Implementation of strategies for improving the productivity and value additions in the rubber sector continued in 2022. The Rubber Research Institute (RRI) conducted multiple research studies during the year in its effort to increase the productivity of the rubber sector. During the year, research on the adaptation of low-intensity harvesting systems was carried out with the aim of reducing production costs and handling labour shortages, particularly in non-

traditional areas. As a result, approximately 1,600 hectares of rubber lands owned by smallholders and plantation companies were converted to 'once in four days tapping system'. Screening of clones to identify resistant clones against leaf diseases was completed in 2022 in an effort to prevent significant yield losses caused by such diseases, while measures were also underway to identify climate resilient clones for sustainable rubber cultivation. During the year, programmes aimed at raising awareness among rubber farmers on improved techniques for applying slow-release fertiliser and enhancing the nutritional intake of plants were carried out in several rubber growing regions, covering Monaragala, Middeniya, Matugama, Horana, Bulathsinhala, Kalutara, Kegalle, and Ratnapura. Further, the Rubber Development Department (RDD) continued to engage in expanding the rubber cultivation extent through new planting and replanting activities during the year. Under the new planting programmes, Latex harvesting began in 2022 at the first established rubber field in Mullaitivu in the Northern Province. Measures were also taken to popularise different types of rubber-based intercropping systems and crop diversification in unutilised lands through field demonstrations in different trial fields. Meanwhile, in the light of the rising cost of cultivation, revisions were made to the subsidy schemes for

28% Contributed to Rubber Revenue from Direct Export

The modernisation and automation of two of KVPL’s main Rubber manufacturing plants completed during the year and achieved reduction in costs of production as well as improvement in product quality.

Direct Export - Rubber

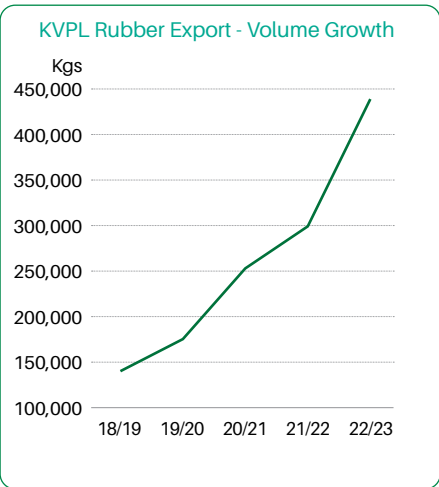
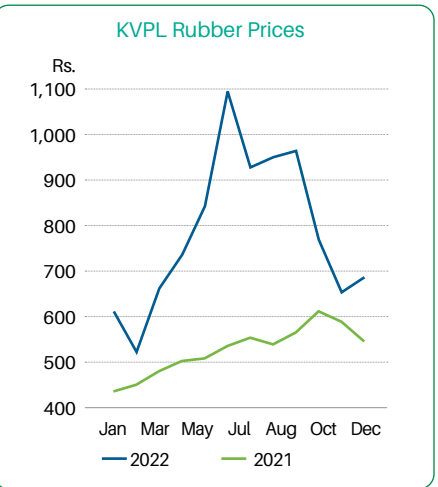
Following KVPL’s success in moving into direct exports over the past 10 years, we pursue these markets with added vigour by leveraging the competitive advantages that the Company possesses.

KVPL is one of few suppliers in the world who are internationally certified for its social and environmental best practices as an increasing number of high-end buyers seek and value the social and environmentally sustainable models of their suppliers. KVPL is amongst a few global suppliers to possess FSC, GOSL, and Fair Rubber certifications and thus stands well poised to expand its brand presence globally, through its direct exports of Sole, Crepe, Latex Crepe and Centrifuged Latex. Moreover, the brand KVPL has earned a reputation amongst its global buyers for quality, on time delivery, reliability and this brand equity provides a firm foundation for growth and expansion in natural rubber markets locally and globally.

replanting and new planting with effect from 01 January 2022, in order to reduce the number of installments for the provision of subsidy funds from eight to five without altering the amount of the subsidy. A series of awareness programmes on sustainable harvesting through proper management of rubber bark was conducted with the financial support of the National Science Foundation of Sri Lanka. Meanwhile, training programmes on rubber product manufacturing targeting small and medium-sized entrepreneurs as well as rubber smallholders were conducted during the year, aimed at promoting value addition in the rubber sector, thereby strengthening the integration of local rubber products in the global value chain.

Company Performance

KVPL’s Rubber segment constitutes Direct Exports which contribute 28% and Auction and other local sales which comprise the larger share of 72%. The Company’s Rubber production, in line with the country’s production, declined during the year, due to the impact of the fungal Leaf Decease (PESTA), which impacted Rubber trees, across all our estates, as well as the adverse weather conditions of incessant rains during the last quarter of the year, which is the peak period for tapping. KVPL’s production accordingly declined by 14% (390,000 kilogrammes).



SECTOR REVIEW

Whilst product diversification has been a challenge in the crisis ridden operating environment of last three years, KVPL managed to expand its market for Rubber during the year as well; exporting to China, Portugal, India, Thaiwan, Vietnam, German and Jamaica. It has been well supported by the Quality product specifications and the accreditations. And as Sri Lanka’s highest quality rubber exporter, KVPL has also been able to leverage high level of customer loyalty to expand and sustain its markets.

Direct export sales comparison – Rubber

Year	Qty (kg)	Revenue US Dollars
2021/22	299,158	1,224,221
2022/23	440,310	1,775,755

Challenges faced & our Responses

Challenges in 2022/23	KVPL’s Response
A fungal decease which impacted Rubber trees causing leaves to fall which in turn impacted sap due to the lack of canopy to support the sap	Response was limited due to the unavailability of the chemical. Prescribed chemical solution is applied using the latest technology.
Decrease in production due to adverse weather	Expanded the use of rain guards to cover 80% of our trees, to minimise the impact of rain
Escalating costs of fertiliser	Use of slow release fertiliser and optimise usage
Impacts of inflation on cost of production	Cost reduction through infusion of technology such as automation of plant and machinery
The Government’s ban on the import of Argo chemicals and the resulting impact of the fungal decease	Other measure to compensate for the loss of productivity and output

Diversification into other export Agri crops

As enumerated before, dwindling productivity in the Rubber sector continues to be a challenge. KVPL will hence continue to diversify crops to improve its profits per land unit and to utilise extents of currently unutilised land in the low country region. Following several international knowledges sharing sessions and learning from international management practices in modern Coconut cultivation and value addition; KVPL launched a pilot project to cultivate Coconut as part of its diversification and portfolio expansion and new market destinations strategies. It is intended to be a step in our progression to become an “Agribusiness” from a conventional plantation agriculture business.

KVPL has currently planted Cinnamon on 185 Ha and Coconut on another 251 Ha on its low country estates. It will also expand the cultivation of Cardamom, Pepper, Cloves, Agrwood and Coffee in the year ahead whilst maintaining and improving productivity of our land extents, in addition to improving soil nutrition.

Crop diversification will help to mitigate the impacts of price fluctuations of the two main crops of Tea and Rubber.

Outlook

We expect the demand for tea and rubber to remain around the same levels although the market uncertainty and possible volatility due to the Russian -Ukranian war could pose some threat to demand in the year ahead. The demand for Rubber, which saw a considerable increase during the Covid pandemic in 2021 due to the worldwide demand for rubber gloves, declined in 2022 and is expected to prevail at same levels in the year ahead.

Moreover, innovative solutions to optimise resources and reduce pressure on profit margins such as expanding the deployment of technology are also on the list of immediate priorities. KVPL will continue with the deployment of technology on the field and at its factories.



Performance

Despite the many disruptions to supply chains, a fuel crisis and planned power interruptions during the year, Mabroc’s export Revenue increased by 62% to Rs. 12,624 m, compared to Rs. 7,806 m. in the previous year mainly contributed to by bulk tea exports which accounted for 78% of total Revenue. It is most noteworthy that Mabroc also doubled its value-added tea sales during the year (Rs. 2,730 m) compared to last year (Rs. 1,367 m).

The Company’s Gross Profit increased by 18%, to Rs. 1,546 m compared to Rs. 1,310 m in the last financial year.

It is noteworthy that the Company added two new export destinations to its customer portfolio, bringing the total number of countries to 55 and number of export customers to 210.

During the year, Mabroc augmented its Manufactured Capital with the purchase of three new tea bagging machines to increase the tea bagging.

Mabroc continued to expand its channels of customer engagement during the year. A web chat tool was introduced as customer support on our web site whilst visual engagement tools such as Zoom,

What’s App videos and more personalised correspondence were also introduced during the year.

Looking ahead

Over the years, since its inception in 1988, Mabroc has mastered the art of providing a diverse range of innovative blended teas and packaging to satisfy the global consumer. The uncompromised commitment on high quality has been a key factor in its brand value and progress. Today Mabroc markets its product portfolio comprises world famous blends including 1001 Nights, Yala Nights and Earl Grey Special Blends packed in high valued packaging, which have won the Company international recognition for its expertise in developing unique blends. Its strategy to sustain the growth in future, will look into further enhance and expand the value addition, and expand its product portfolio and leverage and enhance the potential of the brand equity.

A key strategic imperative would be to adapt to trends and developments in consumer demand for product as well as in marketing. The Company hence continues to constantly review its tea portfolio and types of tea to look for ways to innovate and be on par with rapidly changing global consumer demand.

Accordingly, the Company is currently in the process of revamping its branding and brand touch points and developing new packaging designs which are more contemporary. Moreover, Mabroc is also engaged in trying out Virtual Reality and Augmented Reality in product design and development. The consistent use of social media and search engine optimisation to harness the potential of our web site is also in progress.

Mabroc stands well poised to accelerate growth, leveraging the brand equity of its products, the strength of its parent Company Kelani Valley Plantations PLC - as Sri Lanka’s one of the largest tea plantations Company; and the Company’s unique strengths such as its diverse portfolio of products, fully automated operations where blending, bagging and packing are all automated, the traceability of the tea to the tea bush, due to being backward integrated with Hayleys Plantations; its R&D capabilities and a culture of innovation.

TAPPING INTO THE BOUNTY OF OUR NATION



FINANCIAL CAPITAL

Confident through Stability Matters

Amidst many external shocks that converged during the year in the form of after effects of the pandemic, disturbances to supply chain, the rupee's steep depreciation, an energy crisis and political instability; KVPL was able to generate positive cash flows and its highest ever profits which were reinvested for the future in new planting and our Human and Social capitals bolstering the Company's capacity for future profitability.

FINANCIAL CAPITAL

GRI 3-3

Efficient financial management has been a key factor in the Financial stability and profitability of KVPL Group, and particularly, as demonstrated during the year, as several external shocks impacted operations. Managing inflows & outflows of Financial capital during the Rupee's depreciation, the energy crisis and political instability during the year was a critical challenge.

Timely identification by the Group senior management helped to ensure adequate liquidity and capital buffers thereby providing resilience and minimising the impacts of the external shocks that stemmed from the crisis. The Group successfully achieved Growth and Profitability whilst ensuring the wellbeing of its Estate workforce and staff and maintaining the trust of all Stakeholders.

The Financial Review discusses our success in balancing our resources across key priorities and unexpected realities.

How KVPL manages its financial capital efficiently

1

Developed a flexible and comprehensive business plan – to identify where KVPL is now and where it intends to be over the forceable future. The Business Plan explains how its operations would be funded. KVPL establishes priorities and financial goals to work with the available funds. In addition, monthly forecasts are prepared and monitored as explained below.

2

Control & Monitor our financial position – We monitor our cash flow forecast and its actual position on a daily basis. The Director Finance frequently discusses with the heads of other Departments such as Heads of Tea & Rubber Marketing, Purchasing and the estate management to take appropriate action to minimise any negative variances. This helps us pre-empt financial issues without letting them escalate beyond our control.

3

Developed a plan & a structure for working capital management – A computerised Debtor management system enables the Company to keep track of amount receivables and their timings. And this in turn helps us in planning the Company's purchases, in paying workers/suppliers and taxes, and fulfilling other obligations at the lowest possible financial costs.

We ensure that the right amount of stock is available at all our estates at the right time to minimise the unnecessary blocking of capital with the need to ensure that operations continue with no interruptions due to stock outs.

4

Sourcing funding to optimise loan portfolio – in a way that our interest costs are minimised. High-cost sources are paid off quickly and low-cost sources are utilised more often.

KVPL Group's Financial Capital comprises Shareholders' Funds, Funds generated internally, and Borrowed funds; and is enhanced in value through business expansion, prudent cost management and profit generation.

Financial Reporting and Achievements

The KVPL Group continues to adhere to best practices in financial reporting, giving high priority to the timely filing of quarterly and annual financial statements. The Company incorporates new developments and amendments to financial reporting standards promptly, to ensure its financial disclosures are fully compliant.

Accordingly, the Financial Reports on pages 205 to 271 have been prepared in accordance with the Sri Lanka Financial Reporting Framework and Statements of Alternate Treatment promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). KVPL's high level of compliance and the accurate reporting process, continue to receive recognition locally and internationally. The most recent includes being Gold Award winner in Plantation segment for its 2021/22 Annual Report at the TAGS Awards organised by CA Sri Lanka in 2022 and GOLD awards at the SAFA best presented Annual report awards held in Bangladesh in December 2022.

Our Financial value creation

Growth

- Group Total Assets increased by 1.8 B (15%) to Rs. 14.3 B
- Group Revenue grew by 7.8 B (60%) to Rs. 20.7 B

Profitability

- Group operating Profit increased by 1.1 B (69%) to Rs. 2.8 B
- Group PBT increased by 1 B (55%) to Rs. 3 B
- Group PAT increased by 310 m (17%) to Rs. 2.1 B

Financial Stability

- Group Total equity increased by 1.2 B (21%) to Rs. 7.2 B
- Group Current ratio increased to 1.73 times, from 1.43 times
- Interest coverage increased to 4.6 times from 3.3 times

Return on Investments

- Group ROA increased to 14.56% from 14.21%
- Group ROCE increased to 29.74% from 19.17%

Year in a nut shell

- Depreciation of the Sri Lankan Rupee against the U.S. dollar were a double-edged sword, both Tea & Rubber sales averages increased to their ever-highest figures whilst Inflationary pressure on all input materials (Fertiliser, Chemicals, Energy) increased cost of production and Administration cost.
- Increase in share of revenue from direct export for Rubber. Group and Company Earned 36 m and 1.8 m US dollars respectively during the Financial Year from direct exports which accounts for over 12 B in LKR.
- Very high Exchange gains.
- Increase in interest rates and High interest income for the Group's deposits.
- Higher Dividends from diversified investments.
- PESTA leaf disease resulted in drop of rubber production.
- Shortage of Fertiliser & Chemicals as a result of Government ban for non -organic fertiliser
- Shortage of foreign currency for essential imports.
- Unrest in the community due to unfavourable economic crisis & political instability.
- Very stringent standard on chemical residual level on tea imposed by exporting countries, especially Japan.
- Labour out migration in the plantation sector.
- Tax rates increase for corporates & Individuals.

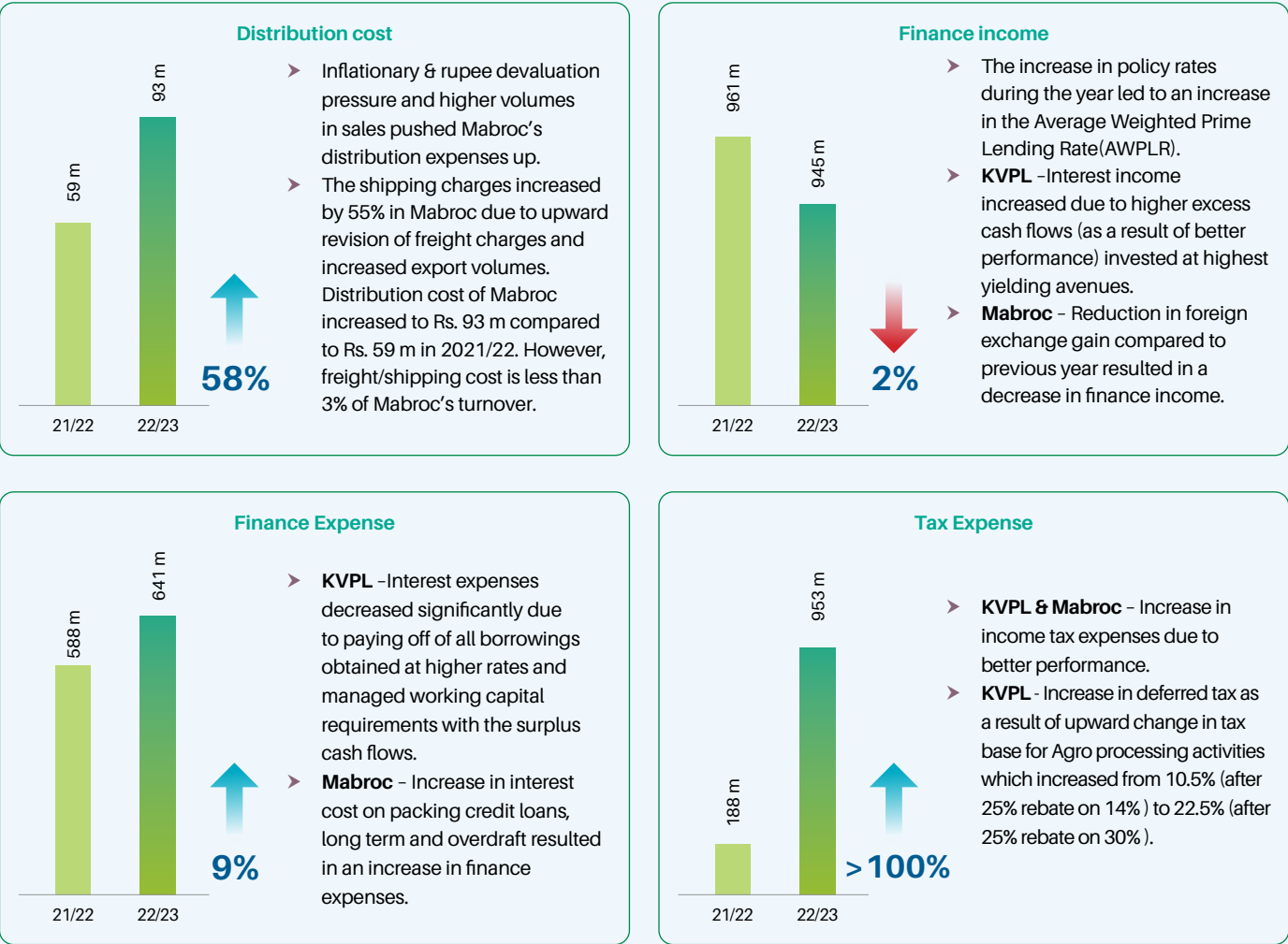


FINANCIAL CAPITAL

Estimates and Judgments

Estimates and judgements have been used in preparing the financial statements. Revenue Recognition, Impairment of Non-Financial Assets, Current & Deferred tax, Useful lifetime of PPE, Provision for Impairment of Trade Receivables, Retirement Benefit Obligations and Fair Value Assessment of Biological Assets are the main realms for which estimates and judgements have been used.

Group Financial Performance at a Glance



KVPL : Kelani Valley Plantations PLC
MABROC : Mabroc Teas (Pvt) Ltd.
KPC : Kalupahana Power Company (Pvt) Ltd.

Performance of the Group's Marketing Arm (Mabroc Teas (Pvt) Ltd.), Hydro Power Company (Kalupahana Power Company (Pvt) Ltd.), The Boutique Bungalow (Kelani Valley Resorts (Pvt) Ltd.), are discussed separately under this section.

Our fully owned subsidiary, Kelani Valley Instant Tea (Pvt) Ltd was amalgamated with parent company Kelani Valley Plantations PLC on 12 May 2022 as it was a pilot project and achieved its objectives with the incorporation of Martin Bauer Hayleys (Pvt) Ltd.

FINANCIAL CAPITAL

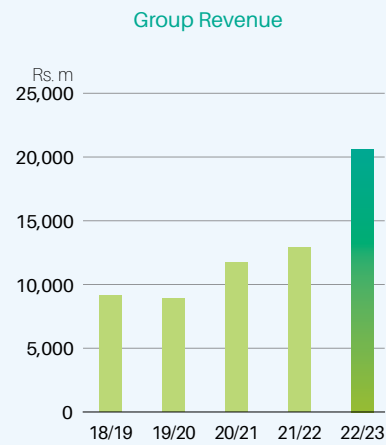
Group Revenue



Group's Revenue increased by **60%**

Upward price movement for both Tea and Rubber at the Colombo Auctions as well as in the direct export market resulted in Revenue growth

Group's Plantations sector - Kelani Valley Plantations PLC and the Tea marketing arm - Mabroc Teas (Pvt) Ltd.- contributed 39% and 60% respectively for the Total Turnover, while our Hydro power Company (Kalupahana Power Company (Pvt) Ltd.) and Leisure sector (Kelani Valley Resorts (Pvt) Ltd.) accounted for the balance 1%.



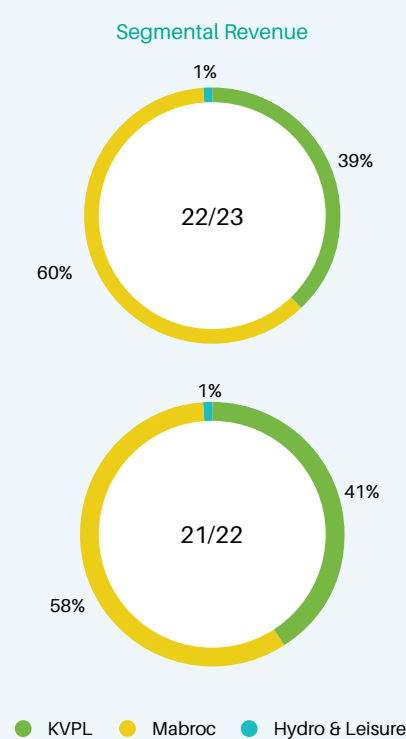
Segmental Revenue

Tea - Tea segment being the main contributor, represents 89% of the Group Revenue

- Group Tea Revenue increased by 69% to Rs. 18,376 m, compared to Rs. 10,895 m last year.
- KVPL's Tea Turnover encompasses 74% from Western High Grown and 26% from Low Grown teas.
- KVPL's tea crop decreased by 16%, However, Tea prices at the Colombo Tea Auction (CTA) reached the historically highest level in 2022 for both High Grown and Low Grown teas and it bolstered the Turnover of KVPL's Tea segment.
- The high export volumes achieved by Mabroc heavily supported the growth in Group Revenue.

Rubber - Group Rubber Revenue increase by 15% to Rs. 2,224 m compared to Rs. 1,929 m last year.

- The Rubber production decreased by 14% during the period as a result of the combined effect of adverse weather conditions that prevailed in rubber growing areas, fertiliser shortages, and the spread of the Pestalotiopsis disease (PESTA) which also affected majority of Sri Lanka's rubber plantations this year as well.
- Installation of rain guards and better agricultural practises deployed by the Company assisted to mitigate the impact of weather changes.
- Colombo Rubber Auction reached historically high levels, driven by the favourable demand in the global market during the first half of 2022. KVPL Group's Rubber prices also increased by 36% over last year's, by Rs. 205/- per kg which helped KVPL's to bottom line despite the crop loss.
- Price increased due to higher global demand for Centrifuged Latex and Natural Latex for the manufacture of gloves and related products necessitated by the Covid pandemic as well as due to an increase in prices of the alternative synthetic rubber and supply shortage in global markets as described in the sector review.

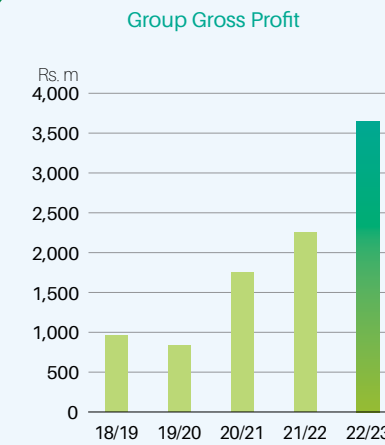


Gross Profit

The Gross Profit increased by 62% for the period under review to

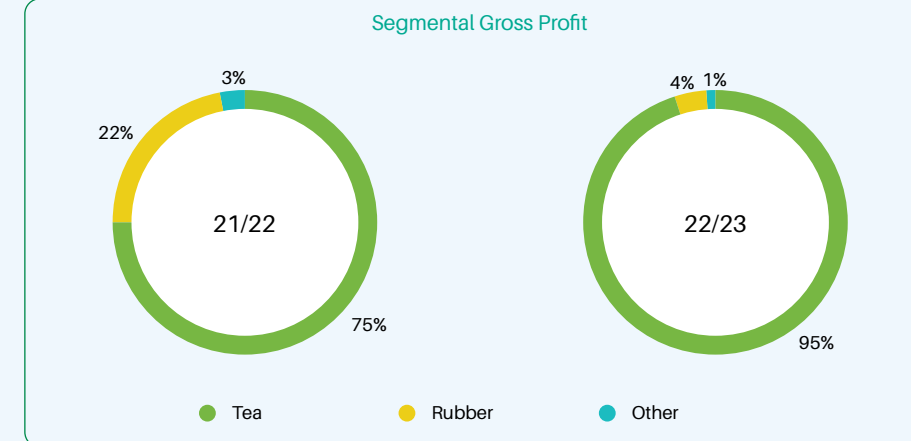
Rs. 3,658 m
(2021/22 - Rs. 2,265 m)

GP Margin maintained at 18% in both 2022/23 & 2021/22



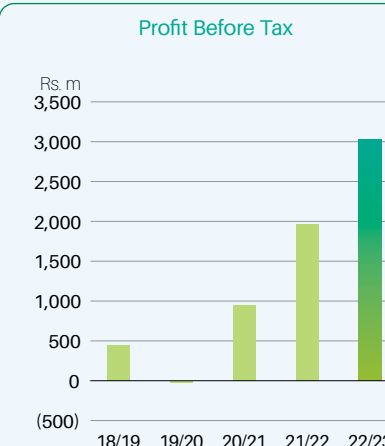
Segmental Gross Profit

- Tea was the main contributor to Gross Profit, with Rs. 3,466 m representing 95%, of the Group's Gross profits.
- Rubber contributed 4%, with Rs. 152 m.
- The other sources (Hydropower project at Kalupahana and minor crops, such as Cinnamon and Coconut) accounted for balance 1% with a contribution of Rs. 41m.
- The Gross Profit margin of the Tea sector was 19% (2021/22 - 16%)
- Tea gross profit increased by more than 100% (by Rs. 1,758 m) against a 22% increase in 2021/22, and this increase is mainly attributable to the increase in tea prices and the Company's cost savings initiatives, such as machine pruning and machine harvesting and drone-based spraying (pilot project) to overcome the labour shortage.
- The Rubber segment recorded a 69% (by Rs. 341 m) decrease in Gross profit with a margin of 7%, compared to 26% in 2021/22. Rubber segment's Gross Profit margin significantly dropped despite an upward movement in prices during the first half of the year; as a result of loss of crop by 14% due to PESTA leaf disease and a lack of chemical and fertiliser.



Profit Before Tax (PBT)

The Group recorded a before tax Profit of **Rs. 3,041 m**
(2021/22 - Profit of Rs. 1,965 m).

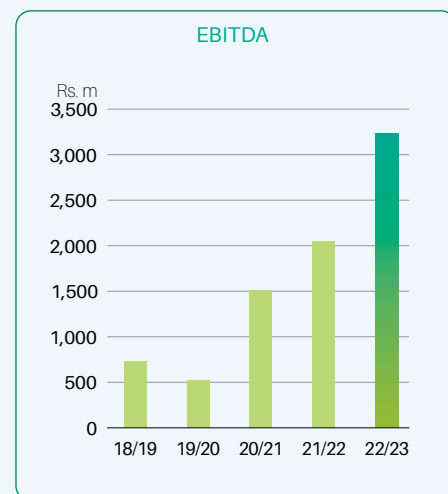


- The upward movement for both Tea & Rubber prices along with the positive contributions from Mabroc and Kalupahana Hydropower Companies and reduction of finance expenses helped to increase Group profits.

FINANCIAL CAPITAL

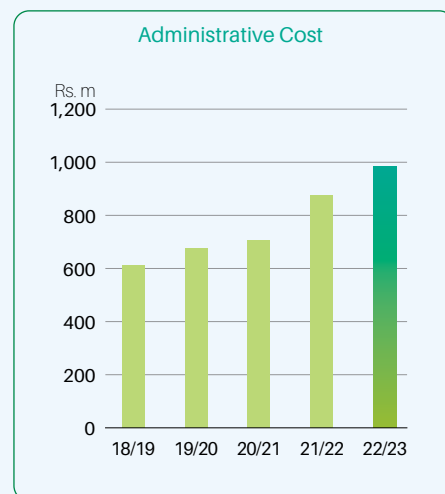
Earnings Before Interest, Tax, Depreciation & Amortisation

- The Group's EBITDA increased by 58% to Rs. 3,246 m in 2022/23, compared to Rs. 2,053 m in 2021/22.



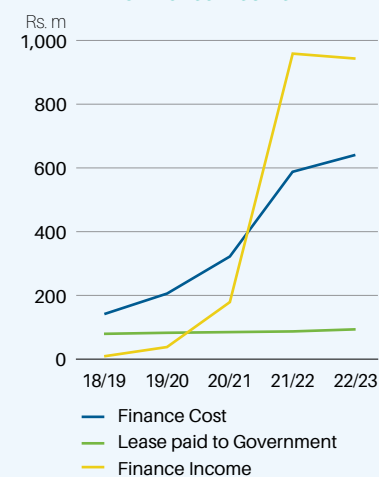
Administrative, Trade and Distribution Cost

- Administrative expenditure in the period under reviewed increased by 12% to Rs. 989 m, from Rs. 878 m in 2021/22.



Net Finance Cost

Finance Cost & Lease Interest Paid to Govt. Vs Finance Income



KVPL Group was able to maintain its Weighted average interest rate around 9.73% during the year.

The Finance cost of the Company consists of Interest costs on Long/Short term borrowings and overdraft interest whilst Mabroc's foreign exchange losses and interest on packing credit loan were the main contributor to the Finance cost of the Group.

Finance Expense and Interest Paid to Government on Lease Company - Rs. 117 m

- A better trading result helped in managing Cashflows and to reduced the Company's debts, and in turn reduced the interest cost despite higher bank lending rates during the year.
- The Interest paid on the government Lease amounted to Rs. 90 m with the annual increase based on the GDP deflator, amounting to 8% over the last year.

Group - Rs.731 m

- Group Interest Expense consisted of Rs. 424 m of foreign exchange loss from Mabroc on USD loans due to the adverse fluctuations of Rupee against foreign currency.
- Group's Interest on Term loans increased by 92% to Rs. 41 m, from Rs. 21 m in the previous year.
- Interest paid on Overdrafts and Short-term loans also increased by 41% to Rs. 172 m from Rs. 122 m in the previous year.

Finance Income

Company - Rs.285 m

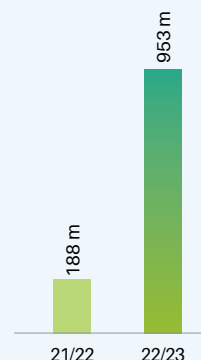
- The Company (KVPL) also recorded Rs. 194 m Interest Income from the short-term investments and Rs. 86 m foreign exchange gain from direct export of its rubber.

Group - Rs. 945 m

- Mabroc was able to achieve an exchange gain of Rs. 639 m (recorded under Finance Income) from export earnings, as a result of the Rupee depreciation.
- Finance income during the period decreased marginally by 2% to Rs. 945 m (2021/22 - Rs. 961 m) as a result of reduction in exchange gain by Mabroc over the previous year.

Income Taxation & Deferred Taxation

Tax Expense



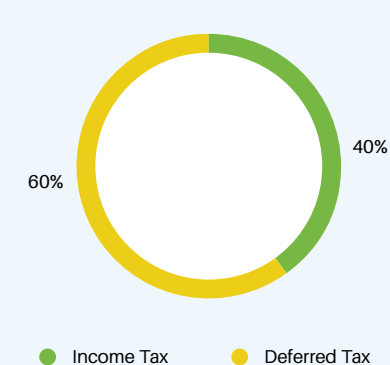
KVPL's Taxable Income is derived from its profits from Agro processing and other sources of income; over 100% increase in the company's income tax was recorded due to the better performance as well as the increase in Income tax rate from 14% to 30% w.e.f. 01 October 2022. Effective tax rate of 22.5% was applied in calculating income tax after allowing for tax rebate of 25%. However, the Agriculture sector was tax exempt during this year as well.

- Income Tax of Mabroc also increased during the year due to an improved performance and increase in tax rates to 30%.
- Kalupahana Power Company's Income Tax expenses also increased due to the increase in the Income tax rate from 14% to 30%.
- Mabroc's deferred tax decreased marginally due to unrealised foreign exchange loss. However KPC deferred tax increased more than 100% due to increase in tax rate.

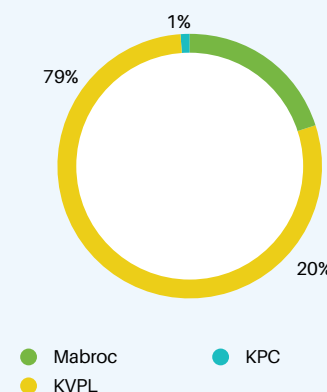
Current year's Income & Differed Tax Composition is shown below;

	Income Tax	Deferred Tax	Total
KVPL	189,467	564,214	753,681
Mabroc	190,700	(4,486)	186,214
KPC	4,587	8,344	12,931
Total	384,754	568,072	952,826

Tax Composition



Group's Contribution to Tax



- Changes in tax rates during the financial year is shown under Note 10 of the Financial Statements.

FINANCIAL CAPITAL

Earningsper Share (EPS) & Dividend per Share (DPS)

The favourable performance, increased the Group’s EPS to Rs. 30.70 from Rs. 26.02 in the previous year. The Company paid three Interim Dividends totalling Rs. 8.50 per share (2021/22 – overall dividend of 4.45 per share) amounting to Rs. 578 m, to its shareholders during the year.

The Board of Directors has recommended the payment of a Final Dividend of Rs. 1.50 per share for 2022/23 subject to the approval of the shareholders at the oncoming Annual General Meeting.

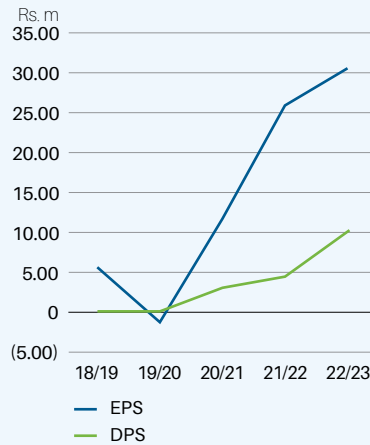
Return on Capital Employed (ROCE) & Return on Equity (ROE)

The ROE and ROCE also significantly improved adding more value to the investments during the year
ROE - 42.50% (33.35% last year)
ROCE - 29.74% (19.17% last year)
Higher ROCE allow the Group to re-invest a major portion of Profits back into the Group for the benefit of shareholders.

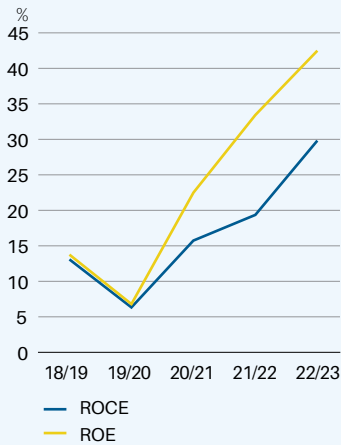
Return on Assets (ROA)

Reflecting the profitability and efficiency of the Company relative to its total assets, the ROA has further improved to 14.56% during the year from 14.21% last year, due to the increase in profits compared to the previous financial year.

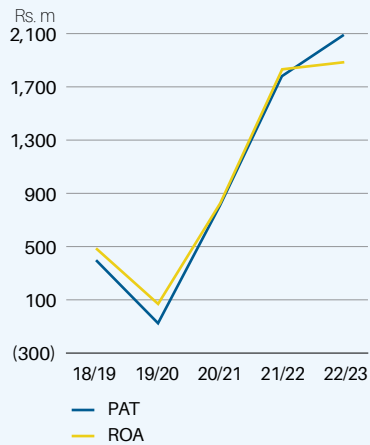
EPS Vs DPS



ROCE Vs ROE



PAT Vs ROA



Financial Performance per Employee

Turnover per Employee-which indicates how efficiently the workforce has been utilised throughout the period; increased to Rs. 2,666,696/- in 2022/23, from Rs. 1,481,473/- in the previous year due to 69% increase in turnover even though the number of employees reduced by 11% due to employee migration. This shows how well the Group was able to increase productivity of its human capital.

Comprehensive Income

The Group’s CI amounted to Rs. 2,011 m (compared to Rs. 1,886 m in the previous year) and comprised of Rs. 104 m of Actuarial loss on retirement benefit obligations.

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Financial Position at a Glance

Ensuring Efficient use of Financial Resources

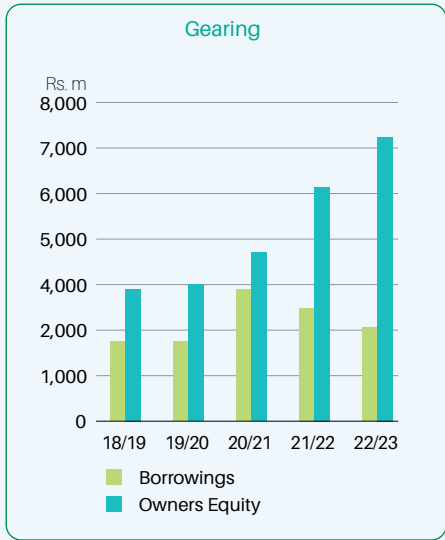
The Board of Directors, together with the Audit Committee, has established the mechanisms and guidelines to ensure the effective allocation of resources. Prior approval from Group Management Committee (GMC) is taken for Capital Expenditure and Budgetary controls.

Rs. m	2022/23	2021/22	Change	% of change	Key reason
Non-Current Assets					
Freehold Property, Plant & Equipment	2,587	2,107	480	↑23	Additions to the Freehold PP&E.
Improvements to leasehold property	3,985	3,880	105	↑3	KVPL’s investment in replanting on Tea, Rubber, Cinnamon, Coconut and other export crops.
Biological assets (Consumables)	238	213	25	↑12	Due to fair value gain in Timber Plantations and crop.
Current Assets					
Inventories	2,359	1,855	504	↑27	Due to increase in input materials, spares & consumables cost and harvested crop at KVPL and Bulk Tea & Raw Materials of Mabroc.
Trade and other receivables	2,304	2,319	(15)	↓1	Decrease in trade receivables at Mabroc due to better collection management.
ST deposits, cash in hand and bank	1,740	868	872	↑100	Mainly due to Increase in short term deposits by KVPL.
Equity and liabilities					
Non-Current liabilities					
Deferred income	653	672	(19)	↓3	Amortisation of Government Grants (subsidy for Replanting, rain guarding and other capital assets) by KVPL.
Deferred tax liability	992	444	548	↑>100	Due to the increase in effective tax rate to 30% (from 14%) in calculation of differed tax of KVPL.
Retirement benefit obligations	1,077	1,034	43	↑4	Due to increase in discounting rate in computation of actuarial valuation.
Long-term liability to make lease payment	632	600	32	↑5	Increase due to re-assessment.
Current Liabilities					
Trade and other payables	1,773	1,391	382	↑27	Increase in trade payables, other payables & accruals of Mabroc and increase in trade payables & accruals of KVPL.
Amounts due to other related companies	80	83	(3)	↓4	Decrease in related party payables of KVPL & Mabroc.
Income tax payable	207	97	110	↑>100	Increased due to better performance by the group during the year and increase in income tax rates.
Short-term interest-bearing borrowings	1,417	1,845	(429)	↓23	Mainly due to decrease in short term borrowings of both KVPL & Mabroc
Bank Overdraft	151	29	121	↑>100	Mainly due to increase in bank Overdraft by KVPL.

FINANCIAL CAPITAL

Capital Structure

Funds attributable to Equity Shareholders of the Group increased by 21% from Rs. 5,893 m, to **Rs. 7,155 m.**



7,155 m
Share Holders equity

↕

649 m
Long-term borrowings

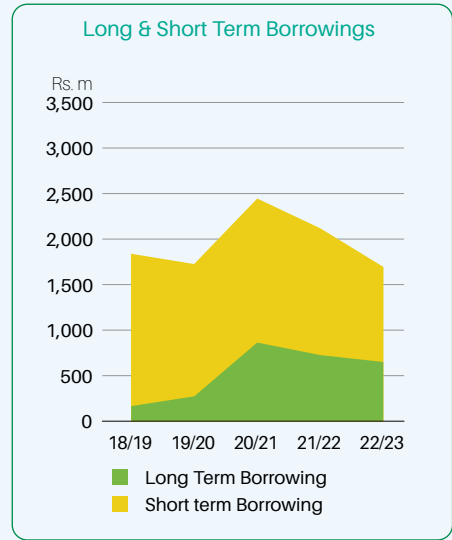
+

1,698 m
Short-term borrowings

=

2,347 m
Total Borrowings

- Long-term borrowings decreased by 11% to 649 m from 726 m
- Short-term borrowings decreased by 20% to 1,698 m from 2,122 m

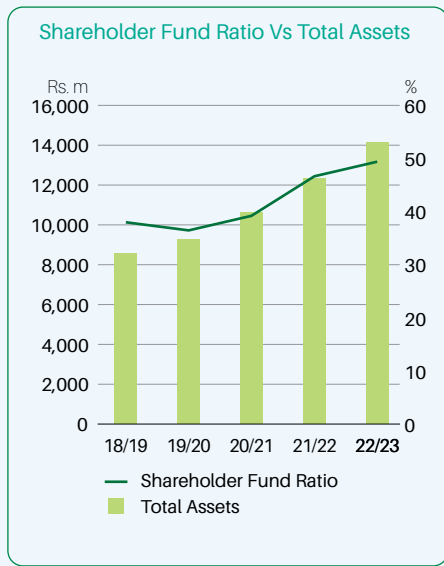


Borrowings

- The Group's Short-Term borrowings consist of foreign currency borrowings of Rs. 1,383 m and another Rs. 33 m from local currency on account of Mabroc.
- Mabroc's net short-term borrowings decreased by Rs. 179 m (Local currency loans decreased by 605 m & foreign currency loans increased by 426 m). KVPL paid its entire short-term borrowings of Rs. 250 m during the year.
- KVPL Group was able to bring down its Gearing ratio to 25% from 33% in the previous year, due to the improved performance of the Group and by targeting to reduce the interest cost.

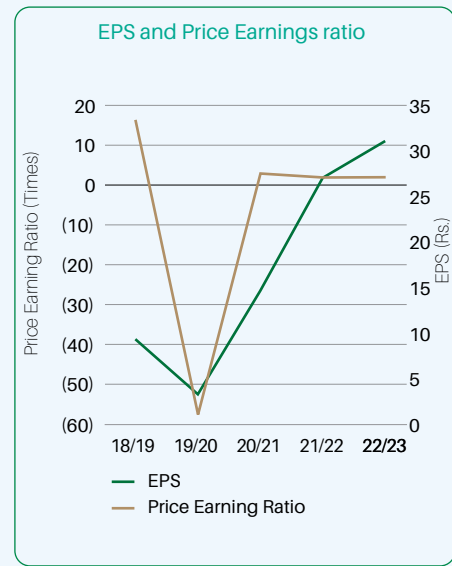
Shareholders' Funds Ratio

The Shareholder Funds ratio indicate the value shareholders will receive in the event the Company's Assets are liquidated. The Shareholders' Funds ratio has increased to 50% during the year from 47% in the previous year due to an improved performance.



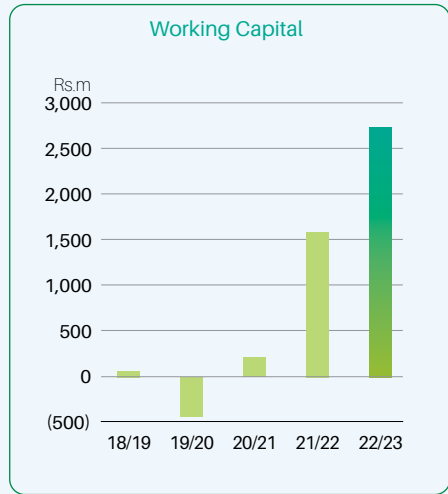
Price Earnings Ratio

Earnings Per Share increased to Rs. 30.70 from Rs. 26.02 due to significant improvements in the Group's performance while Price Earnings Ratio also increased to 2.33 times from 2.23 times previous year due to significant improvements in the year end share price from Rs. 58.00 per share to Rs. 71.50 per share.



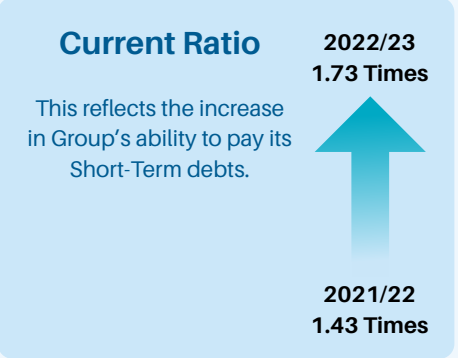
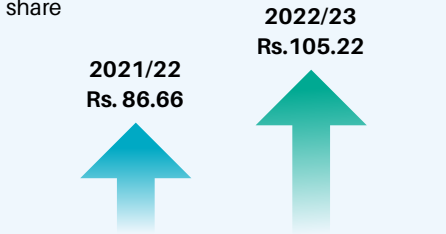
Working Capital

The Group's Working Capital in the year under review increased by 74% to Rs. 2,731 m, compared to the previous year's Rs. 1,592 m; mainly due to the increase in input materials, harvested crop & consumables and an increase in Short term investments from KVPL.



Net Asset per Share

Better performance of the KVPL Group resulted in increase in its Net Assets per share



Cash Flow

Cash generated from operating activities before Working Capital changes increased to Rs. 3,389 m compared to Rs. 2,145 m last year on the back of the significant improvement in the Group's performance.

In addition, the net cash flow from operating activities also increased to Rs. 2,524 m compared to Rs. 949 m in the previous financial year, mainly due to a decrease in trade and other receivables, increase in Trade & Other Payables, increase in taxes paid and retirement benefit obligations paid.

Group's Capital Expenditure during the year has increased by more than 100%, mainly due to an increase in acquisition of Property, Plant and Equipment by both KVPL & Mabroc. There was a 57% increase in investments into field development specially into Rubber & minor crops.

Capital Expenditure by Segment

The Total Capital Expenditure on field development for the current & previous year are as follows;

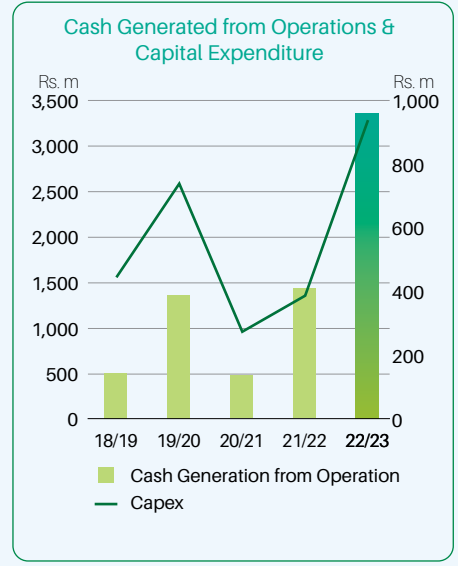
Crop Type	2022/23 (Rs. m)	2021/22 (Rs. m)	Change %
Tea	1.06	0.73	46%
Rubber	161.49	98.10	65%
Cinnamon	21.53	31.43	(32%)
Coconut	84.29	35.53	137%
Others	20.68	17.95	15%
Total	289.04	183.75	57%

Biological Assets - Consumable

The Group's managed timber for commercial use is classified as a consumable biological asset, the fair value of which increased by Rs. 25 m, due to an annual growth and increase in market price.

Biological Assets - Produce

The gain in fair value, less, cost to sell on produce bearer biological, was Rs. 11.6 m, from both Tea & Rubber.



FINANCIAL CAPITAL

Performance Measurement

Quarterly Performance

Tabulated below is the quarterly performance of the Group. The Revenue was more or less equally distributed throughout the year.

The highest Gross Profit was recorded in the first quarter as a result of better prices, whilst the lowest was recorded in the third quarter. The highest Profit (before and after tax) was recorded in the first quarter as well, due to the increase in foreign exchange gain by both KVPL & Mabroc.

(Rs. m)	Q1	Q2	Q3	Q4	Total
Revenue	5,475	5,465	5,001	4,763	20,704
GP	1,044	970	639	1,005	3,658
Administration expense	(262)	(221)	(230)	(276)	(989)
PBT	1,032	775	440	794	3,041
PAT	879	700	152	357	2,088
Profit attributable to equity holders	877	697	150	364	2,088
Total Assets	14,445	14,496	14,462	14,335	14,335
Total Equity	6,651	7,180	7,119	7,205	7,205

Performance and Market Capitalisation of Shares

The market value of ordinary shares of the Kelani Valley Plantations PLC are shown on page 274 under investor information.

The market capitalisation has increased by 23%, to Rs. 4,862 m due to increase in year-end market price (from Rs. 58.00 per share as of 31.03.2022 to Rs. 71.50 per share as of 31.03.2023).

Investor Relations

KVPL Group maintains a constructive ongoing dialogue with its shareholders through different channels of communication, including an Annual General Meeting, Publication of the Annual Report, quarterly reporting to CSE to provide meaningful and relevant information on a timely basis for effective decision making.

Mabroc Teas (Pvt) Ltd.

Mabroc Teas (Pvt) Ltd. is a fully owned subsidiary of Kelani Valley Plantations PLC, since year 2010. Over the years, Mabroc has mastered the art of providing a diverse range of innovative blended teas to satisfy the global consumer. The uncompromised commitment to provide high quality has been a key to its brand value and progress. Mabroc’s product portfolio comprises world famous blends including 1001 Nights, Yala Nights and Siberian Blend packed in high value packaging which won the Company international recognition for its expertise in developing unique blends.

During the financial year Mabroc added new market destinations with growth potential. Presently Mabroc’s Pure Ceylon Tea products are sold to over 60 countries.

MTPL’s production facility is equipped with modern state of the art cleaning, blending and packaging machinery. The Production process conform to internationally recognised food safety standards such as FSSC 22000, Rain Forest Alliance Master License Agreement, ISO 22000:2018, HACCP,BRC and ISO 9001:2015. The facility also complies with EU standards. Further Mabroc’s employee friendly environment was recognised by Workplace Conditions Assessment (WCA) certification and the adaptations made to ensure the safety of employees, products and consumers during the COVID pandemic was recognised with Cov-Safe certification with a Platinum score.

Revenue

Mabroc’s export Revenue increased by 62% to Rs. 12,624 m in the year under review, compared to Rs. 7,806 m. in the previous year. The major contributor was bulk tea export with 76% contribution to total Revenue. Mabroc also doubled its value-added tea sales during the year (Rs. 2,730 m) compared to last year (Rs. 1,367 m).

Gross Profits

Mabroc’s Gross Profit increased by 18%, to Rs. 1,546 m compared to Rs. 1,310 m in the last financial year.

Net Finance Cost

Mabroc’s net finance income decreased by 86%, to Rs. 44 m compared to Rs. 315 m in the last financial year due to reduction of exchange gain.



FINANCIAL CAPITAL

Kalupahana Power Company (Pvt) Ltd.

Kalupahana Power Company (Pvt) Ltd. is a hydro power company of which 60% ownership is held by Kelani Valley Plantations PLC and operated since year 2003 and is managed by Eco Power (Pvt) Ltd. Who owns balance 40%.

Revenue

KPC recorded a revenue of Rs. 27 m, a drop of 18% compared to the previous financial year's Revenue of Rs. 32 m due to a reduction of tariff rates following the renewal of first phase agreement for the hydro generation.

Gross Profits

KPC recorded a 46% drop in Gross profit to Rs. 13 m compared to the previous year due to tariff reduction and increase in machinery upkeep.

PBT

KPC's PBT decreased by 24%.

PAT

PAT shows a sharp decline by 94%. This is mainly due to an increase in differed tax charge as a result of increase in effective tax rate during the year to 30% from 14% last year.



Kelani Valley Resorts (Pvt) Ltd.

KVR, a fully-owned subsidiary of KVPL, owns the bungalow at Oliphant Estate. Located in Nuwara Eliya, the venture is part of KVPL's broader strategy aimed at diversifying into complementary business models by leveraging on Group synergies. The decision to develop the Oliphant Bungalow saw KVPL invest Rs. 65 m to convert the property into a luxury boutique hotel. Launched to the market in December 2017, the property is managed by Amaya Leisure PLC.

Revenue

KVR recorded a revenue of 33 m, an increase of 18% over the previous financial year's revenue of 28 m as a result of an increase in guests following the relaxation of the Covid pandemic restrictions.

Gross Profits

Recorded a Gross profit of 27 m, an increase of 12% compared to the previous year.

Administration Cost

Recorded an increase in Administration cost by 33% due to the Rupee's depreciation, high energy and electricity cost.



Investment
Rs. 65 m

STATEMENT OF VALUE ADDITION AND DISTRIBUTION - 2022/23

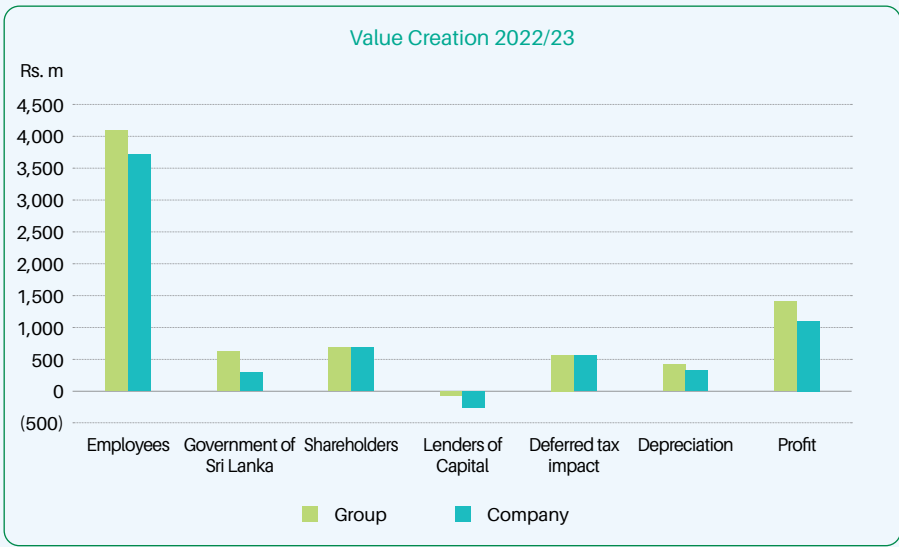
GRI 13.22, 201-1

For the year ended 31 March	Group		Company	
	2022/23 Rs. m	2021/22 Rs. m	2022/23 Rs. m	2021/22 Rs. m
Revenue	21,074	12,926	8,390	5,352
Other income	249	348	730	465
	21,323	13,274	9,120	5,817
Cost of material and services obtained	(13,584)	(7,293)	(2,679)	(1,375)
Value addition	7,739	5,980	6,440	4,443

Value created shared with	%		%		%		%	
Employees	4,110	53.0%	3,499	58.5%	3,728	57.9%	3,179	71.6%
Government of Sri Lanka	627	8.1%	310	5.2%	292	4.5%	125	2.8%
Shareholders	680	8.8%	303	5.1%	680	10.6%	303	6.8%
Lenders of Capital*	(75)	(1.0%)	51	0.9%	(256)	(4.0%)	(50)	(1.1%)
Deferred Tax Impact	568	7.3%	(31)	(0.5%)	564	8.8%	(50)	(1.1%)

Value Retained for expansion & Growth								
Depreciation	420	5.4%	374	6.3%	326	5.1%	299	6.7%
Profit/(Loss)	1,408	18.2%	1,475	24.7%	1,105	17.2%	636	14.3%
	7,739	100%	5,980	100%	6,440	100%	4,443	100%

*Lenders of capital in 2022/23 has become negative due to positive net finance income.



MANUFACTURED CAPITAL

The Fuel for the potential

Our Manufactured capital helped us on our organisations' sustainable development, simply by reducing resource use and enhancing efficiency, which is to be flexible, responsive to market or societal needs, to be more innovative and faster in getting our products and services to the market.

Being diversified and upgraded with the modern technology, our manufactured capital has enhanced its biological assets and made them meet the highest standards. All infrastructure, technologies and processes make minimum use of natural resources and maximum use of human innovation and skills. Thus, we could be able to get a remarkable outcome even under the country's challenging circumstances.

MANUFACTURED CAPITAL

The KVPL Group’s Manufactured Capital Base

Our primary Manufactured Capitals can be classified as Biological Assets, Inventory, Buildings, Machinery and Agri Equipment:



Biological Assets

We consider Biological Assets as the most valuable class of Assets of the Company. They are the different types of crops which are cultivated by the Company, which generate current streams of income as well as enable future revenue.

These are primarily our traditional Tea and Rubber trees and as of recently, Cinnamon, Coconut, Agarwood, Cloves, Coffee and Cardamom. The diversification of export agricultural crop gives our Company a competitive advantage over the traditional crops which are more sensitive to price fluctuations and better returns.

Newly Replanted Extents

Type of Crop	Hectares
Rubber	530.18
Cinnamon	54.14
Coconut	222.99
Fuelwood & Minor Crop	72.95

Replanting expenditure of both major and minor crops accumulates to Rs. 292 m during the financial year.

Type of Crop	Hectares		Current Value Rs.’000	
	2022/23	2021/22	2022/23	2021/22
Tea	3,293	3,368	1,281,493	1,284,995
Rubber	3,683	4,001	3,651,744	3,490,255
Cinnamon	179	175	258,517	231,554
Coconut	264	205	201,064	117,649
Timber (Consumable Biological Assets)	221	221	237,603	212,691
Agarwood	10	10	22,496	19,362
Fuelwood	55	55	22,889	21,090
Other Minor Crops	43	38	35,214	19,470
Total	7,748	8,073	5,711,020	5,397,066

Inventory

Our stocks of Tea, Rubber and Cinnamon are the main manufactured assets of the Company that represents our earning capacity.

Buildings

These include office buildings, Tea and Rubber factory buildings, warehouses, estate bungalows and other buildings on our estates comprising children’s creches, worker rest areas, worker houses and modern housing projects and roads within our boundaries.

Machinery and Agri Equipment

We ensure that all our factories are equipped with adequate machinery to assure that our Tea and Rubber meets the highest quality standards. Similarly, the Agri-equipment used in the fields are upgraded or new equipment purchased.

Other Equipment Including Computers

The Company further invested in software and hardware for the electronic green leaf weighing initiative, which provides immediate and precise weight. We also continued to invest in Information Technology to enhance our IT capabilities.

Changes to Our Manufactured Capital in 2022/23

Asset Type	2022/23 Rs.’000	2021/22 Rs.’000	% Change
Biological Assets	5,739,680	5,414,123	6%
Inventory	2,404,749	1,875,049	28%
Building	1,184,700	1,184,823	0%
Plant & Machinery	1,611,023	1,237,236	30%
Other Equipment including Computers	296,008	314,269	(6%)
Motor Vehicles	506,042	373,097	36%
Furniture & Fittings	209,412	186,865	12%
Other	39,655	42,478	(7%)
Total	11,991,269	10,627,940	13%

After COVID-19 Pandemic, Sri Lanka’s financial crisis started with rupee depreciation. Furthermore, Group’s Value Additions to its Manufactured Capital were deteriorated due to the energy crisis in 2022/23. However, it took place on a limited scale with priority given to good agricultural practices as shown in above table.

As mentioned in the previous year report, planned enhancements of our major Tea & Rubber factories were under taken and completed as follows during the year;

- New Hot Water Generator & Hot Water Air Heating Radiator System at Pedro Tea Factory – Rs. 80.4 m
- Efficiency Improvement Project in Drying Towers at Panawatte Rubber Factory – Rs. 18.4 m
- Efficiency Improvement Project in Drying Towers at Dewalakande Rubber Factory – Rs. 15.8 m
- Tea Leave Drying Machine for Flavoured Tea Manufacturing Project at Uda Radella Tea Factory – Rs. 2 m
- Investments into harvesting and pruning technology – Rs. 7.9 m
- Investments into 3 new Tea bagging machines (Maborc Teas (Pvt) Ltd.) - Rs. 300 m



Newly Improved Drying Tower - Panawatte



Tea Bagging Machines - MTPL

Planned Enhancements of Our Manufactured Capital Agri Machinery and Other Equipment

- Ingestre Tea Factory renovated to meet most of buyer compliance requirements in order to promote direct export and value-added products by investing Rs. 60 m
- Investments into Drones for Arial spraying activities for our Tea & Rubber
- Investments into harvesting and pruning technology
- Our Tea Centers at Pedro, Edinburgh, Kelani and Dewalakande estates are designed to cater customers with farm fresh Tea and refreshments in order to ensure that customers are satisfied and their every need is met



Newly renovated Ingestre Tea Factory

MANUFACTURED CAPITAL



Using of Drones for Arial spraying activities in Panawatte



Tea Centers at Edinburgh & Pedro

Planned Enhancements of our Manufactured Capital

- Investments into implement the 2nd Solar Power project in Panawatte Rubber Factory rooftop (168 kW) at a cost of Rs. 44 m to widen the renewable resources of the Company due to the current economic crisis
- Planned to undertake three more Solar Power projects at Fordyce Tea Factory rooftop (110 kW), Ingestre Tea Factory rooftop (110 kW) and Regional Office – Dickoya (40 kW).
- To achieve the Company's strategic objective of digitisation, KVPL will continue to invest in IT and planned to implement a new ERP system in the year 2023/24.

KVPL Renewable Energy Sources

Hydro Power

Our Subsidiary Company, Kalupahana Power Company (Pvt) Ltd. contributes to the national grid since 2003, which strengthen the renewable energy sources of the Group. In addition to the above, Hydro Power Plants at Battalgalla and Glassaugh Estates adding value to Company's bottom line.

Solar Power

As a responsible corporate citizen, KVPL initiated to implement Solar Power Panels in Dewalakande Rubber Factory rooftop in 2018 under the guidance & supervision of the Ministry of Power, Renewable Energy & Business Development.



INTELLECTUAL CAPITAL

The Perception of Wealth

Our Intellectual Capital is a key element in a Company's future earning potential, with a tight link and contingency between investment in R&D, innovation, human resources and external relationships, which can determine the organisation's competitive advantage. It facilitates the scales of productivity enhancement by nurturing a culture of innovations and creativity and the transformation of practical business operations with the infusion of advanced and science-based knowledge with the best 'mix' of knowledge by experience in our industry.

This Capital report covers issues that are central to the Company's future, requiring consideration of a much wider range of intangibles. Our Intellectual Capital continue to enhance shareholder value by combining Material, Financial and Human resources.

INTELLECTUAL CAPITAL



In the traditional model of plantations with a history that spans over 150 years; the primary, if not the only factors of value creation considered important were the natural and other physical assets which a Company owned or had access to. However, in the rapidly evolving operating environments since then, intangible assets of a Company have become a crucial factor to competitiveness and sustainability across industries. In Sri Lanka's Tea and Rubber plantations sectors, where escalating costs of production is rapidly eroding Sri Lanka's global competitiveness via vis global counterparts, it is the intangibles of knowledge and innovativeness which determine the industry's sustainability.

A Company's ability to innovate, its repository of explicit and tacit knowledge, and the ability to harness that knowledge are critical success factors to meet challenges, preempt future challenges and opportunities and to evolve and innovate to sustain a business for the future. The volatility of the commodities markets underscore the importance of an organisation's Intellectual Capital to meet those vulnerabilities by moving higher on the value chain. Our response has been product and process innovation to reach new markets and retain the old, to establish new market segments and to widen our market share.

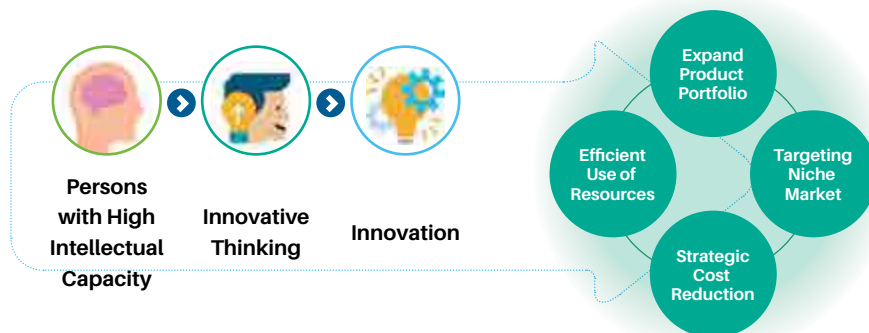
Thus, our knowledge and creativity contributed to meet the supply side challenges on one hand by finding

alternative solutions and fine tuning our processes and resource allocation to manage our costs better. On the other hand, our brands, marketing expertise and innovations are being harnessed to find demand side solutions.

Intellectual Capital at KVPL has been the key to transformation of the organisational culture, creating a technology driven organisation; to increasing the value of our products and managing costs. And in the Tea sector it has been the crucial factor in KVPL's transition from being an exporter of a commodity, to an exporter of higher value added products that reaches the breakfast table or the evening Tea party, catering to diverse customer tastes across the globe. Thus, our Intellectual Capital has been a key factor in reducing our vulnerability to market volatilities and changing market preferences. Considering the importance we will continue to strengthen and leverage our Intellectual Capital to sustain profitability into the future in both Tea and Rubber; as well as a for KVPL as a Company by making the transition to an "Agribusiness" model for which we have taken the initial steps.

Conceptual Framework of Intellectual Capital "Productivity through Innovation"

Productivity is enhanced through cost reduction and increased efficiency



KVPL has recognised the critical importance of Intellectual Capital in developing and sustaining competitiveness in the Tea and Rubber markets and thus, investments to enhance our Intellectual Capital is one of the Company's key strategic imperatives. We harnessed the internal resources as well as maximised the relationships with external intellectual repositories. During the year in a back drop of cost escalations, we also focused on increasing resource efficiency by maximising the use of resources we have internally. We will continue to use the most effective and practical approaches in the Knowledge Management Cycle to enhance our think tank.

Hayleys Plantations Management Symposium / Hayleys Plantations Staff Symposium

The Hayleys Plantations Management Symposium, a milestone in our calendar last year, under the theme "Innovative Business Thinking and Applications", created a platform to stimulate thinking for Estate Management Teams and to give them an opportunity to propose innovative ideas and to develop and showcase new innovations and best practices which could reduce the costs of production and thereby improve productivity to meet the unprecedented challenges of the last three years. KVPL were able to expand this initiative by creating a platform for the estate staff to widen their innovative thinking through Hayleys Plantations Staff Symposium under the theme "Great Division to Work". This provided the staff with a great opportunity to showcase their valuable efforts in productivity enhancement through efficient use of resources and cost reduction in estate levels. The Company also highlighted the importance of adhering to the ESG Framework in their innovative thinking and strategic planning.



An Evening with an Expert

Following the creation of a digital platform for Training and Development in 2020, this series continued during the year as both an onsite and online forum. An informal learning experience where experts from within and outside the Company are invited to share their knowledge / experiences / ideas with management executive and staff, the series has elicited much enthusiasm. Twenty five sessions were held during the year under review.



Initiative from Mabroc Teas

Innovation is a key to sustaining and growing, and below are some of the attributes of our brand marketing arm Mabroc Teas which help nurture and encourage innovation and build its Intellectual Capital.

- An environment which places a high emphasis on research and development (R&D), with a dedicated team focused on exploring new ideas and developing innovative Tea products. The Company invests in cutting-edge technology and equipment to support its R&D efforts
- An open and collaborative environment that encourages employees to share their ideas and insights. The company values diversity of thought and encourages employees to approach challenges from different angles
- Values experimentation and risk-taking with new ideas and approaches. The Company recognises that not every idea will be successful, but it encourages employees to learn from failures and use those experiences to drive future innovation
- Celebrate innovation with recognition of employees who contribute to the success and by regularly showcasing innovative products



Coconut Cultivation as a Part of Product Diversification and Portfolio Expansion

GRI 2-6



Following several international knowledge sharing sessions and learning from international management practices in modern Coconut cultivation and value addition; KVPL launched a pilot project to cultivate Coconut as a part of its diversification and portfolio expansion and new market destination strategies. It is intended to be a step forward in our progression to become an "Agribusiness" from a conventional plantation agriculture business.



INTELLECTUAL CAPITAL

Tea based Agroforestry Model-Halgolla Estate

GRI 2-6



Our Halgolla Estate was selected for Netherlands – Sri Lanka Pilot project on “Agroforestry on Tea Plantations in Sri Lanka”, marking another significant milestone in KVPL sustainability journey. This project facilitates a public – private partnership on Agroforestry Development in Plantations sector to enhance environmental and socio-economic sustainability.



Intellectual Collaboration with Global Delegates

GRI 2-6



KVPL along with the support of Japan Sri Lanka Technical and Cultural Association (JASTECA), hosted an exclusive tour to Pedro Estate, for the Ambassador of Japan to Sri Lanka, His Excellency Hideaki Mizukoshi, Madam Mizukoshi and Second Secretary - Political/ Economic & Development Cooperation/Protocol Section, Kaori Imai. Visit provided enough evidence for new innovations in sustainability and HR, pioneered by KVPL. Using of electronic weighing scales linked to personalised NFC cards which accurately record each harvesters’ production was a key highlight among them.



Accreditations

The range of Accreditations that KVPL has obtained, bears testimony to our commitment to quality and excellence in what as well as how we produce. It is a reflection and a result of the strength of our knowledge base and the quality of our systems and processes. KVPL’s Accreditations have been a key element of its Intellectual Capital, in accessing new markets and sustaining competitiveness.

When we ventured into the export of Rubber, KVPL did with the firm intention of exporting it as a semi-finished product, to end product manufactures rather than via the traditional path through middlemen. The Accreditations which are appreciated and valued by high-end sophisticated customers, have proven to be a valuable factor towards enhancing our direct exports over the past year. KVPL was successful in capturing a new market in Europe amidst market dynamics and it didn’t take long for KVPL to be recognised as a supplier of high-quality products mainly supported by the certifications that KVPL has obtained, paving the way for a significant market expansion for KVPL with our Rubber products reaching China, Portugal and Jamaica as well.

Additionally, year 2021 we were able to establish contact with a shoe manufacturer who creates footwear for well-known international brands. This manufacturer was using Natural Rubber grades from other sources because he had no experience working with Sri Lankan Crepe Rubber and had never seen or heard of Sri Lankan Origin Latex Crepe. Trials and discussions with KVPL, persuaded the customer of the higher quality of our product. In addition, the products being certified FSC-that they originated from environmentally sustainable and socially responsible Rubber Plantations, was a unique selling proposition. Following the initial export in 2021 exported higher quantities in 2022.

KVPL

Tea

Rubber

KVPL	Great Place To Work® Certified in both December 2021-22 and March 2023-24
	KVPL selected as The 50 Best Work Places In Sri Lanka for 2022 - Great Place To Work® - Best Workplaces List 2022
	Best Work Places For Women 2022 - Great Place To Work®
	Best Work Places In Asia 2022 - Great Place To Work®
	Mother and Child Friendly ‘SEAL’
	Child policy with Save the Children
	Home for Every Plantation Worker
Tea	Rainforest Alliance (RA)
	ISO 22000: 2018
	GMP
	HACCP
Rubber	Forest Stewardship Council (FSC)
	Organic Rubber (USDA/NOP, EU Organic)
	Global Organic Latex Standard (GOLS)
	Fair Rubber
	Sustainability Framework

INTELLECTUAL CAPITAL

Commitments to International and Local Mandates

- The CEO Water Mandate
- Member of the United Nations Global Compact (UNGC) and commitment to its 10 UNGC Principles
- The UN’s Sustainable Development Goals
- Active member of Bio Diversity Sri Lanka



Brand Equity

The KVPL brand, of more than 25 years has earned global recognition as a supplier of premium Tea and Rubber. Quality, reliability, speed, innovation and excellence in customer service and social and environmental responsibility are the key attributes of the KVPL brand which offer the Group a competitive advantage in the industry and the Global Market place.

Since 1996, the KVPL brand equity has been further bolstered by becoming a member of the Hayleys Group, one of Sri Lanka’s oldest, largest and most respected conglomerates. KVPL brand has consistently been placed and continues to be placed within the top ten for its Net Sales Average (NSA), which is a reflection of its reputation for the quality of its Tea.

In addition to the KVPL brand, a number of our product brands enjoy considerable brand equity and have been the key to venturing into new export markets. These include the Single Origin Teas and the brands marketed by our export marketing arm- Mabroc which has established a brand presence in over 50 countries. Below are some of KVPL’s Tea brands which have gained substantial traction in global markets and are much sought after in many nations.

KVPL’s Innovative Products & Brands

1. Range of Single Origin Tea bags : Comprising 25 to 100 bags with double chamber containing Single Origin Tea



25 Tea bag pack Weight 50g



50 Tea bag pack Weight 100g



100 Tea bag pack Weight 200g

2. Kelani Valley Loose Leaf Tea packet range containing Single Origin Tea



200g Premium loose leaf pack Grade - BOPF



350g Premium loose leaf pack Grade - BOPF



500g loose leaf pack Grade - Blended BOPF



150g loose leaf pack Grade - Green Curl (GC)

3. Our own Green Tea factory, Glassaugh produces Ceylon’s best Green Tea for the world Tea market and is packed in our own branded pack

New products introduced during the year:

- A high value specialty Tea for the Chinese market
- A low cost product range to be sold in high volumes under a private label for US market

4. Our best Tea garden marks Lover’s Leap and Mahagastota are being sold under Pedro. These exotic Teas which possess a unique flavor and fragrance are much sought after



5. Uda Radella is a high grown Tea factory manufacturing specialty Teas for KVPL’s garden mark range of which Rose Tea is unique with a special liquor profile to satisfy customer requirements



6. KVPL offers unique Specialty Teas for Ceylon Tea Market



Pedro - Mount Elixer



Fordyce Estate - Peak Wilderness



Glassugh - Tea Wringle



Uda Radella Estate - UR 19



Fordyce Estate - White Tea

INTELLECTUAL CAPITAL

7. Flavored pyramid Tea bag range



KVPL flavored pyramid Tea bag range consist with Premium Tea combining an array of flavors to create unique taste profile. To cover the flavor range we have fulfilled the story with Strawberry flavored Black Tea with chamomile flowers, Earl Grey flavored Black Tea with blue corn flower petals, Lemon & mint flavored Green Tea with natural peppermint leaves and Ginger Tea with natural ginger pieces. These unique blends of each items have KVPL pureness to enhance taste profiles.

8. Three Tea centers located at Pedro, Edinburgh and Kelani Estates to promote the brands



Rubber

Whilst product diversification has been a challenge in the crisis ridden operating environment of last three years, KVPL managed to expand its market for its Rubber and expanded to China, Portugal and Jamaica during the year due to quality product specifications and the Accreditations. As Sri Lanka’s highest quality Rubber exporter, KVPL has also been able to leverage high level of customer loyalty to expand and sustain its markets.

Rubber Sales Comparison

Year	Qty (kg)	Revenue US\$
2021/22	299,158	1,224,221
2022/23	440,310	1,775,755

Sole Crepe

Company's internationally recognised processing centres viz: - Dewalakande and Panawatte specialised in manufacturing of Sole Crepe, and produce over 500 metric tons annually. The Sole Crepe is manufactured from clean pure white Field Latex sourced from FSC certified Rubber Plantations and processed at factories which comply with FSC Chain of Custody (FSC CoC). The FSC accreditation opened inroads for direct exports in 2021.

Natural Rubber Sole Crepe after many decades of research is accepted as the most suitable material for the manufacture of shoes worn on icy surfaces. We have introduced colored Sole Crepe with black, honey, green color etc. as value addition to our existing products. KVPL’s Natural Rubber Sole Crepe has a competitive advantage over synthetic Rubber as our Sole Crepe is low in cost and durable. In addition to that, since our Sole Crepe has the FSC certification which is a strong proof about our sustainable business, we have a higher opportunity to expand our markets in Europe as well in future.



Picture courtesy by Baer Shoes India (Pvt) Limited

Following our first direct exports to a shoe manufacturer who produces shoes for an internationally reputed brand in 2021, KVPL exported 8 more orders in 2022, totaling 440 MT.

Latex Crepe

The FSC certified Latex Crepe produced by KVPL is also used in high end medical equipment, and products such as baby teats which come in direct contact with the human body, shoe industry and in the adhesive industry. Latex Crepe and Sole Crepe of Sri Lankan origin is probably the most unadulterated Natural Rubber product made for utilisation by humans and is manufactured after reducing Protein levels which are naturally present in the Rubber to the very minimum and making them free of leachable chemicals.



Centrifuge Latex

KVPL is also capable of producing FSC certified Centrifuged Latex in our production facility which has FSC chain of custody.



Skim Crepe

Skim Crepe is manufactured in our dedicated processing centers using the serum extracted in the processing of Centrifuge.



Scrape Crepe

Scrape Crepe is manufactured by mixing curly scrap and cup lumps. This is our equivalent to TSR 20, but with far less dirt content.



Manufacturing Process of Sole Crepe





HUMAN CAPITAL

A Home Away From Home

Our Human Capital strategies explore ourselves as a 'change agent' in transformation of modern plantation management scenarios by carefully filtering and absorbing individual's capabilities, competencies, the knowledge, skills and experience of the company's employees in all categories, as they are relevant to the task at hand, as well as the capacity to add their best potential for the organisational sustainable and ethical business operations, while adding economic value to the core business framework. The globally recognised and awarded Human Capital model, explains our critical thinking patterns of moving beyond the "Conventional Employee Management" strategies to "Absolute Human Management" initiatives in our business philosophy.

The efforts have being symbolised by recognising ourselves by certifying as 'Great Place To Work', being the first plantation company to receive the recognition for two consecutive years.



The "Habit of Excellence" at KVPL is spurred by the attitudes, knowledge, skills, competencies passion and commitment of our people. They have driven the growth of KVPL to sustain a position of leadership as one of the top two RPCs in the country; achieve the best ranks and become "Most Awarded Plantation Company" by LMD 2022 . It's also about a team driven by a spirit of winning together when times are good and sticking together at times of strife; as some challenging times over the past few years demonstrate. Whilst creating value to generate revenue, our Human Capital is what makes us nimble enough to identify and capture opportunities, optimise organisational performance, develop strategies and implement them.



The plantation sector in Sri Lanka remains unique in terms of the length and breadth of its responsibility, for its human and natural capital vis-a-vis any other industry and the fact that its responsibility for their well-being does not end with the end of a work day to begin the next morning, but continues through 24x365 days.



The number one plantation company in the country to be certified as GPTW for two consecutive years

At the same time, the tea plantation industry, since its birth more than 150 years ago, has inherited a traditional model of management based on a rigidly hierarchical structure. KVPL's strategic intent over the past years has given emphasis to introducing dignity of employment irrespective of position in company, the replacement of outdated management practices and a change in culture with the infusion of modern management practices and technology, to enhance the potential of the sector and to sustain value creation for the future. Accordingly, KVPL was one of the first plantation companies to implement a HR Strategic Plan in 2014; setting forth HR priorities for 2014-2018 towards the vision of "Reshaping the Plantation Sector HR for Employee Engagement, by Developing their Core Competencies

and building a source of competitive advantage to enhance their performance via improved quality of Work-Life and Quality of Life." The ESG framework and systems established by the company will now enable it to implement the multitude of HR and social capital initiatives under a relevant strategic framework.

Following successful implementation of these strategies, KVPL has continued to review and set forth new strategies for a five-year horizon. However, the uncertainty and volatility in the past three years prompted us to reduce the time to three years. The plan for 2023-2025 has prioritised the building of a "Knowledge Driven" culture, training of the company's leadership on ESG.

HUMAN CAPITAL

GRI 3-3



Attraction



Recruitment



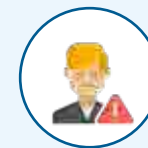
Onboarding



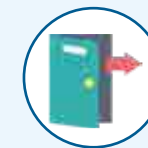
Retention



Development



Separation



Outboarding

Strategic HRM Priority	Operationalisation Factors	Sustainable ESG KPIs	Measurable Indicator/s
Talent absorption & Retention	<ul style="list-style-type: none"> Online recruitment Multi-source CV bank 	<ul style="list-style-type: none"> Non-discrimination and equal opportunity 	<ul style="list-style-type: none"> Employee retention rate/ Turnover rate
Engagement on Sustainable Knowledge Management Culture	<ul style="list-style-type: none"> "Do You Know?" - KVs e- Communication journey on ESG - KV's ESG Series "Surakimu Ganga" Programme within We Oya catchment of the Kelani River Basin 	<ul style="list-style-type: none"> Training and development/ Employment practices 	<ul style="list-style-type: none"> Training hrs/Total Workforce
Filling the competencies and skills gaps	<ul style="list-style-type: none"> IT Training centers for our children Career guidance for school children and unemployed youth Enhancing English communication programmes for employee and youth Hayleys Plantations Technical Skills Development Programme for office staff category 	<ul style="list-style-type: none"> Training and development/ Employment Practices 	<ul style="list-style-type: none"> Training hrs/Total Workforce
HR digitalisation and adoption of global HR mega trends.	<ul style="list-style-type: none"> Global Human Resources User Guide Hayleys Group Oracle HCM Cloud 	<ul style="list-style-type: none"> Better reporting and transparency indicator/ Engaged Teams 	<ul style="list-style-type: none"> Number of inaccuracy reporting/ Total time of reporting
Managing GEN Y and GEN Z	<ul style="list-style-type: none"> Lead by an Example and Lead with Humanity/ "Mathaka Petha" - best practices sharing sessions Understand their needs and focus on the individual (Mindful living series - power of mindfulness at work) Digital tools and technology skills training Encourage Innovation and work-life balance Plantation Management Training (PMT) programme - Batch No 6 is in progress 	<ul style="list-style-type: none"> Equity & human rights/training and development 	<ul style="list-style-type: none"> Percentage representation in all human capitals segments
Big data management in strategic plantations HR management.	<ul style="list-style-type: none"> Digitisation of the weighing process was in operation across all estates and linked to the performance appraisal system 	<ul style="list-style-type: none"> Better reporting and transparency indicator 	<ul style="list-style-type: none"> Number of inaccuracy reporting/ Total time of reporting
Expansion of Child protection policy to enable an on-line monitoring tool in collaboration with "The Center for Child Protection	<ul style="list-style-type: none"> Awareness on health, nutrition, breastfeeding, family spacing and well-being for the teenage, eligible couples and pregnant mothers with the support of midwives, MOH and other service providers and nutritional supplements & demonstration for children who are malnourished and underweight Improve the health and hygienic practices of our employees at home and workplace ADIC Alcohol Prevention programme HIV/STD Awareness programme 	<ul style="list-style-type: none"> Equity & human rights/Community health indicator/Child labour 	<ul style="list-style-type: none"> No of reporting cases/ annum
Employee alignment for ESG Sustainability framework & SDG goals	<ul style="list-style-type: none"> Living Environment No of beneficiaries: 6,686 Health & Nutrition No of beneficiaries: 108,970 Community Capacity Building No of beneficiaries: 2,785 Empowerment of Youth No of beneficiaries: 11,157 Annual CSR investment: Rs. 195 m 	<ul style="list-style-type: none"> Corporate Social Responsibility 	<ul style="list-style-type: none"> Total investments for CSRs/ Total Revenue
Succession planning, leadership & management development	<ul style="list-style-type: none"> Leading through change and uncertainty - OBT training program Series Advancing the Capacity for Future of Digital work environment Management development programme 	<ul style="list-style-type: none"> Training and development 	<ul style="list-style-type: none"> Training Hrs/Total Workforce
Transforming digital plantations management to AI plantations management model	<ul style="list-style-type: none"> Drones and crop monitoring Cloud based Agri Business platform 	<ul style="list-style-type: none"> Better reporting and transparency indicator 	<ul style="list-style-type: none"> Number of inaccuracy reporting/ Total time of reporting
Effective change management strategies to transform traditional plantation management mind set to modern Agri-business mindset.	<ul style="list-style-type: none"> Development of an Agricultural transformation plan Market-driven opportunities for employees (RSM and Outgrow Models) Other income generating projects SMART precision Agri Business models High-density Agriculture concepts 	<ul style="list-style-type: none"> Corporate Social Responsibility/ Climate smart agriculture/ Product Sustainability 	<ul style="list-style-type: none"> % reduction in emissions Total investment in community capacity building Mean average income per family
Productivity improvements	<ul style="list-style-type: none"> Digital weighing systems for both Tea & Rubber Factory modernisation Effective resource Management Introduced 3R concepts (Reused, Reduce, Recycle) 	<ul style="list-style-type: none"> Product Sustainability 	<ul style="list-style-type: none"> Output per harvester Output per factory worker % reduction in material used Profitability per unit land area



HUMAN CAPITAL

GRI 2-7, 2-8, 13-21

Group's Total Head Count



*(Office Supervisory, Production, Supportive and Human Development) Total head count including Mabroc

Total Head Count - KVPL

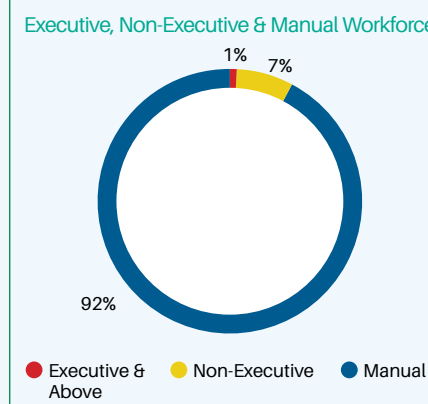
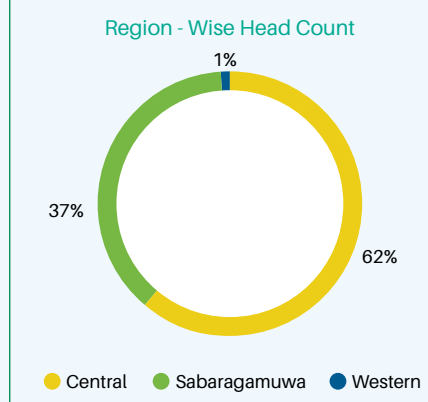
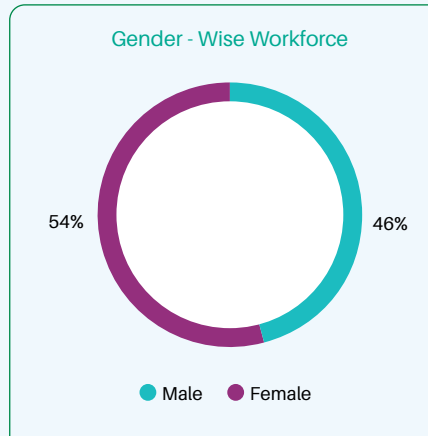


*(Office Supervisory, Production, Supportive and Human Development) Total head count of KVPL

HOW WE MANAGE
GENERATIONAL DIVERCIFICATION



GRI 2-7, 2-8, 3-3, 13.15, 13-20, 202-2, 401-1, 405-1



Total number of employees by employment contract (permanent and temporary), by gender, region and age.

	Male	Female	Total
Executive	85	15	100
Non-Executive	400	149	549
Manual	3,018	3,959	6,977
Total	3,503	4,123	7,626

	Western	Central	Sabaragamuwa	Total
Management	18	28	26	72
Executive	16	8	4	28
Non-Executive	5	294	250	549
Manual	-	4,386	2,591	6,977
Total	39	4,716	2,871	7,626

Employee category	Male	Female	Total
Permanent	2,854	3,281	6,135
Contract	649	842	1,491
Total	3,503	4,123	7,626

Employee category	Western			Central			Sabaragamuwa		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent	24	13	37	1,729	2,371	4,100	1,101	897	1,998
Contract	2	-	2	232	384	616	415	458	873
Total	26	13	39	1,961	2,755	4,716	1,516	1,355	2,871

Employee category	< 30 years		30-50 years		51-60 Years		> 60 years	
	Male	Female	Male	Female	Male	Female	Male	Female
Permanent	323	420	1,746	2,078	700	686	107	120
Contract	44	65	200	312	240	272	143	170
Total	367	485	1,946	2,390	940	958	250	290

Total number of new employee hires and turnover during the reporting period

Region Wise Total		Below 30 Years		30-50 Years		Above 50 Years	
Employee Type	Region	Male	Female	Male	Female	Male	Female
New Employee	Central	9	39	33	42	-	-
	Sabaragamuwa	13	20	28	33	-	-
	Western	-	3	1	-	1	-
	Total	22	62	62	75	1	-
Exit Employee	Central	21	17	54	224	154	201
	Sabaragamuwa	13	17	63	220	80	120
	Western	-	1	-	-	-	-
	Total	34	35	117	444	234	321

HUMAN CAPITAL

Region Wise Total		Below 30 Years		30-50 Years		Above 50 Years	
Employee Type	Region	Male	Female	Male	Female	Male	Female
New Employee	Managerial	2	-	6	-	1	-
	Executives and Junior Executives	-	3	1	2	-	-
	All Others	20	59	55	73	-	-
	Total	22	62	62	75	1	-
Exit Employee	Managerial	2	-	5	-	1	-
	Executives and Junior Executives	1	1	3	-	-	-
	All Others	31	34	109	444	233	321
	Total	34	35	117	444	234	321

- * New Employee Rate :3% and Exit Employee Rate : 15%
- * 100% of Senior Management at KVPL is hired from the local community.
- * We are not part-time employees or outsourced workers during the reporting period.

Labour Relations Management

GRI 3-3, 13.18, 402-1, 407-1

The Company’s approach to employee relations and its positive relationships are also influenced by its commitment to live its moto of “Ethical Tea Plantations”.



KVPL is also more than a workplace for its people, as its estates are also home for not only its 7,600+ employees but their families and communities which number over 58,000. The freedom of decision making, working together sharing the “Harvest” of efforts and the sense of camaraderie, have minimised the traditional hierarchical divides. The Company’s strategies to enhance the value of its human capital does not take place in isolation but is interwoven with upliftment of communities and hence, the numerous initiatives such as community capacity building, infrastructure enhancement and youth empowerment at our locations in addition to creating good will, also helps in employee retention and productivity improvements through higher quality of life. Our flagship initiative “A Home for Every Plantation Worker” launched in 2006, exemplifies our commitment and approach to enable holistic development of plantation worker communities.

Minimum notice periods regarding operational changes including those specified in CA’s	1 month
Is notice period & provision for conclusion specified in the agreement	Yes

KVPL offers total custodial care which offers a host of other benefits such as taking care of maternal and child health and nutrition, safety and well-being with Company paid medical staff and infrastructure such as dispensaries, recreation facilities, creches, factory rest rooms, sanitation facilities and clean water.

All our operation facilitate the right to freedom of association and collective bargaining and there is no operation at risk.

99% employees are covered by worker collective agreements and staff collective agreement (Executives are not included. But all the employees are facilitate right to freedom and collective bargaining

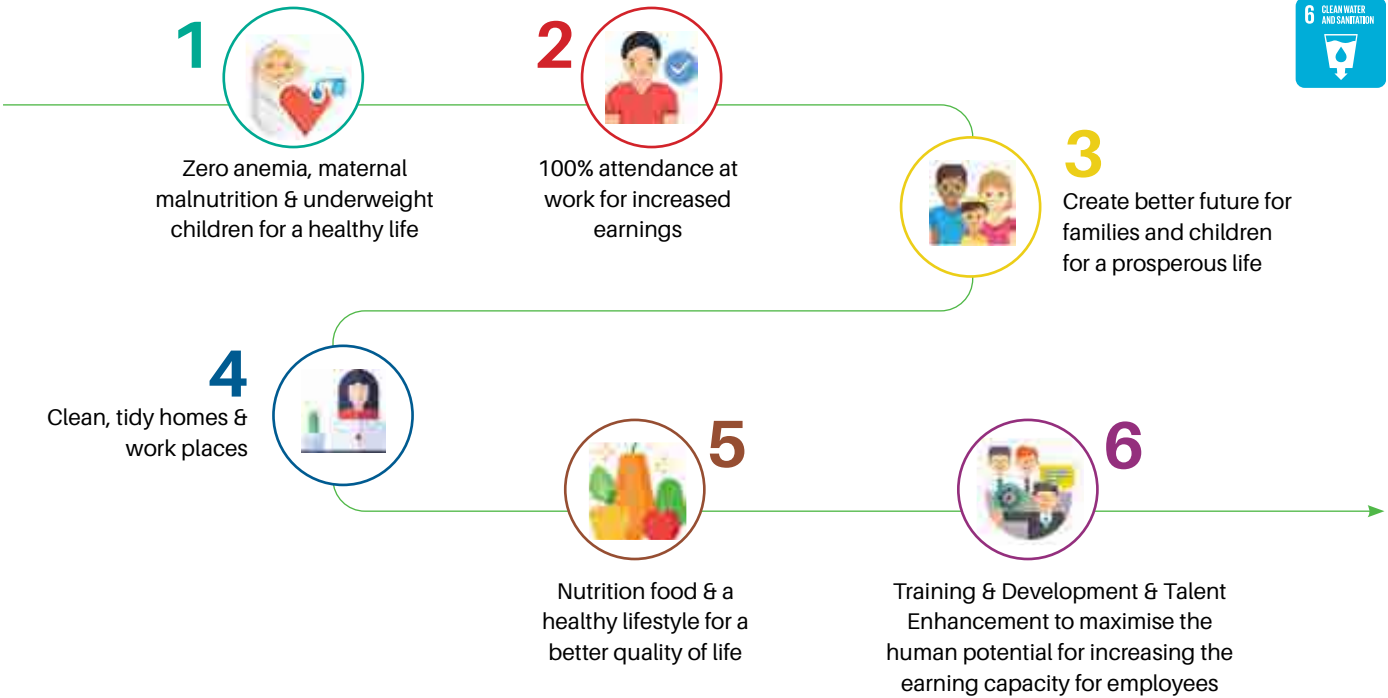
The **ESG sustainability framework** - branded as “KVPL’s Corporate DNA ” which was launched in 2021 has established systems and processes to align our HR, Social Environmental and Governance Initiatives, which we have been implementing for decades, with the ESG goals as well as the UN SDG goals and will provide greater strategic focus and result in more concerted effort towards sustainability.

GRI 3-3

Implementation of Key Value Drivers

Considering the current external environment and employees need for higher incomes, the Company has initiated a number of measures; such as encouragement of small scale businesses and the revenue sharing model; to increase the family incomes rather than the individual income and thereby balance the need for the enterprise to remain sustainable and profitable in the medium to long term.

At estate level, KVPL has also identified six key value drivers as important for win-win social impacts and for sustained productivity improvements. KVPL addresses these areas under its ESG framework and as a part of its Corporate DNA, through employee education and awareness creation and by providing the required infrastructure and facilities. The six key value drivers are the following :

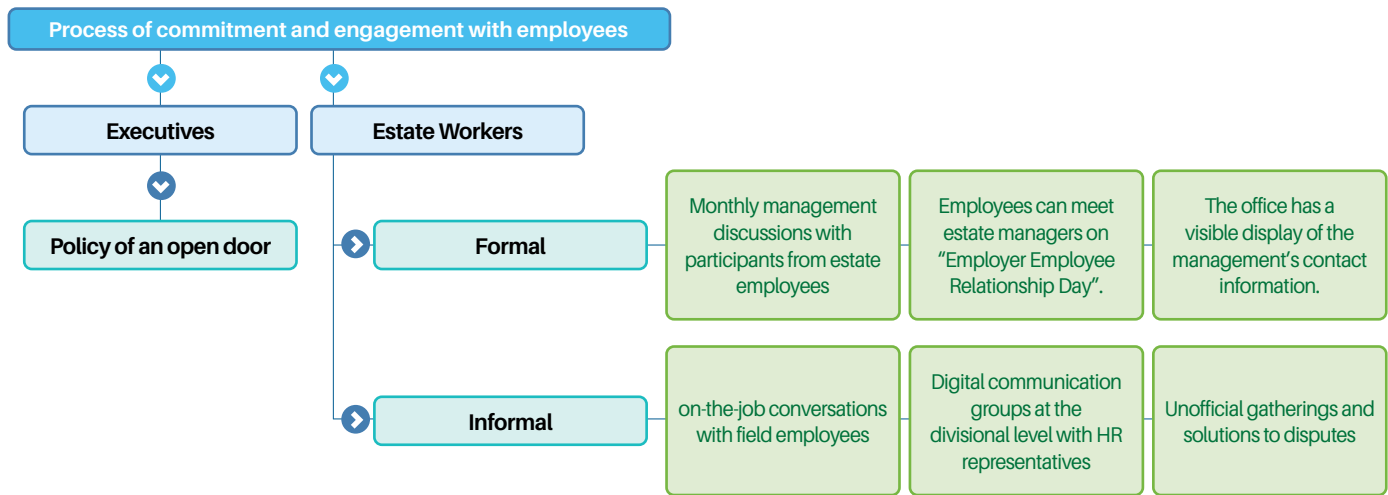


Communication and Engagement

GRI 13.18

Strong emphasis placed by KVPL on open communication with employees encouraged positive labor relations.

In a given year, KVPL has an open workplace culture and regularly interacts with employees in a variety of ways. Regular employees and team meetings constitute formal communication, while informal communication happens both in-person and via online messaging services. KVPL has been created feasible by formal and informal access to management.



HUMAN CAPITAL

Training and Development :



The year under review was a period of crisis for the entire country, with supply chain disruptions and scarcities of fuel leading to interruptions to normal economic activity and mobility of people across the country. It is thus noteworthy that the Company was able to carry out training and better its training yield ratio of the previous two years to record its highest ever of 0.6; despite many practical constraints as well as a heightened need for cost consciousness. We were able to do so by harnessing our internal resource persons and the international and local expertise which we are able to access at zero cost due to the sustainable partnerships we maintain.



Training & Development (T&D) at KVPL has given priority to building a sustainable learning and “Knowledge Driven Culture.” Accordingly, T&D programmes are designed and implemented under three pillars, namely, Executives & Management ; Staff, and Operational workforce . The programmes include necessary technical and behavioral competencies, skills and knowledge to perform functions effectively as well as competencies to advance in careers.

Summary of Training and Development for 2022-2023



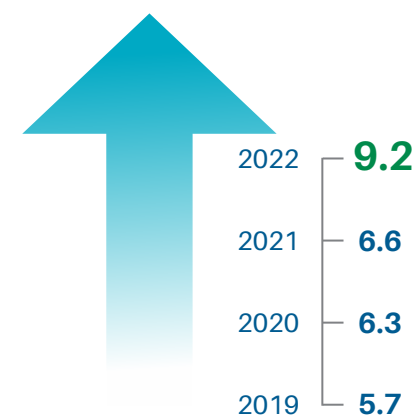
Training details report 2022/2023 | GRI 3-3, 404-1,2

Category	Training Head Count			Training P/Hours			P/H Per Person		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive	1,317	143	1,460	8,060	1116	9,176	1.1	0.1	1.2
Non-Executive	1,226	1,957	3,183	2,452	2,936	5,388	0.3	0.4	0.7
Manual	6,217	29,823	36,040	16,900	38,689	55,589	2.2	5.1	7.3
Total	8,760	31,923	40,683	27,412	42,740	70,152	3.6	5.6	9.2

Average hours of training per year per employee

Category	P/H Per Person - 2021/22			P/H Per Person - 2022/23		
	Male	Female	Total	Male	Female	Total
Executive	0.5	0.0	0.5	1.1	0.1	1.2
Non-Executive	0.1	0.1	0.2	0.3	0.4	0.7
Manual	0.9	5.0	5.9	2.2	5.1	7.3
Total	1.5	5.1	6.6	3.6	5.6	9.2

Highest Ever Training Person Hours per Person



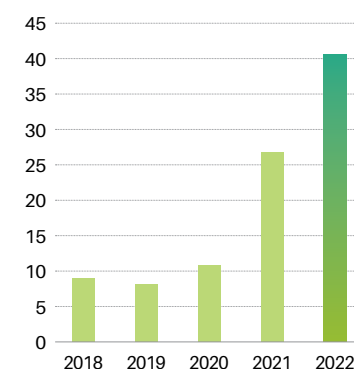
Training hours comparison year Vs Person hours of training

Year	Training Head Count	P/Hours	% P/Hours Over Previous Year
2018	8,866	62,690	-10.43
2019	8,216	51,849	-17.29
2020	10,841	54,880	5.85
2021	26,800	56,902	3.68
2022	40,683	70,152	23.29

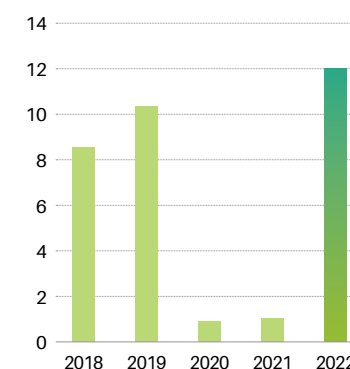
Training Investment Comparison

Year	Investment Rs.	Year	Investment Rs.
2017/18	5,820,701.31	2020/21	864,429.30
2018/19	8,562,546.00	2021/22	1,020,459.00
2019/20	10,354,617.30	2022/23	12,041,746.73

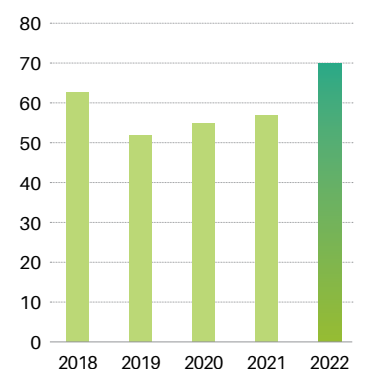
Training Head Count (No.'000)



Training Investment (Rs. m)



Training P/Hours



HUMAN CAPITAL

They arrange from internally designed certificate programmes for management/ staff, on-the-job training for operational work-force to in or out of classroom training sessions for management/ executives and staff. Having utilised technology extensively for T&D during the pandemic, the Company once again moved back to on-site physical interactions. The links we have established and the relationships we maintain with local and international universities, training institutes and global experts provide us with valuable resources to build an advanced knowledge driven culture.



Highlights of the T&D initiatives in 2022 include the following.

Key Initiatives in 2022

- ESG transformational year with training and awareness programmes on ESG & Life code for leadership to ground level employees to action the ESG concepts.
- The second Outward Bound Training programme held at the Sri Lanka Army Special Forces Training School at Maduruoya, focused on leadership, critical thinking, resource management, critical planning and execution with a team building approach. The 3 day programme had the participation of all Corporate and Estate level management and executive staff. The programme follows the first which was held in 2018
- A landmark initiative in the history of plantation management as KVPL held the first of its kind Management Symposium in the country which saw the creation of a platform for teams on plantations to showcase their best case studies on how innovative thinking and practices helped them perform amidst most adverse operating environs performance.
- HR alignment to "SMART Precision Agri-Business Management" model
- An appreciation lunch for estate workforce and their families to convey the Company's gratitude for their contributions to the success of the Company during the year under review. The employees were served by the management and the unions at the lunch; symbolising the culture change that we are progressing towards.



In line with the KVPL strategy product diversification, the Company invested in a Global learning series, for our management to acquire the necessary skills and competencies and the application of the newest technology for coconut cultivation. The exposure also included training on opportunities for value addition to coconut. The programme comprising theoretical and practical training was held in Thailand at an investment of over Rs. 4 m by KVPL.

A Group of Rubber plantations executives were sent for training to India at a Company's investment of Rs. 1.7 m to enhance their knowledge of managing the Pesta leaf disease.



The internally designed Hayleys Plantation Technical Skills Development Programme (HPTDP) batch No 01 for administrative staff was completed successfully via online platforms. This certificate programme of 6 months durations comprises 9 modules. More than 90% of the modules were delivered by our internal expertise such as the Heads of Finance, HR, Sustainability, Marketing and IT

GRI 3-3, 13.15, 13.16, 13.26, 406-1

Our HR Policies which help create "A Great Place to Work" :

Ensuring just and fair treatment, a meritocracy, employee safety, health and well-being, work-life balance, reaching and enhancing the potential of the individual and of the Company are key values and commitments of our HR model. Accordingly, we believe the policies we have adopted and adhere to, are vital to achieving and sustaining these attributes. The following are the policies we have in place which we have adopted from our holding Company Hayleys Group.

- Leave Policy (for Executives)
- Performance Management Policy
- Learning & Development Policy
- Talent Management Policy
- Recruitment Policy Manual
- Grievance Handling Policy
- Human Rights Policy
- Disciplinary Policy
- Anti-Corruption Policy
- Anti-Sexual Harassment Policy
- Whistleblower Policy
- The Hayleys Way - Code of Business Principles
- Industrial Relations Policy
- Employee Performance Management Policy
- Internal Mobility Policy
- Job Description & Job Evaluation Policy
- Child Policy
- Social Policy - (KVPL)

We are, most heartened by the endorsement by our people of KVPL as "A Great Place to Work" for the second consecutive year with benchmark results and being the first RPC to be thus certified in two consecutive years. Moreover, KVPL was also ranked as one of the 15 best workplaces in Asia and amongst the "10 Best Workplaces for Women" in Sri Lanka. The certification is particularly noteworthy as the survey sampled all segments of our employees with as much as 93% of responses being from Associates and operational staff from estates; whilst 99% of the employees said that they were made to feel welcome when they joined the Company. The fact that women make up 54% of our human capital gives us reason to be humbly proud that it is considered amongst the best workplaces for women by women. Furthermore, the fact that their positive sentiments and perceptions of the Company were conveyed at a survey which was conducted during one of the most difficult periods for people across the board, is most uplifting. We are also encouraged that our HR practices were recognised as the "Most Innovative HR Practices" to win a Gold award at the South Asian Business Awards. There were no incidences of discriminations during the reporting year.



Trust Index® Survey: Focus Areas



HUMAN CAPITAL

GRI 3-3,13.16,13.17, 205-1,2 & 3, 408-1, 409-1



KVPL ensures that all its estates are committed to and strictly adhere to a policy of not recruiting anyone under the age of 18 years. Having become the first plantation Company to be a signatory and commit to the UNGC 10 Principles, in 2007 which encompasses Human Rights, Anti Corruption, Child Labour, and the Environment, KVPL in 2018, also became the “First Plantation Company” to adopt a Child Policy. The policy is now implemented at all our estates. Following the milestones the Group has continued to expand its strategy and a sustainable platform to monitor the process of child protection across our locations. A Mobile App was introduced with the support of the “Save the Children Fund” to receive, monitor and respond to complaints on any incidents of violation of our child labour policy. The data obtained via the App is used for decision making by our estate and corporate office.

- No operations were assessed due to the risk of corruption.
- Anti-corruption procedures and policies have been communicated to all members of the governance body.
- There was no incidence of corruption during the reporting year.
- There was no incidence of child labor or forced or compulsory labor during the reporting year.

Through the adoption of the policy and its 15 principles, KVPL has committed to ensure that all children living on its estates are protected from all forms of harm, violence, abuse and exploitation. During the year, several measures were taken to operationalise the policy such as by :



- Ensuring at least one child caregiver is present in the crèche
- Crèche staff do not use physical punishment on children
- No child below the age of 16 years engages in labour
- Procedures to ensure protection of children during emergency and natural disasters
- Schooling is compulsory for children up to 16 years
- Disciplinary procedures are aligned with international norm

Employee Benefits | GRI 401-2 & 3

Employees of all grades enjoy benefits above the legal requirements. Benefits which are available to all permanent female employees include maternity leave as stipulated by labour, as well as flexi hours for nursing but is not afforded to temporary and part time employees.



Maternity Leave	Number
Total number of employees entitled to maternity leave	152
Total number that took maternity leave	139

Statutory Payments & Staff Costs	2022/23	2021/22
	Rs'000	Rs'000
Defined contribution plan costs (EPF, CPPS, ESPS & ETF)	387,895	383,930
Defined benefit plan cost (Retirement benefit obligations)	204,940	146,547
Salaries and wages and other staff costs	2,847,826	2,646,775
Staff training & development cost	2,789	2,409

As per the labor laws,male workers are not entitled to paternal leave. During the reporting period 100% of employees are reported to work after parental leave and continue to work 12 months after their return to work.

Performance Management

The Company has a comprehensive technology enabled Performance Management System for all its employees, encompassing Executive, Non Executive and Manual cadre and provides all input required to determine everyone’s performance based remuneration, promotions and other benefits. KVPL is the “First Plantation Company” to introduce this globally recognised software system for Human Capital Management “ORACLE Fusion HCM” Goals and Performance Management modules. The Performance Management System is used to translate and align business strategy into goals of teams and individuals across all levels of business. Organisational goals are then translated into Key Performance Indicators (KPI’s) for all employees.



KPI's are based on the perspective of a “Balance Score Card” comprising Learning, Internal Business systems, and Processes and Financial and Customer Focus. All employees across the Company have an opportunity for a two way appraisal process conducted bi-annually, where performance targets and measures are agreed on at the beginning of the year and monitored with contributions and achievement recognised and rewarded. The final performance appraisal via Oracle, of executive categories and above are reviewed by the MD; and comprising the CEO, Operational Directors, Heads of Departments and the Head of HR.

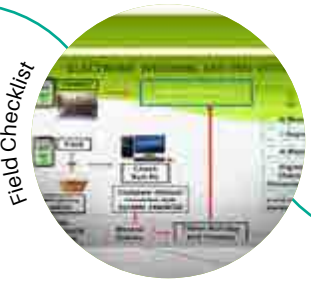
Following the facilitation of online real time data the individual performances of manual tea harvesters are now monitored online through the implementation of a digital weighing scale mechanism. The replacement of manual weighing and manual data entry is a significant win-win for all stakeholders; for the Company, as it has enabled more accurate decision making due precision of data and instant access to real time data; and for employees, due to the greater transparency and clarity in the record of their KPI's and the opportunity to instantly access their up-to-date harvest records for a given period and estimate or verify incomes as well as be recognised for high achievement.



Because of Our Digital Transformation, Only Exact Information can Lead to Precise Solutions.



Daily harvesting operations data recorded using a digital weighing system



The system receives online transfers of each plucker's collected Tea kilograms.



Download Data for the Payroll System and Check Roll for the same working day.

GRI 404-3

The percentage of our employees who receive regular performance and career development reviews is 100%. Moreover, KVPL practices a concept it has termed “You are Identified” which clearly defines, monitors and recognises every operational level employee’s performance via online operational data. The project is a result of the state of the art information system described above. The harvesters can now be rewarded for being “The Best Harvester of the Month” at every KVPL estate and also recognised with a certificate from the MD .



A ceremony titled “Celebrating Excellence” was held in February 2023 to recognise estates employees for their hard work, commitment and excellent dedication to the business throughout the period from 2022- 2023.



Staff Awards Ceremony 2023

HUMAN CAPITAL

GRI 3-3, 13.19, 403: 1-10

Occupational Health & Safety
Record - KVPL - 2022/23



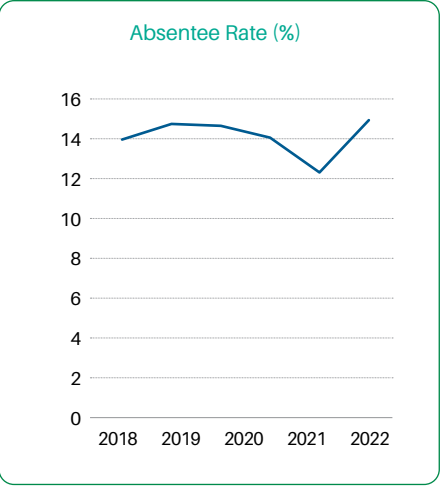
Company Total %	
Type of Injury	No major injuries were recorded
Injury Rate (IR)	0.14%
Occupational Disease Rate (ODR)	0.01%
Lost Day Rate (LDR)	0.15%
Absenteeism Rate (AR)	15.00%
Work-related fatalities	0
Workers in high-risk situations	N/A

Health, Safety and Well-being

KVPL has a comprehensive health, safety and well-being policy framework, to ensure a safe work environment for all the employee categories. The policy is aligned with the group level standards, other local and international certification standards. The Manager, HRD and Health is responsible for planning, executing and monitoring of health, safety and well-being related matters.

Health and safety risk assessments conducted annually and identify the materials with relevant risk factors and health, safety and wellbeing plan is prepared accordingly. Estate level health, safety and wellbeing committees, comprising members from estate management, HRD staff and operational workforce. The committees are regularly monitored the progress on compliances analysis and implemented the following procedure s to prevent significant negative impacts;

- Pre-employment health screening for factory workers by qualified medical officers
- Providing Personal Protective Employment engaged in hazardous work
- Regular fire drill demonstration and first aid training
- Ergonomic harvesting baskets for all the operational workers



GRI 2-25

Grievance Handling

The Grievance Handling policy at KVPL spells out the process one could follow if he or she needs redress from an unfair or harmful action by an employee of KVPL or the company itself. Employees are kept aware of the process they can follow, which includes submission of complaint through their immediate supervisor a suggestions box, or the top management verbally or in writing. A committee is then established comprising members who meet selection criteria; such as their knowledge of the business the type of grievance issue, their ability to be impartial, accessible and their gender sensitivity. The members are also provided annual training and list of names of the appointed members and their telephone numbers are displayed on notice boards at the “Muster Sheds” for the manual workers whilst the executive employees are made aware of through the intranet and other channels of internal communication.



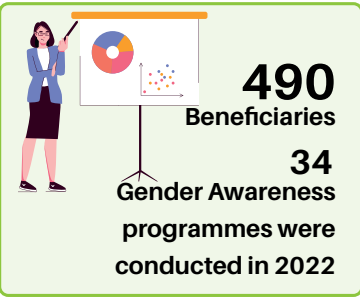
In addition to the Head of HR of KVPL, estate executives and other non-executives can also consult HR Head directly with regard their work and personal grievances with the objective of improving productivity as well as work life of every individual in the Company. The value we place on impartiality and fairness to all parties involved sees us committed to handle all complaints of discrimination seriously

- Conduct proper investigations into complaints
- Respond to the affected person promptly and proactively
- Record and file grievances confidentially
- Treat both complainant and respondent fairly
- Involve unions in the process for unionised companies
- Conduct training for all managers and supervisors involved in handling grievances

Prevention of Sexual Harassment

Women constitute a majority of our workforce on the estates and thus, the added importance of giving priority to the protection of women from sexual harassment, sexual assault and other related crimes against women by our HRM. Sexual harassment at KVPL is defined as per the legal definition and encompasses; verbal, psychological and physical harassment from the perspective of the woman and any act due to which she feels intimidated, humiliated or offended is considered as a harassment.

A committee has been established to ensure implementation of our “Anti Sexual Harassment Policy” and are tasked with taking all reasonable steps (active and preventive in nature) to prevent harassment; addressing any oral/written complaints of unwelcome sexual advances, unsolicited acts of physical intimacy, unwelcome requests for sexual favors or other unwelcome conduct of a sexual nature; obtaining support from the top management for implementing a comprehensive strategy; providing information to all employees about what constitutes sexual harassment and about the responsibility not to engage in such behavior; display of anti-sexual harassment posters on notice boards in common work areas and distribution of relevant brochures and regular awareness raising sessions for all employees on sexual harassment issues.



Steps to be followed by the committee when a complaint is received include the following; ensuring that it is clearly documented; is addressed in a manner which is fair and confidential; policy is explained to all parties; Parties are offered both informal and formal options for resolution; Providing guidance on internal investigation procedures and record keeping; The complainant is given and undertaking that he or she will not be victimised or disadvantaged for making a complaint.

In addition to creating awareness amongst employees on the topic; we also conduct training and awareness programmes on laws, prevention and action with regard to sexual harassment for groups of youth, communities as well as school children obtaining the services internal and external resource persons.

Employee Diversity and Inclusion

Our workforce is one which represents diversity in a multitude of ways, viz age and generations, to gender to ethnicity and religion, to education and socio economic strata. It is one which makes our industry unique and also which underscores the importance of the social capital investments we make and the policies we have in place. Diversity is a key to the performance of the plantation sector for the different strengths and perspectives they bring. KVPL’s human capital strategies, whilst nurturing a one team attitude amongst its diverse workforces also recognises the importance of meeting the diversity of needs that come with the diversity of profiles for instance in the differences in generational attributes. Catering to these diverse needs are important in attracting and retaining our labour force.

We have also long since recongised the importance of establishing HR policies to ensure a workforce that is diverse but equal in access to opportunity. Gender empowerment and knowledge transfers are some of the ways in which we strive towards a diverse but equal opportunity workplace.

Some of the informal ways in which we engage with our employees and foster camaraderie and a better quality of life :
“Great Division to Work” competition with staff symposium.



Best Harvester Competition: An Initiative to Motivate and Recognise Our Employees :

The inaugural Best Harvester Competition was held on February 25, 2023, at the Radella Grounds, Nanu Oya.



Best Harvester Competition 2023

HUMAN CAPITAL

Celebrating Women on International Women's Day

One of the most significant events on our annual calendar is the celebration of the contribution of the women in our work place as well the celebration of the progress we have made as a Company in empowerment of our women workforce and in achieving gender equality. The celebrations are our way of conveying our appreciation as well as reiterating our commitment to making further strides in gender equity and of igniting the entire workforce towards the same to ensure a true transformation of attitudes and behaviour across the locations. "The talk on DigitALL innovation and technology" go gender equality towards this vision was one of the events held to mark International Womens Day on 8th March 2023.



Plantation Management Training Programme Batch No. 6 - Year 2022

In 2014, KVPL launched its own Management training programme to provide an opportunity and a solid foundation for talented and qualified youth to be groomed as future leaders who would manage the plantations. The trainees upon completion of their training are then absorbed into the Company. The year under review saw KVPL's 6th batch of management trainees comprising five plantation management trainees undergo training.

KV's Together

KV's together event this year celebrated the 30th year of Kelani Valley Plantations PLC which saw employees at head Office, the regional offices and estate participated and shared their memories of being part of a rewarding and successful journey.



Outward Bound Training

Outward Bound Training (OBT) is known to be an excellent way to train and motivate whilst strengthening the cohesiveness of a team and building mutual trust and confidence and a sense of working together towards a common objective. During the year KVPL organised a second level OBT at the Sri Lanka Army Special Forces Training at Maduru Oya, with the objectives of providing an extraordinary life time experience which is also supported by getting away from the traditional and day to day office environment; to unlock the locked potential and talent of participants and awaken them to their own capacities as well as to clear misunderstandings, negativities and fragmentations and thus develop a "Winning Mindset" internalising the fact that "Together Everyone Achieves More". The resident programme which was of three day duration included 90 employees. KVPL invested Rs. 2.3 m in the programme and gained 6,336 hours of training with 72 hours per person.



SOCIAL AND RELATIONSHIP CAPITAL

The New Gold for Value Creation

Our Social and Relationship Capital consists of intangibles such as shared values, commitments and knowledge, that form the basis of the reputation and trust that we have developed over the years in our ethical business operations.

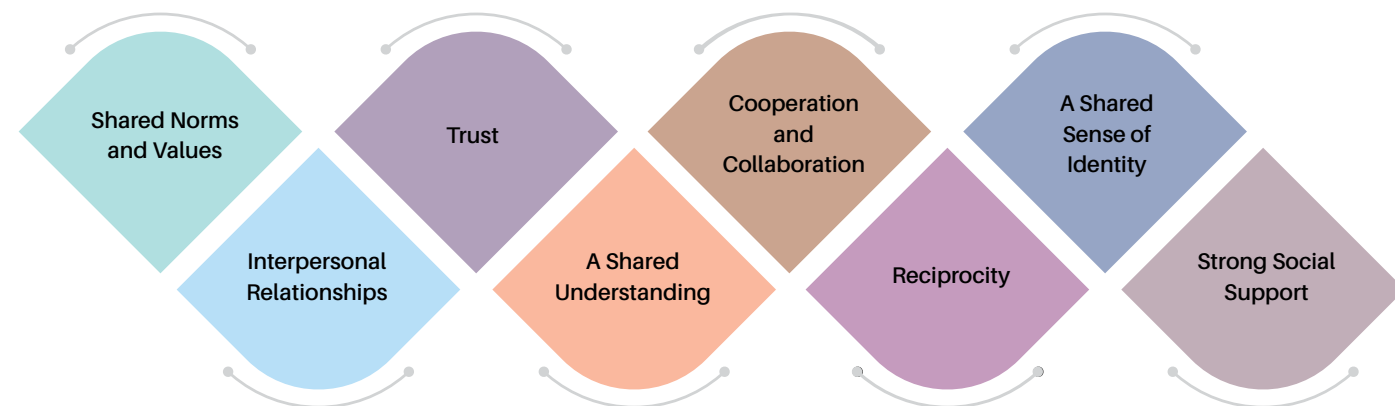
Internal and external relationships established within and between our plantation community, group of stakeholders and other networks has helped us to enhance individual and collective well-being. This has always foster common values and behaviours, reciprocate the benefits generated through key relationships, and the trust and loyalty that the organisation has developed and strives to build and protect with customers, suppliers and business partners. Moving beyond the existing boundaries within our globally recognised and flagship Corporate Sustainability and Responsibility - the Transformative CSR model, "A Home for Every Plantation Worker", most of the sustainable Development goals are in significant work in progress of achieving set targets in 2030.

SOCIAL AND RELATIONSHIP CAPITAL



Value Delivered to Our Communities

Our Plantations are home to not just 7,626 direct employees but a community of more than 58,000; whose welfare and a sustainable performance by the Company are inter-dependent or at least interconnected. The value we deliver to our communities is thus integral to the sustainability of the enterprise and hence considered our “Social DNA”. Our resilience and resourcefulness to find solutions and sustain performance during the most challenging three years faced by the Sri Lankan economy and Sri Lankans across the country, is a reflection of the strength of our relationships, a sense of shared value between our stakeholders and the investments we have made over the years to our social capital. KVPL’s social engagement strategy includes building healthier and transparent relationships with all those who are linked to its value chain for the Company to be more competitive amidst the local and global challenges.



It incorporates interaction between internal community on our estates viz workers and the residential population and the external community viz state and private sector organisations, interact with our operations, civil society and village community in and around our plantations.

Adopting a more strategic approach to social responsibility we give priority to

- Create a more conducive work environment for the plantation workforce with due consideration of their physical, social and psychological well-being
- Develop mutually beneficial partnerships with plantation workers and communities through continuous and ongoing engagement and open communication
- Uplift the quality of life of our plantation workforce and the plantation communities through consistent investments that minimise socio-economic inequalities
- Increase the employee motivation and commitment in order to enhance productivity that will serve as a key lever for growth
- Foster a familial culture unique to our company
- Depict the company as a good social steward

GRI 2-29, 3-3, 143-1

Our Key External Stakeholders & Partners for Higher Impact

- Plantation Human Development Trust (PHDT)
- Ministry of Plantations
- Ministry of Estate Infrastructure Development and other Government institutes
- National Institute of Occupational Health and Safety (NIOHS)
- Schools within the estates and surrounding villages
- Universities
- Divisional secretaries & other legal entities
- Government and Private sector Banks & Micro Financial service providers
- Deutsche Bank

- Trade Unions
- Mahaweli Authority of Sri Lanka
- The Mother and Child-Friendly Seal for Responsible Business
- International Union of Conservation of Nature (IUCN).
- Sri Lanka Red Cross Society
- United Nations Global Compact (UNGC)
- Divisional Secretarial & other legal entities
- Oxfam
- Great Place to Work Sri Lanka
- Social Dialogue and Workplace Cooperation
- UNICEF Sri Lanka
- United Nations Volunteers Sri Lanka



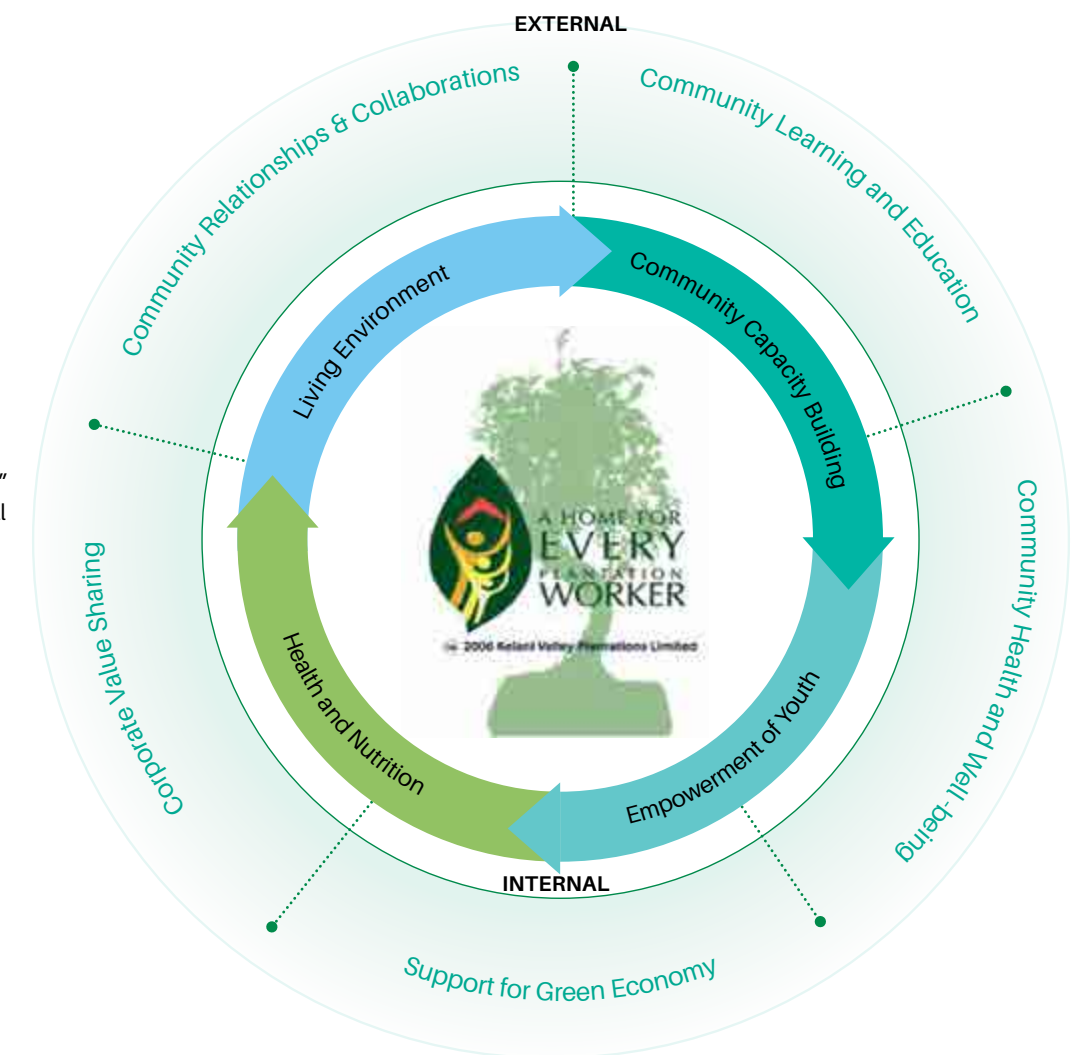
GRI 13.12, 13.22, 203-1 & 2

“A Home for Every Plantation Worker”

In 2006, KVPL launched, a first of its kind initiative, with the goal of ensuring “A Home for Every Plantation Worker” on its estates. The Company has thus far enabled 2,102 workers to own a home of their own. The project was also a first of its kind, as it builds a bridge between our customers and our plantation communities by enabling our customers to contribute to our social upliftment initiatives. Our tea packs, branded with the “A Home for Every Plantation Worker” logo, communicates that KVPL will allocate Rs. 1.50 from every kg of single origin tea sold.

The programme based on a holistic model, has now been expanded to include four key pillars to ensure the well-being and advancement of our communities as depicted in the visual illustration below. Namely, Improving the living environment through infrastructure development of basic amenities; Community capacity building; Health and Nutrition; and Youth empowerment.

Our Corporate Sustainability and Responsibility Framework



SOCIAL AND RELATIONSHIP CAPITAL

Internal

Community Capacity Building

Facilitating basic health requirements through

- The provision of direct loan facilities to support higher education
- Provide internships to selected high-performers
- The provision of micro financing facilities in partnership with the estate
- Worker Housing Cooperative Societies (EWHCS)
- Provision of school and nursery for children
- Skill and personality development programs
- Household cash management programs



Empowerment of Youth

- Training for small business management
- Bridal dressing and beauty care training programmes
- Home gardening
- English & Computer classes
- Monitoring of child development (5 - 18 years) in line with ILO standards
- Vocational training programmes to develop a multi-skilled youth population
- Primary school facilities



Living Environment

Improve the immediate living environs of workers and their families by

- Upgrade and rehabilitation of traditional worker houses
- Provision of factory and field rest-rooms
- Electrification of housing and living quarters
- Self-help housing projects
- Upgrade of water schemes & Installation of new water delivery systems
- Improving access roads to worker housing
- Establishment of rural agency post offices within the plantation boundaries
- Protecting and maintaining natural resources available in plantations



Health & Nutrition

Facilitating basic health requirements through

- Regular medical assistance for all plantation communities
- Regular health and nutrition checkups which includes immunisation and monitoring of child development, maternal health and elder health
- Common ambulance service for estates in the same area
- Day care centers (crèches)
- Provision of medical facilities addressing all major health requirements



SOCIAL AND RELATIONSHIP CAPITAL

GRI 3-3, 13.12, 413-1 & 2

Kelani Valley Plantations PLC		
CSR Summary (2022/2023)		
Description of work	Total	
Category 1: Community Capacity Building	Details	No of Beneficiaries
Micro financing (Rs.)	28,736,574	2,785
No. of borrowers	883	
Deposits accepted (Rs)	8,853,331	
Gender awareness programmes	34	
Prevention of Alcoholism programmes	36	
House hold cash management programmes	39	
Other	37	
Category 2: Empowerment of Youth	Details	No of Beneficiaries
Adolescence female programme		11,157
- Vocational Training	14	
- Bridal & beauty care	4	
- Sewing classes	3	
- Other	10	
Training for Small business Management	15	
Home Gardening	69	
Vocational Training -Self Employment	34	
Other programmes	42	
Category 3: Living Environment	Details	No of Beneficiaries
New houses build (# units)	35	6,686
Access roads (km)	3,085	
Water schemes (# units)	3	
Sanitation - toilets (# units)	6	
Play grounds (# units)	3	
Upgrading staff quarters (# units)	5	
Community centers (# units)	1	
Electrification (# housing units)	46	
Field rest room (# units)	8	
Factory rest room (# units)	2	
Any special projects (# units)	3	
Other	2	

* There are no significant negative impacts on local communities through operations during the reporting year.

Kelani Valley Plantations PLC		
CSR Summary (2022/2023)		
Description of work	Total	
Category 4: Health & NutritiON	Details	No of Beneficiaries
Free feeding program (no. of participants Age category 0 -10 years)	1,491	108,970
Daycare extended to children	721	
Supplementary feeding programme (# Children)	1,407	
Health & hygiene monitoring & intervention (# programme)	191	
Denver development programmes (monitoring of early child development)	67	
No. of mothers registered	263	
No. of pregnant mothers under care	180	
No. of participants for antenatal clinics	334	
No. of births	176	
No. of patients provided ambulance	72	
No. of persons provided Lorry Services	98	
Logistic support (km)	1,863	
Special Projects (# Programmes)		
Dental clinics	18	
Eye care operations – Cataract Programmes	2	
- Spectacles	147	
- Clinics	27	
Children’s Clinic/Maternal Care	130	
Elders Clinic	21	
Health Camps	9	
Ayurvedic Clinics	9	
De-Worming Programme	17	
Iron supplimentry programme	371	
Oral Cancer Programmes	15	
AIDS awareness programme	6	
TB awareness programme	21	
Dengue awareness programmes	64	
Any other	40	
Total no immunised (BCG, OPV, Penta, JE, MV, MR,Rubella, DT, TT, DPT, others)	1,066	
Annual CSR investment (Rs.)		195,138,115

External

Community Learning and Education

- Providing transport facilities to students who sat for the O/L and A/L examinations during the fuel crisis period
- Offering scholarships to children of our workers and staff
- Digital learning facilities in CDCs and e-learning centers through DP education
- Celebrating children’s day to explore the innovative talents of our future generations – KVs Kids Fest



Community Health and Well being

- Kelani Valley Protectors Initiative
- Promoting and supporting innovative “Home Gardening” concepts
- Launch of the Mother and Child Friendly “Seal” for responsible business



Support for Green Economy

- Green clubs in schools
- Multi stake holder’s engagement on environmental sustainability
- Agriforestry models



SOCIAL AND RELATIONSHIP CAPITAL

External Community Relationships

- Participation of external stakeholders in socio environmental projects
- Celebration of Vesak – Socio-cultural collaboration with internal and external communities
- KVs together 2022 - Celebrating the 30th Year Anniversary (1992 – 2022) with all employees and their families



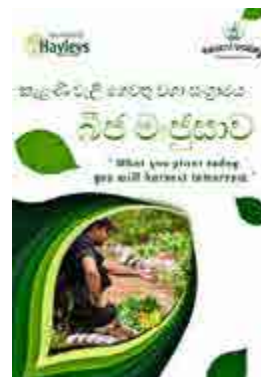
Corporate Value Sharing

- Strategic collaboration with external intellectual hubs, universities & expertise and other institutions – exchanging practical & advanced knowledge/ community knowledge management initiatives
- Evening with an Expert
- Management Symposium
- Kelani Valley Plantations Technical Skills Development Program (HPTDP) for office staff
- R&D through university students – mutual benefits with sharing of practical knowledge and research based outcomes for socio- environmental development and sustainability
- Exploration of cultivation, technology and value addition of new crops across the globe with acquired knowledge cascaded to communities and our workforce by our managers
- Explore the scope of added value to existing internal and external collaboration on environmental management and socio-cultural development activities in order to enhance the psychological and emotional motivation of workers and their children



Supporting and Promoting Home Gardening

Considering the important role a home garden can play in supporting the health and social well-being, especially during a time of crisis, as well as their potential to strengthen and nurture a space for collective action, the Company has committed to establishing 100 home gardens at child development centers, dispensaries and vacant plots on our estates.



R&D – Contributing Towards the Development of Agriculture and Intellectual Capital of the Country

Our R&D activities; aimed as win-win initiatives for Company, the agriculture sector of Sri Lanka, the country's economy and its Intellectual capital, are conducted in collaboration with the University of Peradeniya, the University of Sri Jayawardenepura, Wayamba University of Sri Lanka, Uva Wellassa University, and the General Sir John Kotelawala Defence University. The following research studies, conducted in collaboration with senior academics and final year students of the above universities are in progress or have been completed;

- Assessment of riverine vegetation of We Oya and Halgolla estate in We Oya catchment for its conservation and protection of river basin
- Every year the Company conducts a research programme with the University of Peradeniya on a problem identified at Company level. During the year we conducted two research programmes with the Department of Crop Science of the Faculty of Agriculture of University of Peradeniya. One of the main research topics was "Can tea-coffee agroforestry model restore tea, coffee production, above ground biomass, bio diversity and soil health?" A study to evaluate the socio-economic and community benefits of the existing mix cropping patterns in Halgolla Estate. The findings were presented to the company leadership and the management team by the academia and research students of the faculty and learning outcomes are now being applied and incorporated into the business



- Analysing actual plucking time on worker productivity enhancement in tea plantations: a case study of Kelani Valley Plantations PLC
- The impact of work family conflict in organisational citizenship behaviour on estate level workers at Kelani Valley Plantations PLC



KVPI - A Socially and Environmentally Win-win Milestone Initiative:

The Kelani Valley Protectors Initiative (KVPI) (which is also described in the Natural Capital review); is aimed to support the achievement of both social and the natural capital targets we have established for ourselves. It is a catalyst for environmental activation and volunteerism and for creating awareness on the importance of environmental friendly action. KVPL partners with the Divisional Secretariats, Forest, Wildlife, Agriculture and Health related agencies, the Central Environment Authority, National Water Supply and Drainage Board and other like-minded entities. It also brings plantation communities, villagers, scientists, trainers, and Government officials to a single platform to conserve, manage and monitor the We Oya catchment area.

During the year, the We Oya estate and the KVPI also became an appropriate center point to celebrate the United Nations (UN) International Volunteers Day, as Kelani Valley Plantations team joined hands with the UN Volunteers Team to clean the We Oya catchment of the Kelani River Basin by removing waste material. A team of 50 volunteers successfully collected 350kgs of waste material which was then segregated according to type of waste, by the project steering committee. Additionally, the KVPI team also planted 25 native fruit plants around to preserve the river basin.



SOCIAL AND RELATIONSHIP CAPITAL

The Kelani River is a vital source of water for over 25% of Sri Lanka's population; but it continues to be heavily polluted by industries and household water and sewage. It is thus alarming that it also serves the drinking water needs of over 6 Mn. people. The initiative is founded as a KVPL and IUCN supported "Public, Private and People Partnership" and supports the Government's "Surakimu Ganga" project which aims to clean and sustain rivers across Sri Lanka. The KVPL will focus on cleaning and maintaining the We Oya catchment of the Kelani River basin and adjacent landscapes.



Preventing further pollution, removing existing pollution and safeguarding this source of water will significantly enhance the health, and the quality of life of not only the current generation but future generations. Our project will also include a set of activities to protect the We Oya while ensuring the health, nutrition and safety of communities. In addition to managing plastic, metal and electronic wastes it is also a community based voluntary initiative which will encourage communities to take up win-win activities such as composting, home gardening, and recycling.

There were no incidents of non-compliance concerning the health and safety aspects of products and services. KVPL observes stringent standards and controls on food and safety in its tea production as per the ISO 22000 standards.

Enhancing Protection for the Child on Our Estates

In line with our objective to enhance protection of children and the quality of life for children in our communities, KVPL, in 2018 became the first plantation Company in Sri Lanka to adopt a child Protection Policy, in conjunction with the Save the Children Fund.

The policy formulated in line with the fifth Principle of the UNGC mandate (to which we are committed); entails improving maternal health and improving health, nutrition and sanitation facilities and education of children amongst estate communities. These also included establishing feeding corners in creches. The adoption of the Policy became a significant starting point for KVPL to translate its commitment into action to ensure that all children living on estates owned by KVPL are protected from all forms of harm, violence, abuse and exploitation.



Kelani Valley
Plantations®



Save the Children.

In 2018, KVPL became the 1st Plantation Company in Sri Lanka to adopt a Child Protection Policy in conjunction with 'Save the Children'

The initiatives and strategies developed following the adoption of the child policy include the appointment of "Child Protection Focal Points" (CPFP) on each tea estate, sub office level, and head office level for the coordination and monitoring of the Child Policy, Village Child Development Committees (VCDC) and Children's Clubs; the introduction of an online monitoring tool for CPFPs to keep track of their work; awareness raising measure such as distribution of leaflets to create awareness of child abuse case record (Log) books to provide a standard template to be used by estate managers for reporting to head office and the distribution of training packs for easy reference during worker training.



Pledge of Commitment

MOTHER AND CHILD FRIENDLY SEAL
FOR
RESPONSIBLE BUSINESS

Ensuring at least one child caregiver is present in the crèche; that crèche staff do not use physical punishment; that all children below the age of 16 years on our estates adhere to the country's law and attend school; that all disciplinary procedures follow international norms are some of the ways in which we operationalise the policy. During 2021 the Company also introduced an App with the support of the Save Children Fund, to receive, respond, report and monitor complains on any incidents of violation of our child labour policy or incidents of abuse or exploitation across the many locations on or within the estates. The data obtained on the App is used for decision making by our estate and corporate office cases of violation of the Child Protection Policies.



GRI 13.12, 413-1

CSR

Eye Screening Campaigns

Eye screening campaigns we held in collaboration with a leading optician, which enabled the screening of 8,000 individuals who were given status reports and out of whom 1,015 identified as requiring spectacles and issued spectacles. Forty individuals were diagnosed with Cataract and referred for further treatment whilst all participants benefitted from an information sharing on eye care and precautions they should follow to ensure a healthy vision.



SOCIAL AND RELATIONSHIP CAPITAL

HIV/AIDS Awareness Programme

An HIV/AIDS awareness programme was conducted on International day of HIV/AIDS which falls on 1st December, on 25 of our estates to empower communities through greater awareness of its impact, management of it and the availability of support systems, the importance of early testing and life style changes to prevent infection and minimise the spread of infection.



Tuberculosis Awareness Programme

Having identified a possible risk of Tuberculosis on estates, the Company conducted TB awareness programmes at 30 of its estates.



Oral Cancer Programmes

Oral cancer screenings, to detect early signs of oral cancer, are invaluable as oral cancer can be successfully treated if diagnosed early enough, and approximately 84% of oral cancers can be diagnosed early by a dental health professional. Thus Oral Cancer Screening Programmes were conducted across all our estates.



Non-Communicable Disease Clinics

Considering the rising trend of non communicable diseases (NCDs) in the country, supported by unhealthy life styles, ageing population, unplanned urbanisation unhealthy food and physical habits; KVPL has placed emphasis on helping to prevent the spread of NCDs amongst the estate communities. During the year KVPL conducted 65 clinics which screened 3,500 individuals for NCDs.



Medical Camps

Considering the value of health examinations in prevention and early detection, Medical camps are conducted for health intervention amongst plantation communities where the residents can obtain free health checks and treatment. Being able to have an appropriate health checkup is vital for every human being and we offer these to people who will otherwise not benefit from such checkups, and take into account factors such as their age, lifestyle, family background, and other risks.



Ayurvedic Medical Camps

In addition to the Western Medical Camps across our estates, we also hold Ayurvedic Medical Camps to help prevent and treat illnesses and a variety of medical conditions as well as share knowledge of how the traditional native medicines can help us live healthier and longer.

Immunisation Clinics as per Government Instructions

Immunisation Clinics under Government guidance, are held regularly on our estates.

Antenatal and Postnatal Care Clinics

Antenatal care and postnatal care interventions have proven to be effective health interventions to decrease maternal mortality, ensure better health of newborns and optimum Maternal care for our team members. We thus conduct a programme per month on each of our estates and during 2022/23, 275 such programmes were held.



SOCIAL AND RELATIONSHIP CAPITAL

Awareness programme on breast feeding for pregnant and lactating mothers

Following on from the Company's first brand integrated social responsibility project "Home for Every Plantation Worker", KVPL embarked on a lofty new initiative to strengthen its commitment to improve maternal health. The project launched in partnership with Save the Children Fund would see selected KVPL teas labelled as "Mother & Child Friendly Tea"; representing the results of a concerted effort to improve the health and sanitation levels of the mothers and children on our estates. Awareness programmes for pregnant mothers on the importance of breast feeding and maternal care, form a part of this effort.

Launch of The Mother and Child Friendly 'Seal' for Responsible Business



Street Dramas

Street drama is known to be one of the most effective mediums to convey messages, create awareness and kindle consciousness on important social issues and we have found them to be very effective on our estates and continued to facilitate them for the estate communities.

There were 35 dramas held in 2022/23 and the messages they conveyed include the following;

- Prevention of alcohol abuse and ill effects of alcohol
- COVID-19 precautions
- Happy family concept
- Importance of breast feeding
- Cash management
- Alcoholism

Women's Day Celebrations on March 8th covered 25 estates.



The importance of education cannot be overstated. But emphasising its importance is even greater for estate communities in order to shed stereotypes, overcome past obstacles and be on par to compete with the rest of the population. KVPL has hence continued to support education of estate children and youth through numerous efforts. These include

- Implementation of the "DP Education Programme" platform. Our Child Development Centers (CDCs) and e-learning centers were facilitated with IT infrastructure (viz. digital monitors and processors etc.) and all our HRD staff trained to transfer knowledge from this digital platforms to the children; thus enabling them to ensure they had access to education during the socio-economic crisis of last year when operation of schools came to a stand still due to the fuel and economic crisis. Children on our estates and neighboring communities used the DP Education platform to continue their education as well as widen their knowledge
- In addition, driven by a feeling of responsibility for the welfare of the children on our communities the Company also invested in transport facilities including the provision of fuel to ensure that students who were sitting for the GCE (O/L) and GCE (A/L) during the fuel crisis situation did not miss their papers
- Awarding of scholarships for children of employees to pursue higher education: we continue to experience a tremendous sense of reward and inspiration as many continue to qualify and are gainfully employed as Doctors, Engineers, Accountants, teachers and other professionals
- Establishment of e-learning centres to enhance IT skills
- Granting of land to build schools on some estates so that children no longer have to commute long distances to reach the "closest" school



Career Guidance for Youth

We have conducted a Career Guidance Programmes and also provided equipment and tools for youth on our estates with the collaboration of Berendina Foundation. Following are areas which were covered:

- Facilitating career guidance for selected youth on the estates
- Financial support for selected youth to follow professional courses
- Financial support for selected youth to follow vocational training
- Motivational sessions for enrolled students for vocational training & professional courses
- Training on facing interviews & work ethics
- Encouraging youth towards self-employment opportunities



ADIC Programme



SOCIAL AND RELATIONSHIP CAPITAL

The programme is designed to develop skills of CDOs, PFWOs and Volunteers to conduct a community based alcohol and drugs prevention programme to enable them to become facilitators for empowering communities; such as through parental groups, youth groups and community groups. To ensure the long term sustainability of the programmes and their impacts, the programme also includes ongoing monitoring and review of their performance to improve their skills where necessary.



Social Dialogue & Work Place Corporation

The objective of these sessions is to understand the systems & procedures required to participate in the Social Dialogue and Work Place Corporation awards competition for RPCs organised by the Ministry of Labour, and also to be briefed and reminded on the importance of non violent Communication, Negotiation and the latest industrial relation policies, procedures and best practices among other tea plantations and in general.

Using Our Resources to Extend knowledge Sharing with Our Communities

Having identified the immense opportunities which can be derived from online and digital channels during the past two years, towards building a knowledge driven culture, KVPL extended the digital channels to benefit non executive staff, such as supervisory, office admin, factory and production staff and even to the families of staff who reside on our estates. During the year 25 training sessions were held benefitting 4,800 individuals. The programmes and target audiences are listed below. We have enabled the resident populations on our estates to participate in these knowledge sharing initiatives by establishing micro learning centres, at different locations on our estates. The flagship Digital Learning Series is the "An Evening with an Expert", in which local and international experts shared their expertise on a wide range of topics.

The sessions are held after office hours, once every 10 days and hence offer an excellent opportunity for the staff as well as their family members to acquire knowledge in areas that interest them.

Taking a win-win perspective and urged by the belief that sharing of knowledge is the key to sustaining it; we also make this knowledge available to other industries and the Regional Plantations Companies (RPCs) for the benefit of their human resources and thereby the entire industry and the country.

In addition we also use our online delivery channels to carry out programmes to empower estate youth through IT, English and Tamil language training.

Support to Our Employees & their Families to Cushion the Impact of the Economic Crisis

- Encouraging home gardening and cultivation of fruit plants at Child Development centres, Dispensaries and vacant places on estates, Home Gardens play an important role in the health and social wellbeing for communities during a time of crisis and have the potential to strengthen and nurture a space for collective action. According to our high density Agri business plan we have cultivated tuber crops and maize on all possible vacant plots.
- Provided dry rations to help employees and families.

- Distributed (through our PHDT) rice & flour which were provided as a grant by India, for resident estate communities.
- Provided free flour/rice for employees who record more than 75% attendance.
- Took pre-emptive action before fuel crisis to store fuel.
- Provided self employment opportunities such as introducing inland fisheries
- Introduced tea harvesters incentive scheme as a means for additional income to help overcome skyrocketing inflation in the country
- Held awareness session on crisis management to help cope with the pandemic and thereafter the economic crisis



Sustaining the Benefits of Our Responses to COVID-19

KVPL's swift and effective responses to meet the challenge of the Covid-19 pandemic in 2020 and 2021, as described in our previous reports, helped to mitigate its impacts and also help our people to meet the challenge of lockdowns through logistical support. We ensure that the health and sanitisation measures continue through today. The measures to ensure hygiene in common areas on our estates and offices and the personal hygiene habits and behavior changes continue to be useful in protecting the health and safety of our people by minimising the spread of germs and promoting civic mindedness across our locations.



Customers, Suppliers and Shareholders

GRI 2-6

The establishment of the ESG code and its implementation since last year, reflects the importance we place on engaging our stakeholders, on the one hand whilst on the other hand it is helping us strengthen our engagement with all our key stakeholders. Bolstering transparency and relationships with all our stakeholders is one of its key benefits.

Customers

KVPL has long since adopted a long term approach in business and this approach also informs its relationships with all its stakeholders, including customers. Thus, engendering trust and reliability with our customers is a cornerstone of the sustainability of our enterprise and a key factor in the brand equity we have built.

In our tea business, we invite and encourage all our buyers, who are major exporters to visit our estates with their clients at any time; where we showcase our quality systems, processes and demonstrate and explain the key quality and sustainability measures we have adopted in our field and factory operations. We also invite our key buyers for tea tasting sessions on our estates, as an opportunity to show case our teas as well as to obtain their valuable feedback on the product.

In addition to the direct and indirect methods of customer engagement the

Company also continues to facilitate consumer participation in its social sustainability initiative "A Home for Every Plantation Worker" by transferring Rs. 1.50 from every kg of our single origin tea range to the fund.

Suppliers

The fact that a large number of our suppliers are those who have been our suppliers since 1992, (the privatisation of the Company) reflects the strength and sustainability of our supplier relationships.

Shareholders

Our relationship with our Shareholders is underscored by policies that encourage shareholder engagement and seek diverse investments in which we can provide a return for our shareholder and on which we will remain transparent and accountable to shareholders.

Our stakeholders and particularly the Investors have the right to know and may exercise that right to know that the Company uses transparent and accurate accounting methods and meet the relevant accounting standards in its reporting. Shareholders are also allowed to vote on important issues. Investors may also screen for governance practices as well as for environmental and social practices.

In addition to the fundamental that the Company does not engage in any illegal activity they are also entitled to assurances of ethical considerations and that the Company avoids conflicts of interest refrain from political contributions to obtain undue favorable treatment.

The inclusion of Governance to the sustainability framework into the "KVPL Corporate DNA" framework launched this year reflects the focus on strengthening governance and engagement with shareholders.

Moreover, the fact that the Company has been committed to providing attractive returns on investments to its owners of capital they are offered the best returns under the Company's value per share policy.

GRI 3-3, 13.24, 415-1

Political Contributions

As a policy KVPL refrains from making any contributions to any Sri Lankan or foreign political party or affiliate or political personality.

As a member of the Hayleys Group, its bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Hayleys PLC and its subsidiaries and includes guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others.

GRI 2-27

There were no incident of non compliance with any laws or regulations and hence no fines or penalties for non compliance during the year.

SOCIAL AND RELATIONSHIP CAPITAL

“An Evening with an Expert” KVPL’s flagship training initiative which offers stimulating and useful learning opportunities through local and international guest speakers who share their expertise on specific topics reached its 25th session at which the guest speaker was the Hayleys Group Chairman.



OUR EFFORT AND COMMITMENT TO RECOGNISED IN NATIONAL AND INTERNATIONAL FORUM



★ ★ ★ ★ ★
Most Awarded Plantations Company
2022 LMD - Sector Winner
 (No 1 Company in Plantations Sector & Overall ranking 27 for 2022)
 ★ ★ ★ ★ ★



🌿 **TAGS Awards 2022 - Gold Award Winner**
 Institute of Chartered Accountants of Sri Lanka 🌿



🌿 **Plantations Sector Winner**
 (Tillyrie Estate - Smart Plantations Management)
 Chairman's Awards 2022 🌿



🌿 **Best Work Places for Women - 2022**
 Great Place to Work 🌿



🌿 **SAFA Best Presented Annual Report Awards**
 (Agriculture Category) Gold - Award Winner
 South Asian Federation of Accountants 🌿

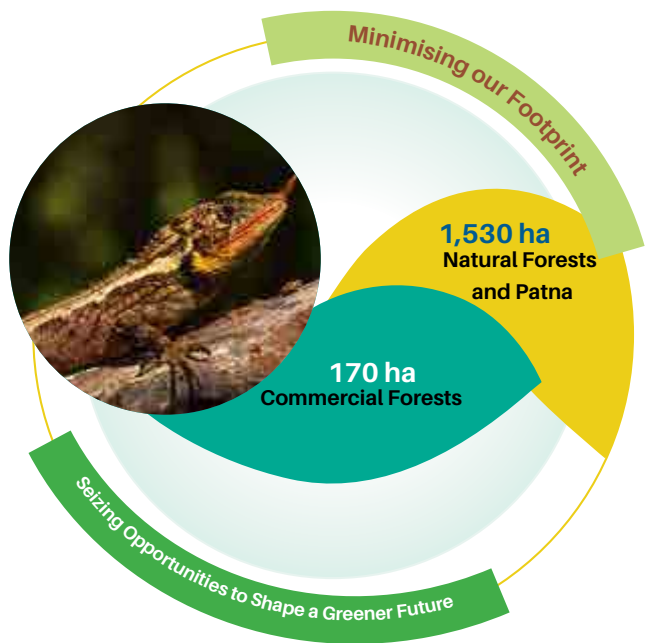


NATURAL CAPITAL

Positioning
 'Green' in the
 balance sheet

Our Natural Capital reflects our stocks of natural assets that we benefit from, which matters because our every single business activity not only impacts on nature, but relies on it. The stock of renewable and non-renewable resources we have in our system, that combine to yield a flow of benefits to our people, and support the current and future prosperity of our Company. We strictly believe that our Natural Capital is the basis not only of production but of life itself of our people and community and the business viability as well. The investment towards 'Absolute Green Footprints' has created our plantation business operations more sustainable and absolute deletion of 'green washing' in all our operations.

NATURAL CAPITAL



KVPL Environmental Policy

KVPL is committed to conserving the environment for future generations by aligning its Plantations in compliance with legal and voluntary international Environmental Management principles. To this end, we adopt sustainable, environmentally friendly processes with the participation of all employees whilst creating a framework to continually improve the system.

Vision: “To be the most environmentally sensitive Tea and Rubber producer in the world”

As a custodian of some of Sri Lanka’s invaluable natural resources which includes over 13,000 hectares of land spread across the Up Country, Mid Country and Low Country of Sri Lanka, we are aware of the critical importance of ensuring their sustainability not just for KVPL, but to enable the sustainability of the country’s eco-systems and ultimately the people. As a Company that strives to create value in Agriculture, we are always mindful that the protection and enhancement of those resources are also integral to the Company’s immediate to long term performance. And the productivity of our land, our people and financial capital are mutually dependent.

Our approach to sustaining the value of our Natural Capital is two pronged; we strive to minimise our environmental foot print on the one hand and proactively seek ways in which we can contribute to shaping a greener future and protecting our earth, on the other hand.

The comprehensive Environmental, Social sustainability and Governance (ESG) Framework internally branded as “KVPL’s Corporate DNA”, which was documented and introduced in 2021, began to be implemented during the year further bolstering our ESG initiatives through the introduction of formalised structures and a steering committee comprising relevant expertise and experience to give leadership in the Company. An environmental expert dedicated full time to supporting and guiding our Environmental Sustainability Strategy, is one of the committee members.

Our Environmental DNA Focuses on:

- Reliance on sustainable and renewable energy sources
- Reduction in energy intensity through improvement of operational efficiencies
- Phase out of our absolute Carbon footprint (aligning with science based targets)
- Application of sustainable water sources, reduction in water intensity through efficiency improvements
- Value additions over all the waste generations
- Ensuring the responsible consumption of natural resources and sustainable productions across the Group
- Ensuring best chemical management practices across the supply chain

- Biodiversity conservation and preservation relating to our business operations

The Policies we adhere to & which guide and reflect our Environmental Sustainability :

- Environmental Policy, Biodiversity Conservation Policy
- Hayleys policies on environment (Hayleys Life Code)
 - Energy and Emissions Policy
 - Chemical Management
 - Water
 - Material and Waste
 - Biodiversity
- Environmental DNA of KVPL ESG Framework

The impacts of our agri business on the environment includes both the positive as well as the negative.

The positive environmental impacts:

- Soil conservation – enhance the soil condition, improve the water holding capacity and nutrient holding capacity of soil, reduction of soil degradation, improve the beneficial micro-organisms of the soil
- Watershed management - protect and conserve the water catchment areas, improve the surface and ground water quality
- Increase of green cover by tree planting, enhance the micro-climate within and around estates
- GHG saving/act as GHG sink by crops
- Maintaining a biodiversity inventory
- Maintaining and conserving wildlife corridors

The negative impacts and how we strive to mitigate them :

Negative Impact	Ways in which we Mitigate
Agro-chemical usage	Minimise the usage, Integrated Pest Management plan approved by TRI, improve soil condition to maximise fertiliser efficiency, training and awareness, buffer zone and empty hazardous can recycle
Soil erosion due to soil disturbances in agriculture practices and soil erosion due to vacant patches	Soil conservation practices such as draining, tracing, hedge row planting, incorporating organic matter to soil, avoid clean weeding and cover the vacant patches with crops or planting mana grasses
Waste water release to environment	Tea factories - release through soak pits & Rubber factories after effluent treatment and Regular testing of waste water and drinking water
Monocrop cultivation	Increasing the Biodiversity in riverine boundaries, forest patches, crop diversification
Fuelwood usage for Tea Factories	Using sustainable biomass, screening of biomass suppliers for Environmental Sustainability initiatives/Forestry management plan

GRI 13-2

Climate change is intrinsically linked to our business - its negative impacts on KVPL:

- Crop losses and damage to natural food cycles
- Increase of pest and disease
- Water scarcity for crops
- Land degradation/becoming marginal lands
- Impacts to estate community and indirect effect on worker productivity

The lofty goals we have set for ourselves

Commitment to a Science Based target initiative to reduce our Carbon footprint



KVPL ‘Committed to Science-base Target Initiative’ in 2020 to become a “Carbon Conscious” Company and to become a “Climate Friendly” Company with long-term vision of “To be a Net Zero by 2050” as per the Paris Agreement to limit global warming to well-below 2 °C above pre-industrial levels and pursue efforts to limit warming to 1.5 °C. How we plan to approach this objective can be summarised into a nutshell as below :

Targets Towards 2030

➤ 90% sustainable and renewable energy applications

➤ 30% reduction in energy intensity

➤ 30% reduction in energy consumption related absolute GHG emissions of scope 1 & 2

➤ 30% reduction in absolute GHG emissions (except energy consumptions) of scope 1 & 2

➤ 10% reduction in absolute carbon emissions of scope 3

Become Net Zero by 2050

➤ Reliance on sustainable and renewable energy sources

➤ Reduction in energy intensity through improving operational efficiencies

➤ Phase-out our absolute Carbon footprint (aligning with science-based targets)

➤ Targeting a Triple Bottom Line by integrating people and profit in environmental initiatives where ever possible

➤ Adoption of environmental best practices and international standards

➤ Training and Development on Climate Change and Mitigation for the employees of all categories



NATURAL CAPITAL

People are a vital element in ensuring that we are able to act on our environmental DNA and KVPL inculcates the values and educates on issues through:

- Training and awareness on Biodiversity, safe chemical management
- Empowering youth on Biodiversity conservation
- Training on leopard conservation and protection for estate community and field staff in hand with Rainforest Alliance and Kirin beverages
- Involving community participation for environmental projects such as for the Kelani Valley protectors Initiative
- Launch of Green Clubs in schools within our estates
- Training series on ESG Framework for top management
- E-communication series on sustainability
- Expert knowledge sharing sessions on ESG for estate level
- Research and development programmes with Universities

The International Certifications which endorse our Environmental Sustainability Commitment

- Rainforest Alliance for all our Tea gardens
- Forest Stewardship Council for all our Rubber gardens
- USDA- NOP and EU organic certifications for Rubber
- Sustainability Framework certification

The Commitments to International & Local Mandates

- The CEO Water Mandate
- Member of the United Nations Global Compact (UNGC) and commitment to its 10 UNGC Principles
- The UN’s Sustainable Development Goals
- Active member of Biodiversity Sri Lanka

GRI 13-3

Our efforts at conservation transcends to new heights creating the path for a pioneering Biodiversity Research Tourism model:

In 2009 KVPL became the first RPC to commission an assessment of the Biodiversity of its Halgolla Estate, located in the Kegalle district. The survey conducted by the International Union for the Conservation of Nature (IUCN) led to the discovery of several endemic and unnamed new species of fauna and flora. The first was followed by a second survey in 2012. Recognising tremendous potential, the findings of third biodiversity survey conducted in 2022, has prompted us to develop a first of its kind venture in the region - a Biodiversity Research Tourism Centre in partnership with local and international scientists, on the Halgolla property.

Halgolla, located in the Sabaragamuwa province encompasses six different types of natural habitats and is known to be one of the richest Biodiversity sites in the

region. It thus has resources which need to be protected and conserved as well and significant potential to promote eco tourism and research tourism combined with environmental research. KVPL’s pioneering initiative, which we plan to launch in the next financial year; will include a research station and is designed to fulfill biological, geographic, social as well as economic objectives and would hence epitomise a business strategy designed for a Triple Bottom Line.

In addition to the environmental benefits of creating awareness of Sri Lanka’s invaluable Biodiversity and developing ways of protecting them; the venture will also help create economic value; by generating foreign exchange from eco-tourism and as a research destination for international researchers, and by generating livelihood opportunities for the local communities. IUCN will support KVPL’s initiative by facilitating networking with academic institutions across the world and by creating awareness via their web site.

The project also will not limit educational tourism to natural and Biodiversity studies but would also look to promote cultural, historical and social research and education opportunities. The model includes the training of local youth for employment as guides thus harnessing their knowledge of nature, local culture and the social setting of the area, and thereby creating added income for the people in the area.

The strides we have made over the years, have now bolstered a platform which has helped the Company transcend to new heights - to take its passion to conserve nature from win-win approach into a business model. The species of fauna and flora that have been discovered and recorded from the two assessments which reflects the rich natural heritage of the country are given below.

Habitats found in Halgolla

- Wet zone lowland rain forest
- Wet zone sub-montane rain forest
- Wet zone rock outcrop
- Wet marshy grassland
- Stream & water fall habitats
- Tea plantation

Floral Diversity of Halgolla

Life Form	Total Species	Species Status			National Red List Status 2020			
		Endemic	Exotic	IAS	CR	EN	VU	NT
Tree	122	47	23	4	1	9	21	12
Shrub	48	13	4	2	1	3	8	5
Climber	31	6	5	2	-	2	5	5
Herb	40	15	7	2	1	8	12	2
Epiphyte	3	-	-	-	-	-	-	1
Fern	7	1	-	-	-	-	2	-
Total Recorded	251	82	39	10	3	22	48	25
Percentage (%)		33	-	-	1	9	19	-
Total Threatened					73			-
Threatened %					29			-



Significant floral species recorded from Halgolla Estate

Fauna Diversity of Halgolla

Taxonomic Group	Species Recorded				National Threat Status				
	Native	Endemic	Migrant	Exotic	CR	EN	VU	NT	DD
Land snails	12	8	-	1	1	-	5	1	1
Giant Spiders	1	1	-	-	-	1	-	-	-
Dragonflies	19	7	-	-	1	1	8	4	-
Butterflies	60	10	-	-	3	6	9	2	-
Moths	4	-	-	-	-	-	-	-	-
Crabs	1	1	-	-	-	-	-	-	-
Fishes	9	6	-	-	-	-	3	3	-
Amphibians	22	20	-	-	4	7	7	2	-
Reptiles	40	25	-	-	-	5	7	3	1
Birds	107	26	14	-	1	5	11	6	-
Mammals	31	7	-	3	-	5	5	4	-
Total Recorded	306	111	14	4	10	30	55	25	2



Significant fauna species recorded from Halgolla Estate

NATURAL CAPITAL

A Socially and Environmentally win-win Community based initiative

Recognising the importance of achieving and protecting the quality of water in Sri Lanka’s natural water bodies and rivers, year 2021 saw KVPL launch the “Kelani Valley Protectors Initiative (KVPI)” as a joint “Public, Private and People partnership” and together with the International Union for the Conservation of Nature (IUCN), to support the Government’s “Surakimu Ganga” programme.

The overarching objective of KVPL is to increase collaboration between private sector and Government entities as well as scientists and other stakeholders, to achieve both social and Natural Capital targets we have established for ourselves.

In addition our specific objectives include the adoption of Nature-based Solutions (NbS) for greening the We Oya catchment and its ecosystem and ensuring a continuous monitoring, evaluation, accountability and learning (MEAL) approach.



Programme conducted with the participation of UN Volunteers Network Sri Lanka

Green Clubs at school

“Green Clubs” were launched in schools of We Oya and Kelani river area. School children of nearby schools will benefit from awareness campaigns and “Green Clubs” which are implemented with the help of IUCN and KVPL. Knowledge sharing among the school children would raise consciousness and spread knowledge of social and environmental benefits of the project, especially the importance of the quality of water and well being to neighboring communities.

Launch of Agro-Forestry Mainstreaming

KVPL joined an initiative to pilot an Agro-forestry on one of its degraded Tea lands with the aim to enhance environmental as well as socio-economic sustainability of the production systems at the pilot plantations. The overall project aims to facilitate a public and private partnership to pilot an Agro-forestry approach. For the long term the project aims to develop guidelines the Sustainable Management of degraded lands in Tea Plantations, by applying an Agro-forestry approach, which will benefit both the environment and diversify income sources of the plantations. By developing the approach in a participatory manner with stakeholders from the local to the national level, the Company’s social sustainability will be enhanced, and possibilities for replication or spin off strengthened.

Participation by the Netherlands Enterprise Agency (RVO) aims to help our plantation to make the transition to Agro-forestry with a broader focus on sustainability (social, ecological and financial) while doing so.

As degrade land plot on Halgolla Estate will be used, the estate will adhere to the objective of the project, to pilot an Agro-forestry intervention at the plantation with the broader goal to share lessons learned for the improvement of the entire Tea sector. The project does not solely aim to introduce Agro-forestry but include continuous commitment to sustainability and to improving human rights, safety and health, Environmental Sustainability as well as business integrity. RVO will regularly evaluate the performance of the participating plantations in the project.



Initial Visit of Netherlands RVO team at Halgolla Estate & exchange of MoU for the proposed Agro-forestry model



Sustaining Sri Lanka’s Biodiversity with establishment of a Green Corridor

The year under review saw another significant step by KVPL in its efforts to conserve Sri Lanka’s Biodiversity. We entered into a Memorandum of Understanding (MOU) with Wilderness & Wildlife Conservation Trust (WWCT) to establish the Ellabeda Ridge Corridor (ERC) as a protected area.

Science based research has established this area as being of vital regional importance to leopards and of general importance for Sri Lankan Biodiversity. As per the definition, a “Protected Area” is an area for which nature conservation is the primary objective and where other goals may exist but where there is conflict in goals, nature conservation will be the priority. KVPL will thus work with the WWCT for the primary objective-of maintaining favourable conservation status for leopards and other Biodiversity.



The Elbedda Ridge Corridor is a ridge comprising forest patches, located South-East of Hatton town and borders the Agra-Elbedda forest reserve on its eastern boundary which is linked to Horton Plains National Park. The area can be described as a mixed matrix landscape which supports a variety of habitats including Tea plantation land, pockets of eucalyptus forest, scrub forest, sub-montane forest and grassland.

The signatories to this MoU include 7 of KVPL estates which border this corridor and we have thus have committed to the following action to protect the ERC:

- Protection of the ridge by committing to prohibiting and prevent certain activities such as forest clearance, mineral extraction and all activities that are deemed illegal such as hunting, starting fires, setting of snares and cutting trees and enabling gradual rewilding where appropriate
- Habitat Restoration and Enhancement

- Visibility such as boundary signages, awareness raising amongst estate communities, education and Governance such as regular meetings of the parities to the MoU and
- Ongoing monitoring



Ingenuity Sparked by Adversity

The ban on imports of chemical fertiliser as well as weedicides in 2021 caused severe hardships to Sri Lanka’s Agriculture, whether it be the paddy, vegetables fruits or Tea. Productivity of land began to plummet in most of these sectors.

KVPL responded to the challenge of the unavailability of weedicides, by introducing a ‘Buy Back of Weeds’ scheme, a win-win project where our workers and their families during their non-working hours are encouraged to hand pull the hard weeds during their early stages of growth and thereby earn an additional income. KVPL would purchase these pulled out weeds at a fair price per kilogram to use as raw material for organic fertiliser. In addition to the rapid removal of weeds and the resulting benefit to the soil’s productivity, and their use to KVPL as a raw material for organic fertiliser; the manual weeding also activates the surface “Feeder Root” system of the Tea bushes enabling the root to draw in more nutrients from the soil. It thus has Triple Bottom Line impacts. Whilst the ban on weedicides was lifted in 2022, we continued to deploy this method to reduce the use of weedicides and due to its win-win impact.

Goal	Strategy	Approach
Materials Management	Reduce material usage Smart Precision Agriculture techniques	Compliance with Company policies
Energy Management	Reduce impact of GHG emissions by planting trees Improve the efficiency & effectiveness of energy usage	Compliance with Company policies and national and international standards
Water Management	Maintain quality drinking water and waste-water treatment	Compliance with national environmental laws & regulations
Waste Management	Increase recycling of solid waste and composting of biodegradable waste	Compliance with Company policies
Habitat Conservation	Maintain soil nutrient levels and reduce erosion. Biodiversity conservation	Compliance with Company policies



NATURAL CAPITAL

GRI 3-3

Materials Management

Materials used by KVPL include renewable materials which is primarily green leaf, latex and packaging materials (paper bags) and the non-renewable inputs such as Fertiliser, Dolomite and Agro-chemicals in liquid and solid form. Our efforts fertiliser and agro-chemicals via the substitution of natural material and methods that does the needful, began many years ago, (before the imposition of a ban in 2021) in alignment with our ESG integrated model. The past few years saw us pursue these with added vigour necessitated by the imposed regulations.

The use of Smart Precision Agriculture techniques such as the use of soil augers and burring of weeds, site specific precision fertiliser applications in keeping with the soil test and the integrated usage of fertilisers with organic fertilisers like compost made on our own estates using bio degradable wastes and weeds, thereby reducing the quantities of synthetic fertilisers required are some of these solutions we have prioritised.

Pesticide Usage

GRI 13.6

KVPL has in fact raised the bar for itself by targeting to meet standards that are higher than the minimum standards for agro-chemicals established by the Tea Research Institute and the Rubber Research Institute. We aims to meet the globally accepted sustainable agriculture standards.

KVPL has its Integrated Pest Management (IPM) plan which is always recommended to use physical, cultural and biological control methods for pest management and only in economic threshold levels to use pesticides. According to the Rainforest Alliance and Forest Stewardship Council certification guidelines, Environment and Social Risk Assessment (ESRA) has been conducted for all the highly Hazardous Pesticides and suitable mitigation methods are implemented to minimise the damage to natural eco-systems, wildlife and human health. Annually, Occupational Health and Safety training programmes are conducted for all the agro-chemical sprayers, store keepers and relevant HRD and Health staff by qualified experts to give awareness regarding safe chemical handling.

The renewable and non-renewable material usage is presented below:

GRI 301-1, 301-2, 301- 3

Material used by weight or volume

Usage of Non-Renewable Material				
Type of Material	Unit	2022/23	2021/22	2020/21
Fertiliser	kg	1,268,041	1,292,435	3,099,097
Dolomite	kg	885,188	2,123,907	2,046,777
Agro-chemicals(Liquid form)	Litres	10,437	13,864	18,942
Agro-chemicals (Solid form)	kg	4,252	2,094	2,244

Renewable Material Used				
Type of Material	Units	2022/2023	2021/2022	2020/2021
Bought leaf	kg	3,448,421	2,743,594	2,293,333
Estate leaf	kg	15,117,256	17,609,419	17,893,179
Total green leaf	kg	18,565,677	20,353,013	20,186,512
Bought latex	kg	280,202	238,903	126,000
Estate latex	kg	2,355,487	2,745,943	3,304,000
Total latex	kg	2,635,689	2,984,846	3,430,000
Packing Materials	Nos.	96,969	98,593	92,364
Firewood	m³/Cubes	27,584	30,079	27,789

No recycled materials are included the material used by Company.



GRI 3-3

Energy Management

The processing of Tea is an energy intensive industry. KVPL thus approaches Energy Management by targeting to reduce our consumption whilst also developing renewable energy wherever possible. Renewable energy is also of critical importance due to their environmental friendliness in comparison to the detrimental effect of greenhouse gas emissions from other forms of energy.

The development of renewable energy such as hydro plants began on our properties in Kalupahana, Glassugh, Battalgalla, Uda Radella and we then expanded to bio mass and solar as described below.

The need for conservation of energy and developing sources of renewable energy is of paramount importance for planet and people. The energy crisis that took place in 2022 highlights the urgency of alternate sources of energy for countries such as Sri Lanka.

Our efforts to develop and harness renewable energy:

KVPL’s renewable energy initiatives include generation of hydro-power, solar power and bio mass.

KVPL Hydro power projects:

KVPL harnesses the water streams and strong current on its estates of Glassaugh, Kalupahana and Battalagalla to generate power, which we supply to the national grid operated by the CEB.

Hydro Power Generation		
	2022/23 Units (kWh)	2021/22 Units (kWh)
Kalupahana	2,450,571	3,392,944
Glassaugh	4,556,688	8,593,201
Batalgalla	283,983	250,528
Uda Radella	39,419	-
Total	7,330,661	12,236,673


There are also several small hydro-power generation units on our Tillyrie, Glassaugh and Uda Radella Estates from which the power generated is consumed by the factories.

Bio Mass

As per the KVPL ESG Framework which was launched during the year, a plan for harvesting and replanting sustainable fuelwood is being prepared and will be implemented to enable entirety of KVPL to obtain 90% of its energy requirements from sustainable and renewable sources by 2030. As its initial step, sustainable fuelwood suppliers will be mapped and the forestry management plan will be further bolstered and coordination with responsible officers. As at today, KVPL users bio mass boilers to meet 95% of the energy requirements of its Tea drying and withering processes. These bio mass boilers are fired using non-viable Rubber wood from the Company’s own Rubber Plantations, and KVPL also plants plots of new fuelwood to ensure a continuous supply of wood. In addition it also maintains three plant nurseries for a regular supply of fuelwood plants.

Energy Source	2022/23	2021/22	2020/21
Total non-renewable energy usage (GJ)	16,355	14,505	12,969
Total renewable energy usage (GJ)	112,061	122,194	112,891





Solar power generation in 2022/23

113,836 units

Solar Power Projects

During the year we began the installation of solar panels on the rooftop of Panawatte factory whilst two more at Ingestre factory rooftop estate and the rooftop of Regional Office of Dickoya are to begin in the year ahead. The annual solar power generation of Dewalakanda rooftop solar project in 2022 amounted to 113,836 units.

NATURAL CAPITAL

Reducing Energy Consumption

GRI 302 -4, 302-5

KVPL ensures that the bulbs it uses are LED bulbs which consume lower levels of energy compared to conventional bulbs, and also invests in energy efficient machinery and equipment including capacity banks and Variable Frequency Drivers (VFD) in factories to help conserve energy. These initiatives complement our large scale efforts of conservation.

Energy Consumption within the Organisation

GRI 302-1



Energy Source	Amount (GJ)		
	2022/23	2021/22	2020/21
Total Diesel Usage	13,995	12,117	10,841
Total Petrol Usage	2,062	2,004	1,724
Firewood	112,061	122,194	112,891
LP Gas	297	384	405
Total energy consumption from direct energy sources (GJ)	128,416	136,699	125,861

Location	Amount of electricity energy consumed	
	2022/23	2021/22
Factory	18,167	22,986
Office	541	713
Bungalow(s)	1,215	1,621
Quarters	148	167
Others	494	444
Total energy consumption from indirect energy sources (GJ)	20,565	25,931

Water and Effluents

GRI 3-3, 13.7, 303-1

As a custodian of large extents of flora and fauna, KVPL understands the importance of protecting essential life sustaining water sheds; and has hence developed a formal policy for watershed management, to protect all watersheds and water resources within Company lands. Towards this end, the Company strictly observes guidelines on chemical-free buffer zones and vegetation barriers around water sources and has also established soak pits in all estates to prevent water pollution due to community activities.

Moreover, as an agricultural operation, KVPL’s water footprint remains high. With the natural surface water sources and rain water being the main sources of water. The Company has set in place several initiatives to control usage where possible.

Considering KVPL’s goal to reduce water usage by at least 2% each year, the water usage is monitored and recorded at Rainforest Alliance (RA) certified Tea processing centres with the intention of reducing the water footprint at estate level.

Meanwhile our efforts to improve water quality include regular mapping of water resources as per the requirements of the certifications and compliances which ensure the following:

- Continuous maintenance of the water distribution network, a process that has led to the establishment of vegetation barriers and chemical-free buffer zones around water sources
- Installation of waste-water treatment tanks at necessary places locations to prevent waste-water seepage into water bodies
- Regular maintenance work on water distribution network
- Corrective action if water quality is not within the required standards
- That septic tanks are not located in flood prone areas
- Periodic laboratory tests with independent bodies to ensure quality of drinking water on our estates and waste-water filtration, through soak pits is tested by independent laboratories to assess effectiveness of existing systems and to develop further improvements

Our investments into safeguarding water quality within our estates also include maintaining riverine forests, establishing water purification and distribution plants and partnering external volunteer initiatives such as the Kelani Valley Protectors’ Initiative to clean and protect the Kelani Valley river basin with the IUCN in support of Government’s “Surakimu Ganga” project.

Our pledges to international initiatives such as the CEO Water Mandate and Rainforest Alliance guide our action at the highest level. KVPL became a signatory to the CEO Water Mandate in 2006 becoming the first RPC to do so.

Water Withdrawal by Source

GRI 303-3, 303-5



As a plantation Company KVPL uses natural surface water for manufacturing and other operations. Surface water withdraw for factory operations and rainfall water used for agriculture operation represents the total water consumption.



NATURAL CAPITAL

Biodiversity and Habitat Conservation

GRI 3-3, 13.3, 304-2, 304-3

Several Biodiversity and habitat conservation projects have been initiated by KVPL during the year under review; Biodiversity Assessments and Research Tourism model at Halgolla Estate, Agro-forestry Project at Halgolla Estate, Kelani Valley Protectors Initiative at We Oya catchment area, Elbedda Ridge Corridor project at Hatton region. (Please refer page 144, 146, 147 for more details).

Further ‘International Day of Forestry’ was celebrated at Horakanda Ela High Conservation area, Ederapola Estate in collaboration with Department of Forest Conservation - Kitulgala range. In that occasion 200 plants of different native species planted in Ederapola HCV area.



International Forestry Day celebration at Ederapola Estate

As a responsible plantation Company KVPL is giving its fullest contribution in national level conservation projects and in the year under review, KVPL has sponsored for the awareness board at ‘Kurulukelle Forest Reserve’ in Kegalle forest range.



GRI 13.3, 13.4

Operational sites owned, leased managed or adjacent to protected areas and areas of high Biodiversity value outside protected areas.

Amount expended on habitat conservation and prevention and environmental management:

LKR 7,318,452

Conservation Area (ha)	
Forest	1,501.61
Marsh Land	180.09
Rock Area	266.93
Watersheds	83.1
River/water sources and relerant land area	15.95
Total (ha)	2,047.68

Soil Conservation

GRI 13.5

As an enterprise engaged in agriculture, one of our key business and environmental imperatives is the protection, sustenance and enhancement of the soil we reap from. KVPL’s action to conserve soil includes crop rotation to minimise environmental impact, planting of cover crops, prevention of soil erosion and minimising the use of chemicals.



Sponsorship for the awareness board at ‘Kurulukelle Forest Reserve’

Measures to improve the soil’s water retention

KVPL uses ground cover management to reduce the evaporation of rain water from ground surfaces during drought conditions, using methods such as:

- Burying of pruned litter cut along Tea inter rows which will help preserve rain water in soil for more than 2 years
- Proper mulching of Tea inter rows with a suitable thatching material or shade loppings
- Proper Tea bush management following suitable pruning practices
- Incorporation of organic matter such as compost, weed compost and Refuse Tea
- Establishment of cover crops and cutting them back to ground level before the on set of drought
- Leaving of soft herbs on the ground
- Soil rehabilitation

Preventing Erosion

KVPL implements a number of soil erosion measuring and mitigation actions. These include:

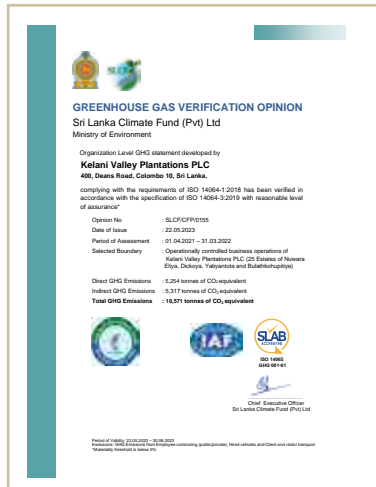
- Proper land preparation before planting of Tea and forking of mature Tea fields in order to loosen the soil or reduce its bulk density to improve water retention capacity.
- Both on-farm and off-farm soil conservations are used. Namely cutting of “Lock and Spill” type lateral drains equipped with slit/ reverse slopes on contour lines helps to retain a high volume of water whilst depositing soil which slides down with runoff water during rains and to gradually absorb water into soil.

GRI 3-3

Emissions

Carbon Emission Quantification

Carbon Conscious Certification is a significant step towards our objective to become net zero in GHG emissions by 2030 by mitigating the environmental impact of our business operations in accordance with the ISO 14064-1: 2018 specification. KVPL has recorded and tabulated the carbon footprint of the organisation including that of 25 estates located in the Nuwara Eliya, Hatton and Yatiyantota area.



GHG Emissions (tCO₂e)

Direct (Scope 1) GHG emissions, Energy indirect (Scope 2) GHG emissions, other indirect (Scope 3), GHG emissions, Reduction of GHG emissions.

GRI 13.1, 305-1, 305-2, 305-3, 305-4, 305-5

Scope	2022/23 (tCO ₂ e)	2021/22 (tCO ₂ e)	Reduction of GHG emissions (tCO ₂ e)
Direct (Scope1) GHG emissions	3,844	5,253	(1,409)
Energy indirect (Scope 2) GHG emissions	3,817	3,804	13
Other indirect (Scope 3) GHG emissions	97	1,514	(1,417)
Total GHG emissions	7,759	10,571	(2,812)

Scope 1: Stationary combustion- fossil fuel & biogenic, mobile combustion, fugitive emissions arise from the release of GHGs in anthropogenic systems

Scope 2: Electricity usage from CEB, electricity transmission and distribution losses

Scope 3: Indirect emissions from fertiliser, indirect emission from transportation, emission from product used by organisation

Exclusions: Employee commuting

Projects invested in as Carbon sinks and to reduce the GHG emission; reforestation, solar power projects and hydro-power projects

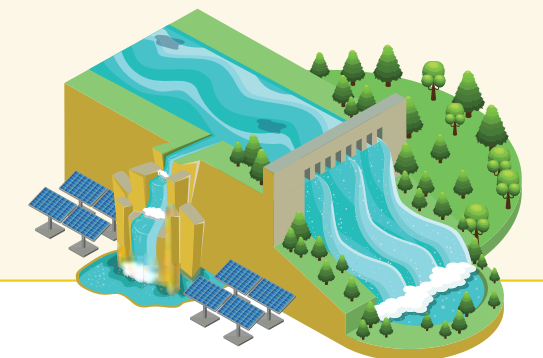
Emission Intensity (tCO₂e/Revenue Rs. ‘000)

0.002
2021/22

0.001
2022/23

GHG Saving from Hydro & Solar Power Generation:

3,676 tCO₂e



NATURAL CAPITAL

Waste Management

GRI 3-3, 13.8, 306-1, 306-2



Under KVPL’s Integrated Waste Management Programme, employees and estate communities are encouraged to practice waste segregation, waste collection and composting techniques for degradable waste. Empty chemical containers used in estates are sent for recycling and training and awareness programmes are conducted to promote eco-friendly practices among employees.

Waste Type and Disposal Method

GRI 306-3, 306-4, 306-5



Waste generated by KVPL estates and their disposal method :

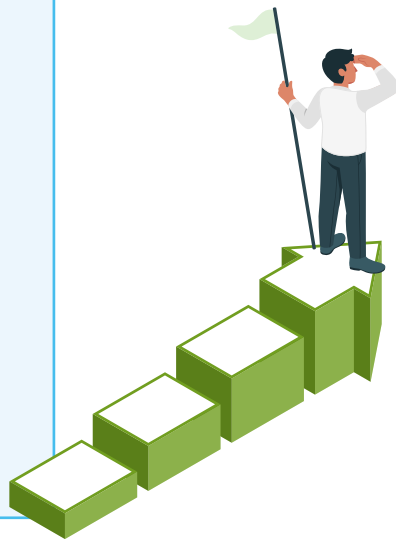
Type of waste (Non-hazardous)	Weight kgs	Disposal Method
Bio degradable waste	2,786	Composting and Dumping
Non-bio degradable waste		
Glass	338	On-site storage
Paper	1,566	Recycling and Dumping
Polythene	4,654	Dumping
Plastic	854	Recycling and Dumping
Hazardous waste		
E-waste	297	On-site storage and Recycling
Bulbs	106	On-site storage
Empty chemical cans	845	Recycling

Non Compliance with environmental laws and regulations

KVPL is fully compliant with all applicable environmental laws and regulations and did not face any fines or penalties for non-compliance during the year under review.

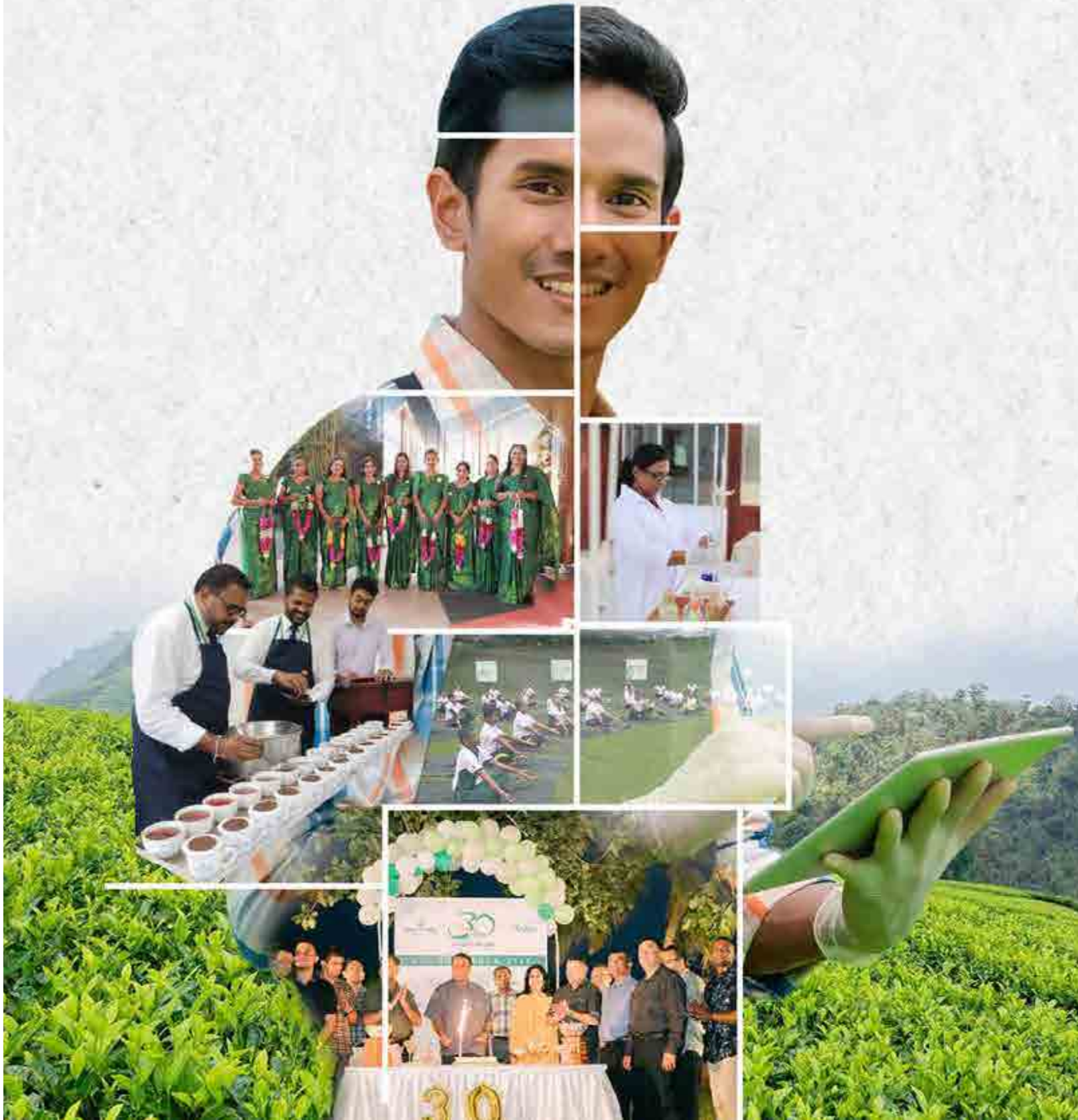
Plans for the year ahead

Our Environmental action plans for next year also reflect the multifaceted approach of minimising our footprint at ground level to proactive action and Triple Bottom Line initiatives. We will continue to invest in renewable energy with rooftop solar panel projects planned at two more of our factories. Amongst the other are a firewood supplier evaluation, installation of water meters and electricity sub meters for factories, increasing training and awareness on safe chemical handling, improving biodiversity of riparian buffers, second round of Biodiversity assessments and High Conservation Value (HCV) conservation programmes and environmental impact assessments with universities.



Waste separation bins at estates

CHAMPIONING QUALITY GROWTH



CORPORATE GOVERNANCE



STATEMENT FROM THE CHAIRMAN ON CORPORATE GOVERNANCE

Good Corporate Governance is a vital element that contributes to the long-term growth and sustainability of Kelani Valley Plantations PLC. We strive to emulate good Governance practices in all our day-to-day activities vis-à-vis strategies and procedures to facilitate good ethical behavior and a sound ethical culture. Our Corporate Governance Framework consists of strong business principles, sound policies and procedures, underpinned by an efficient monitoring mechanism, where the Board of Directors stands as the apex governing body.

The Board consists of a diverse mix of individuals drawn from various disciplines. Their collective experience and varied perspectives have enabled the Company to implement strategic initiatives to enhance performance of KVPL, to overcome numerous sector-specific business challenges that we had to face in the period under review.


Our Governance Framework is geared to strengthen the roles and responsibilities of the Board of Directors of the Group, ensure transparency and accountability and reinforce our commitment to provide sustainable returns for the benefit of all internal and external stakeholders, despite all odds. Our Code of Conduct and Business Governance offers direction for all the employees across the organisation, where we continuously stress on the values of good Governance, honesty, integrity and fairness.

This section of the Annual Report seeks to demonstrate KVPL’s Governance Framework in action and its correlation to the regulatory framework applicable to our business. Accordingly, our business principles reflect the standards set out to ensure that we operate lawfully and comply with all mandatory requirements including the Companies Act No. 7 of 2007 and the updated Code of Best Practice on Corporate Governance, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We hope that this brief message will be of value to you in assessing how the regulatory requirements and best practices are being put into action across KVPL.

I assure you that we make every effort to continuously improve our Corporate Governance practices by complying with the relevant regulatory and Governance Framework to achieve ethical and stewardship obligations, while supporting the creation of long - term sustainable stakeholder value.

As required in the above Code, I together with the Board of Directors hereby confirm that, we are not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics as the case maybe by any Director or any member of the Corporate Management of KVPL.


Mohan Pandithage
Chairman

Corporate Governance is the system of rules, practices and processes by which an organisation is directed, controlled and managed. The Framework guides an organisation and drives it towards progress by developing and implementing appropriate corporate strategies. In our pursuit of corporate objectives, we have committed to the highest level of governance and strive to foster a culture that helps build an environment of trust, transparency and accountability required for fostering long-term investment, financial stability, business ethics, stronger growth and more inclusive societies.

The Corporate Governance Framework at KVPL plays a vital role in order to achieve sustainable growth.

KVPL confirms that it is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules applicable to the businesses of the Company. Further, the Company’s practices are in line with the Code of Best Practices on Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (ICASL).

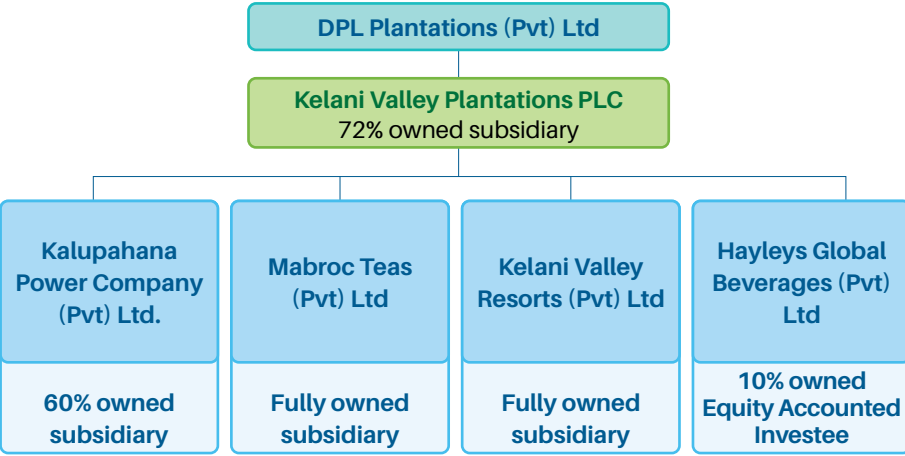


“Corporate Governance mainly focus on ensuring transparency, integrity, reputation, accountability towards stakeholders & creating sustainable businesses.”

Ownership

Kelani Valley Plantations PLC is a member of the Hayleys Group and a subsidiary of DPL Plantations (Pvt) Ltd. (DPLP), which is a fully owned subsidiary of Dipped Products PLC (DPL), a leading manufacturer of hand-protection wear in the world. Mabroc Teas (Pvt) Ltd. (MTPL) and Kelani Valley Resorts (Pvt) Ltd. (KVR) are fully owned subsidiaries of KVPL. Mabroc Teas (Pvt) Ltd. is one of Sri Lanka’s leading Tea exporters supplying a wide range of teas to the global markets. Kelani Valley Resorts (Pvt) Ltd. operates the Oliphant Boutique Bungalow which is managed by Hayleys Leisure PLC.

In association with Eco-Power (Pvt) Ltd., KVPL established Kalupahana Power Company (Pvt) Ltd., in 2003, contributing 1 Mw of electricity through its mini-hydro plant. 60% of Kalupahana Power Company (Pvt) Ltd. (KPC) is owned by KVPL. Martin Bauer Hayleys (Pvt) Ltd. is an equity accounted investee of KVPL and has a 10.1% of ownership.



These guidelines, which are updated periodically, outline matters that require Board and Committee approval, advice or review. The Company adopts the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) which has been recommended for adoption by listed companies by the CSE. In addition to the Listing Rules, the Code is used as a guideline to determine operational structures and processes that exemplify good Governance practices across the business.

The names of the Board of Directors and their attendance at meetings

Name of Director	Director Category	10/05/2022	02/08/2022	01/11/2022	02/02/2023	Attendance
A M Pandithage - Chairman	Ex	√	√	√	√	4/4
W G R Rajadurai - Managing Director	Ex	√	√	√	√	4/4
A Weerakoon	Ex	√	√	√	√	4/4
F Mohideen	INEx	√	√	√	√	4/4
S C Ganegoda	NEx	√	√	√	√	4/4
C V Cabraal	INEx	√	√	√	√	4/4
L N de S Wijeyeratne (Resigned w.e.f 28.06.2022)	INEx	√	N/A	N/A	N/A	1/4
N Ekanayake (Appointed w.e.f 29.06.2022)	INEx	N/A	√	√	√	3/4

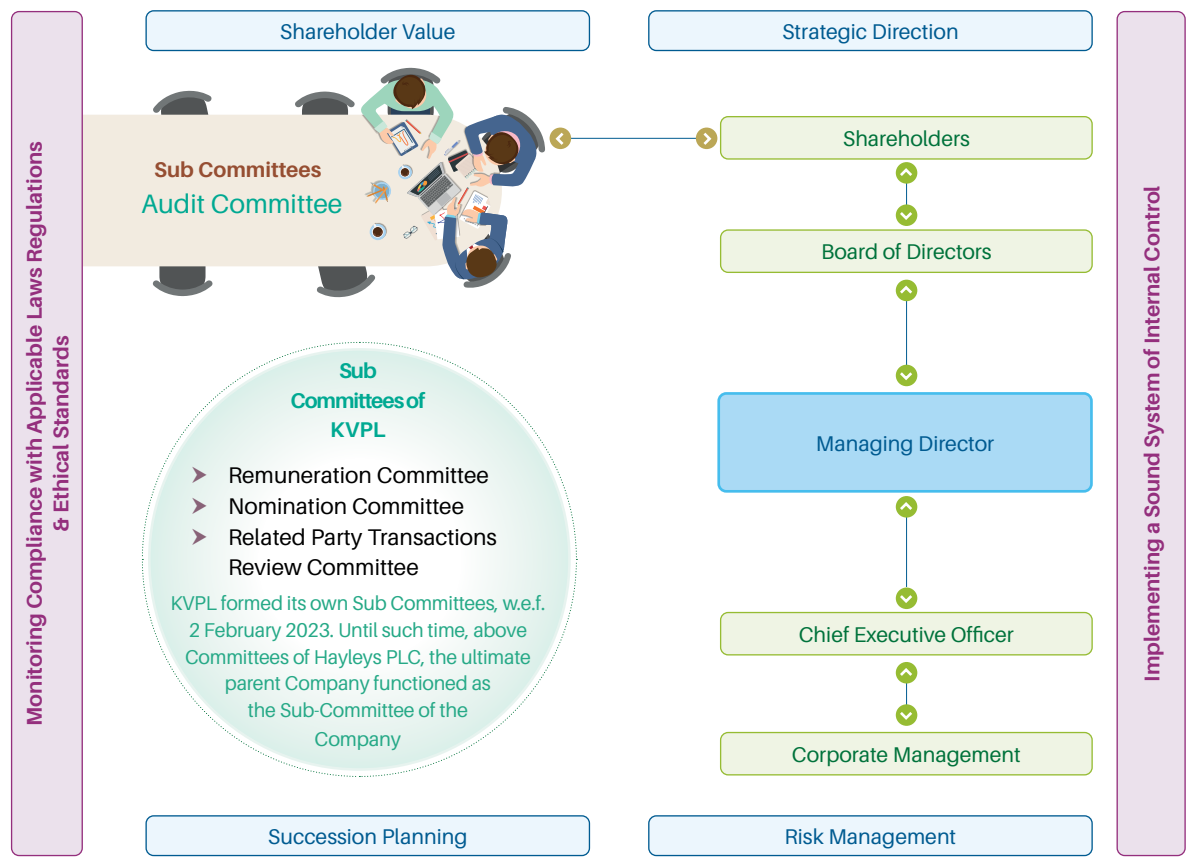
Ex: Executive, INEx: Independent Non-Executive, NEx: Non-Executive

CORPORATE GOVERNANCE

GRI 2-9, 2-10, 2-11

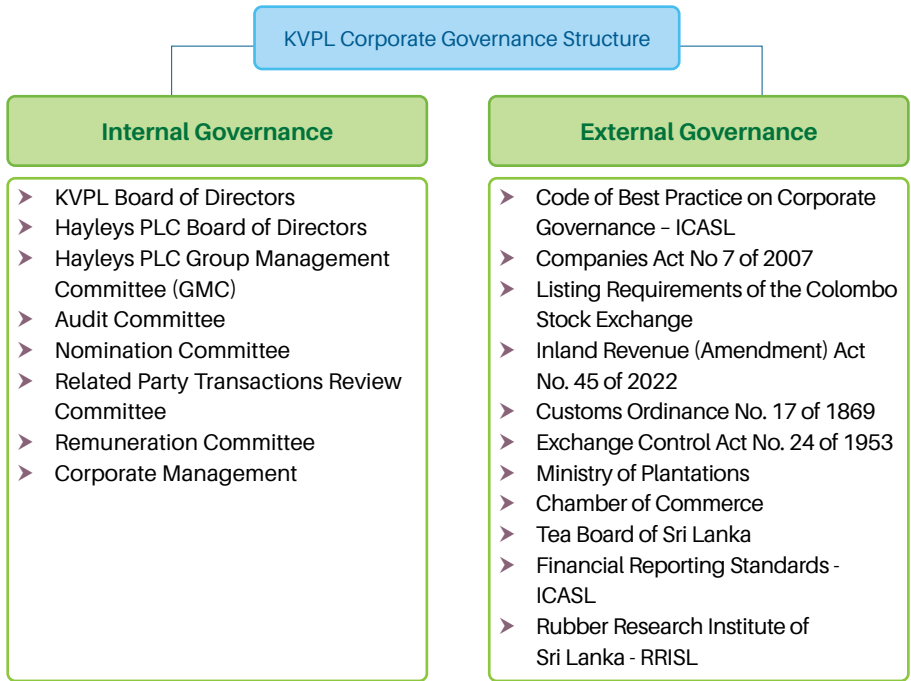
Coporate Governance Framework

KVPL Governance guidelines provide Directors and the management with a road map of their respective responsibilities. The Governance Framework of KVPL is depicted as follows;



Corporate Governance Structure

KVPL Group Governance structure comprises of two levels,



GRI 2-16

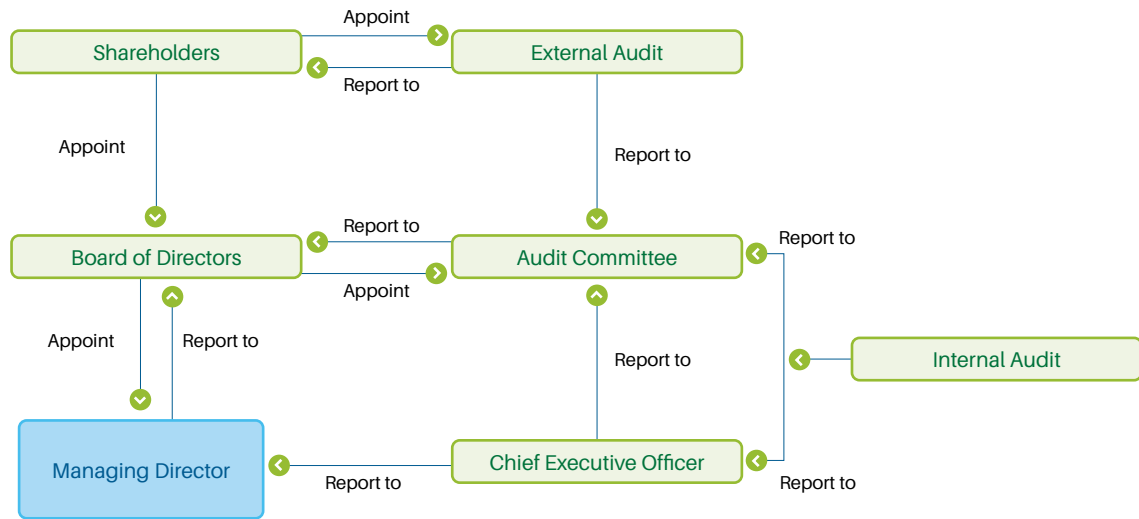
Internal Governance Structure

Internal controls are established with an emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. This section details the components that are embedded within the Company, and as a result, have an impact on the execution, and monitoring of all Governance related initiatives, systems and processes. The Internal Governance Structure encompasses:

- The Board of Directors
- Board Sub Committees
- The Combined Role of the Chairman-CEO
- Group Management Committee and other Management Committees
- Employee Empowerment

The above components are strengthened and complemented by internal policies, processes and procedures such as strategy formulation and decision making, human resource Governance, Integrated Risk Management, IT Governance, Stakeholder Management, and effective communication.

The policies and procedures established under the guidance of KVPL’s Board of Directors support an effective and efficient decision making process that helps the Company to meet Corporate Governance Standards. It includes the roles various stakeholders play in achieving the organisation’s goals.



GRI 2-13

Corporate Management Team

Comprising of the Managing Director and Director/CEO and the Senior Management team, the Corporate Management team are responsible for formulating, obtaining Board approval and implementing strategic imperatives within the policy framework established by the KVPL Board. The Management Committee is tasked with reviewing the annual budget, operational targets, review of monthly performance against budget and capital expenditure proposals prior to making recommendations to the Board. The Audit Committee and the Corporate Management team are jointly responsible for reviewing and managing risks and designing internal control systems to safeguard Company assets, ensure an accurate and reliable system of record keeping and the timely dissemination of critical management information.

Corporate Management

The Board has authorised the Managing Director (MD) to be the primary authority responsible for the implementation of policies and achievement of strategic

objectives of the Company. The MD is expected to exercise this authority within the policy framework established by the Board and the ethical framework and business practices intrinsic to the Company, which stipulates that the MD should comply with best practices when dealing with employees, customers, suppliers and the community at large. The MD is also entrusted with optimising the use of Company’s resources and implementing financial strategies outlined in the annual corporate plan and budget. In doing so, the MD should employ a continuous planning process with the active involvement of all executives. A system of regular review of operations is also in place to ensure close monitoring of performance and prompt corrective action is deployed where necessary.

Monthly Review Committees

Meeting of Finance, Corporate Communications and HR Clusters of the Hayleys Group bring together representatives from different sectors of the Group to communicate relevant matters, areas of special interests and

concerns, and share best practices. KVPL’s MD is a member of the Hayleys Group Management Committee (GMC) and expected to participate in all monthly review meetings. A monthly meeting chaired by the Chairman of Hayleys PLC brings together all GMC members representing different sectors of Hayleys Group. This provides a platform for the Group to review sector performance, formulate policy, communicate sector relevant matters, areas of special interests and concerns and share best practices.

The Director Finance of the Company reports to the Hayleys Group CFO on a quarterly basis on any significant risks or concerns affecting the business activities of KVPL and the financials pertaining to the same. This reporting process may be more frequent if warranted. Further, The CFO’s forum of the Hayleys Group enables relevant matters to be debated among the CFOs of the Hayleys Group in order to safeguard the interests of the Group.

Executive management meetings are held with the participation of the MD, CEO and

CORPORATE GOVERNANCE

all other Heads of Departments, to discuss the performance, new initiatives, problems and strategies amongst others. These meetings facilitate a brainstorming session where matters such as KVPL’s performance, growth, Governance and administration are reviewed.

Both the Director Plantations Up Country and Low Country conduct review meetings at a Regional level, to assess estate-level performance and discuss issues, strategies and initiatives needed at this level. This process also functions as an effective communication channel between estate level management and the corporate management. The decisions taken at these meetings are tabled and reported to Head Office.

External Governance Structure

KVPL adhere to the regulations, Codes and Best Practices adopted by different governing bodies.

- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka
- Inland Revenue (Amendment) Act No. 45 of 2022
- Customs Ordinance
- Exchange Control Act
- Tea Board of Sri Lanka
- Chamber of Commerce
- Ministry of Plantations
- Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka

Internal Audit and Control

The Board jointly with the management is responsible for the Company’s internal controls and their effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. The internal audit and control function is a comprehensive mechanism

that covers all financial, operational and compliance controls, and Risk Management Systems. However, it is important to note that any system can be expected to provide only reasonable, but not absolute assurance that errors and irregularities are detected and prevented within a reasonable time.

Information Technology (IT) Governance

KVPL’s investment in IT covers resources operated and managed centrally as well as those resources deployed on many estates where accounts are prepared using a computerised accounting package. The Company’s IT resources therefore comprise Computerised Accounting packages, utility software and networking facilities used at Head Office, including internet and relevant devices which are used to interconnect Head Office with estates.

IT Value and Alignment

In recent years, KVPL has been increasing the deployment of IT to improve processes across the business. However, investments in IT projects and systems are made only considering their suitability for the related projects. Furthermore, aspects such as cost savings, the provision of timely information and the need to balance between cost and benefits are considered when decisions are taken.

With productivity improvement being identified as a key growth driver for KVPL, the Company set up a Performance Monitoring Unit at Head Office, to monitor the performance of the estates through an online system that delivers critical information in real time.

In addition, KVPL introduced a Digital Weighing System to all Tea estates, replacing manual weighing and thereby improving accuracy and delivery of timely information through a secured IT system. In 2022/23, the Company achieved a significant milestone by introducing the Digital Weighing System to all Rubber estates, thereby becoming the first Company Sri Lanka to implement this technology. Further, the Company has implemented the OLAX System as a pilot

project in few estates to overcome the discrepancies in the previous accounting package and expect to implement it in all remaining estates over next financial year.

IT Risk Management

Risks associated with IT are assessed in the process of KVPL’s Risk Management mechanism. The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of Antivirus and Firewall software are some of the safeguards currently in place to minimise IT related risks.


External Audit

For the eighth consecutive year, Messrs. Ernst & Young (EY) were appointed as the external auditors of the Company with the rotation of the Partner. The Company is guided by the knowledge and experience of the Audit Committee to ensure effective harnessing of the expertise of the external auditors, while maintaining independence in order to deliver a transparent set of financial statements which are annually certified by them.

GRI 2-23, 2-24, 2-26

Whistle-Blower Policy

The Whistle-Blower Policy provides a mechanism for employees to raise concerns regarding any person within the organisation who they see as engaging in unlawful behavior or violating the Company Code of Conduct by engaging in financial fraud, incorrect financial reporting and improper conduct, breach of values and policies of the organisation. Under the guidelines of the Whistle-Blower Policy, any employee who raises such concerns will be provided a guarantee that he / she will be protected from reprisals and victimisation. The Company’s whistle-blowing policy enables staff to raise concerns of suspected wrongdoing without fear of reprisal or retribution. The policy allows employees to directly raise concerns with the Company Secretary or a designated officer. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Board Audit Committee.

Reference to ICASL & SEC Code	Details of Compliance
Section 1: The Company A. Directors	
GRI 2-11 Principle: A.1 The Board	
An Effective Board The overall effectiveness of the Board is enhanced by the diversity and breadth of perspectives of its members, who combine professional and academic skills and experience. Collectively, the Board also has sufficient financial acumen and knowledge; with two of the Directors holding membership in professional accountancy bodies. All Directors have received a comprehensive training which encompasses both general aspects of directorship and matters specific to the Company and industry. During the year under review, The Board consisted of Seven Directors – Four Non-Executive Directors and Three Executive Directors including the Chairman. The Board considered that the preset composition and expertise is sufficient to meet the needs of the Group. The Non-Executive Directors contribute with their knowledge and experience collectively gained through their experience in serving or having served in a variety of public and private organisations. Accordingly, the composition of the Board as at the end of the financial year is illustrated as follows: The profiles of the Directors are found on pages 16 and 17 of this report.	
Principle A.1 The Board Every public Company should be headed by an effective Board, which should direct, lead and control the Company	
A.1.1 Board Meetings 	The Board meets on a quarterly basis with special meetings convened if and when the need arises. During the year under review, the Board met on four occasions. Details of meetings of the Board and attendance of the members are set out on page 157 of this Report. The information is provided to the Board on a structured manner and regular basis as agreed by the Board. Information to be reported to the Board includes ; <ul style="list-style-type: none">➤ Financial and operational results on pre agreed Key Performance Indicators➤ Financial performance compared to previous periods, budgets and targets➤ Impact of risk factors on financial and operating results and actions to mitigate such risks➤ Compliance with laws and regulations and any non-compliances➤ Internal control review➤ Share trading of the Company and Related Party Transactions by Key Management Personnel➤ Any other matters the Board should be aware of the minutes of the previous Board Meeting and above information are distributed among the members 7 days prior to the meeting.

CORPORATE GOVERNANCE

Reference to ICASL & SEC Code	Details of Compliance
<div><div>GRI 2-12</div><div>A.1.2</div><div>Responsibilities of the Board</div><div><div>✓</div><div>Complied</div></div></div>	<p>The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long-term sustainable shareholder value through entrepreneurial leadership.</p> <p>The Board has engaged Hayleys PLC, the ultimate parent, to manage & overlook the business and assets of the Company.</p> <p>The Board’s key responsibilities include:</p> <ul style="list-style-type: none">➤ Providing direction and guidance to the Company in the formulation of high-level medium, and long - term strategies which are aimed at promoting the sustainable long - term success of the Company➤ Appointing and reviewing the performance of the Chairman, Managing Director and CEO➤ Ensure Executive Directors and key management team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place➤ Reviewing, approving and monitoring annual corporate plans, corporate budget and capital expenditure➤ Reviewing and approving major acquisitions, disposals and major investments by the management within their limits of authority➤ Ensure effective systems to secure the integrity of information, internal controls, business continuity and Risk Management➤ Ensure compliance with laws, regulations and ethical standards➤ Ensure all stakeholder interests are considered in corporate decisions➤ KVPL has adopted Integrated Reporting since 2012 and recognises sustainable business development in corporate strategy, decisions and activities➤ Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations➤ Adequacy and the integrity of the Plantation’s internal control systems with regard to the financial reporting and Management Information Systems are reviewed by the Board Audit Committee➤ Ensuring that financial statements are published quarterly and the Annual Report is published at the end of the financial year➤ Determining any changes to the discretions/authorities delegated from the Board to the key management team➤ Approving any amendments to constitutional documents
<div><div>GRI 2-17, 2-27</div><div>A.1.3</div><div>Compliance with the laws of the country and agreed to obtain independent professional advice</div><div><div>✓</div><div>Complied</div></div></div>	<p>The Board, collectively, as well the Directors individually, recognise their duty to comply with laws of the country which are applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations</p> <p>Directors have the power to obtain independent professional advice as deemed necessary, in furtherance of their duties, at the Company’s expense. This will be coordinated through the Board Secretary facilitated through Hayleys Group Legal and Group Finance, as and when it is requested</p>
<div><div>A.1.4</div><div>Access to the advice and services of the Company Secretary</div><div><div>✓</div><div>Complied</div></div></div>	<p>The services and advice of the Company Secretary are available to all the Directors</p> <p>The Company Secretary ensures that Board procedures and all applicable rules and regulations are complied with</p> <p>The removal of the Secretary is a matter for the Board as a whole</p> <p>Obtained a Directors and Officers’ liability insurance, providing worldwide cover to indemnify all Directors and Officers</p>

Reference to ICASL & SEC Code	Details of Compliance
<div><div>A.1.5</div><div>Independent judgment of the Directors</div><div><div>✓</div><div>Complied</div></div></div>	<p>Non-Executive Directors are independent from the management and free from any business and other relations. None of the other Directors are related to each other. This enables all the members of the Board to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct</p>
<div><div>A.1.6</div><div>Dedication of adequate time and effort of the Directors</div><div><div>✓</div><div>Complied</div></div></div>	<p>The Board of Directors dedicates adequate time and effort to ensure that their duties and responsibilities towards the Company and the Board are discharged</p> <p>Dates of regular Board Meetings and Board Sub-Committee Meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting providing sufficient time for review</p> <p>Hence, they are able to familiarise themselves with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company</p> <p>The Board is satisfied that the Chairman and the Non-Executive Directors committed sufficient time during 2022/23 to fulfill their duties</p>
<div><div>GRI 2-17</div><div>A.1.8</div><div>Training for new and existing Directors</div><div><div>✓</div><div>Complied</div></div></div>	<p>The Board of Directors recognises the need for continuous training and expansion of knowledge and undertakes such professional development as they consider necessary to carry out their duties as Directors</p> <p>Every new Director and existing Directors are provided training on general aspects of directorship and matters specific to the industry when they are first appointed to the Board</p> <p>Training programmes for top management cover the training requirement for the Directors as well.</p> <p>Training was provided through the ultimate parent Hayleys Group during the year</p>
<p>Principle: A.2 Chairman and Chief Executive Officer (CEO)</p> <p>There are two key tasks at the top of every Public Company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company’s business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decision</p>	
<div><div>A.2.1</div><div>Division of responsibilities of Chairman and CEO</div><div><div>✓</div><div>Complied</div></div></div>	<p>The Chairman and the Chief Executive Officer of the Company are two different persons with clearly defined and separated power and authority. The Chairman of the Company is also the Chairman of DPL Plantations Private Limited, DPL PLC and Hayleys PLC. The separation between the position of the Chairman and Officers with executive powers in the Company ensure a balance of power and authority</p>
<div><div>GRI 2-12</div><div>Principle: A.3 Chairman’s Role</div><div>The Chairman’s role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.</div></div>	
<div><div>A.3.1</div><div>Chairman’s role</div><div><div>✓</div><div>Complied</div></div></div>	<p>The Chairman’s role includes:</p> <ul style="list-style-type: none">➤ Approving the agenda for each meeting prepared in consultation with the CEO, Directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, Risk Management and compliance➤ Ensuring that sufficiently detailed information on matters included in the agenda are made available to Directors in a timely manner➤ Ensuring that all Directors are aware of their duties and responsibilities➤ All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company➤ All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda➤ Maintaining the balance of power between Executive and Non-Executive Directors➤ Ascertaining the views of Directors on issues under consideration➤ Ensuring that the Board is in complete control of the Company’s affairs and alert to its obligations to all shareholders and other stakeholders

CORPORATE GOVERNANCE

Reference to ICASL & SEC Code	Details of Compliance
Principle: A.4 Financial Acumen The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	
A.4.1 Financial acumen <div>Complied</div>	The Board includes two Senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Executive Director of Hayleys PLC. The Audit Committee Chairman is also a Senior Chartered Accountant. Other members of the Board are adequately experienced in handling matters of finance by serving in different organisations. Hence the Board is with sufficient financial acumen and knowledge to offer guidance on matters of finance
Principle: A.5 Board Balance It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board’s decision making.	
A.5.1 Non-Executive Directors <div>Complied</div>	Four out of seven Directors on the Board as at 31 March, are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfy the requirements laid down in the Listing Rules of the CSE
A.5.2 Independence of Non-Executive Directors <div>Complied</div>	Three of four Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for “independence” set out in the Listing Rules The Board of Directors of the Company has determined that Mr. F Mohideen and Mr. C V Cabraal who have served on the Board for over 9 years is nevertheless independent as they are capable of acting objectively & independently
A.5.3 Independence of Non-Executive Directors <div>Complied</div>	Non-Executive Directors’ profiles reflect their caliber and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board, ensures that no individual Director or small Group of Directors dominate Board discussions and decision making
A.5.4 Annual declaration of independence – of Non-Executive Directors <div>Complied</div>	Each Non-Executive Director submits annual declarations on his independence or non-independence in a prescribed format
A.5.5 Board determination of independence of Non-Executive Directors and disclosure in Annual Report <div>Complied</div>	The Board considers the declaration of independence submitted by each Non- Executive Director with the basis for determination laid down by the Listing Rule of the CSE and the Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Brief resume of all the Directors is available on pages 16 and 17
A.5.6 Appointment of alternate Director <div>Not Applicable</div>	There were no appointments of alternative Directors during the year

Reference to ICASL & SEC Code	Details of Compliance
A.5.7, A.5.8 Requirement to appoint Senior Independent Director <div>Not Applicable</div>	This is not applicable as the Chairman and the Managing Director is not the same person
A.5.9 Chairman’s meetings with Non-Executive Directors <div>Complied</div>	The Chairman holds meetings with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time where necessary
A.5.10 Record in the Board minutes of Concerns not unanimously resolved <div>Complied</div>	All Board/Committee matters of the Company are minuted with sufficient detail to enable a proper assessment to be made of the deliberations and discussions at the meeting. All discussions during the year were unanimously agreed on. If there are any dissenting opinions, they are clearly minuted.
Principle: A.6 Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
A.6.1 Timely and appropriate information to the Board <div>Complied</div>	Management provides the Board with appropriate and timely information. When information volunteered by management is inadequate Directors could make further inquiries. Chairman ensures that all Directors are properly briefed on issues arising at meetings
A.6.2 Information provided in advance to the Board meetings. <div>Complied</div>	The Board meetings are arranged in advance and all Directors are informed. The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board Meetings 7 days prior to the Board/Sub-Committee meetings
GRI 2-10 Principle: A.7 Appointments to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1, A.7.2 Appointment to the Board <div>Complied</div>	KVPL formed its own Nomination Committee on 02 February 2023 and until then the Nomination Committee of Hayleys PLC functioned as the Nomination Committee of the Company. The Nomination Committee annually assesses Board composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company
A.7.3 Appointment of a new Director <div>Complied</div>	There was one new Board appointment made during the financial year as an Independent Non-Executive Director. In the event of new appointments, a brief resume of the Director, nature of his experience and the independency is informed to the Colombo Stock Exchange in line with the Listing Rules and disclosed in the Annual Report on Pages 16 and 17

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Reference to ICASL & SEC Code	Details of Compliance
Principle: A.8 Re-Election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1, A.8.2 Re-election of Directors <div>Complied</div>	The provisions of the Company’s Articles require a Director appointed by the Board during a financial year, to hold office until the next Annual General Meeting (AGM), and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.
A.8.3 Resignation <div>Complied</div>	During the Financial Year, one Independent Non-Executive Director retired in terms of Section 210 of the Companies Act No 7 of 2007 and it was informed to the Colombo Stock Exchange. In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation. Written communications are provided to the Board by Directors who resign prior to completion of his appointed term.
GRI 2-18 Principle: A.9 Appraisal of Board Performance Board periodically appraises their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	
A.9.1, A.9.2, A.9.3, A.9.4 Appraisal of Board Performance <div>Complied</div>	The performance of the Board and Sub-Committees is evaluated annually on self-assessment basis.
Principle: A.10 Disclosure of Information in respect of Directors Shareholder should be kept advised of relevant details in respect of Directors	
A.10.1 Disclosures about Directors <div>Complied</div>	Name, qualifications, brief profile and nature of expertise of the Directors are given on pages 16 and 17 of this Annual Report. Directors’ interests in contracts are given on the page 194 of this Report. The number of Board meetings attended by the Directors are available on the page 157 of this Report. Names of listed companies in Sri Lanka in which the director concerned serves as a Director is given on page 16 and 17 Names of the Directors who serve as Chairman or as member of a Board Committee, and their attendance are given on page 157
Principle: A.11 Appraisal of Chief Executive Officer The Board should be required at least annually, to assess the performance of the CEO	
A.11.1, A.11.2 Evaluation of the performance of the CEO <div>Complied</div>	The short, medium and long-term objectives determined by the Board including financial and non-financial targets that should be met by the CEO are set and evaluated at the commencement of each fiscal year. The performances were evaluated annually and ascertained whether the targets were achieved or whether achievement is reasonable in the circumstances.







Reference to ICASL & SEC Code	Details of Compliance
GRI 2-19, 2-20 B. Directors Remuneration	
Principle: B.1 Remuneration Procedure Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	
B.1.1 Remuneration Committee. <div>Complied</div>	Until 2 February 2023, the Remuneration Committee of Hayleys PLC was responsible in assisting the Board in recommending the Remuneration payable for the Executive Directors and Corporate Management. The Board makes the final determination after considering such recommendations. No Director is involved in deciding his own remuneration. Kelani Valley Plantations PLC formed its own Remuneration Committee on 2 February 2023.
B.1.2, B.1.3 Composition of the Remuneration Committee <div>Complied</div>	Remuneration Committee of the Company comprises the following three Independent/Non-Executive Directors. Mr. N Ekanayake - Chairman Mr. F Mohideen Mr. C V Cabraal
B.1.4 Remuneration of the Non-Executive Directors <div>Complied</div>	The Board as a whole decides the Remuneration of the Non-Executive Directors in line with the market rates and within the limit set in the Articles of Association of the Company. Remuneration Committee consults the Chairman about its proposal regarding the Remuneration of other Executive Directors. Both internal and external professional advice has been taken during the year under review.
B.1.5 Consultation of the Chairman and access to professional advice. <div>Complied</div>	The Committee has the authority to seek internal and external independent professional advice on matters falling within its purview, at the Company’s expense. Views of the Chairman and the Group CFO are obtained as they too assist and participate in its analysis and deliberations to the said Board Sub-committee.
Principle: B.2 The Level and Make up of Remuneration Levels of Remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors’ Remuneration should be structured to link rewards to corporate and individual performance.	
B.2.1, B.2.2 Levels of Remuneration for Executive Directors <div>Complied</div>	A Remuneration package is designed to attract, retain and motivate the Directors needed to run the Company successfully but avoid paying more than at what is necessary for this purpose. The Remuneration Committee takes into account the market practices. Their Remuneration comprises a fixed salary component, which include perquisites and allowances to promote the long-term success of the Company.
B.2.3 Positioning company Remuneration levels relative to other companies <div>Complied</div>	The Remuneration Committee structured and reviews the Company’s Remuneration levels in relation to performance in comparison with other companies and other parts of the Hayleys Group.






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Reference to ICASL & SEC Code	Details of Compliance
B.2.4 Determining annual salary increases & employment conditions <div>Complied</div>	The Remuneration Committee considers Remuneration and employment conditions sensitively elsewhere in the Company or the group of which it is part.
B.2.5 Performance related elements of Remuneration for Executive Directors <div>Complied</div>	The performance based incentives has been determined by the Remuneration Committee to ensure that the earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies
B.2.6 Share Option Schemes <div>Not Applicable</div>	Presently the Group does not have an Executive Share Option scheme
B.2.7 Designing performance related Remuneration <div>Complied</div>	Performance-related Remuneration is designed by the Remuneration Committee based on the provisions set out.
GRI 2-21 B.2.8, B.2.9 Compensation, commitments in the event of early termination and dealing with early termination <div>Complied</div>	There are no provisions for compensation for early termination in the letter of contract. However, the Directors would determine this on a case by case basis.
B.2.10 Levels of Remuneration for Non-Executive Directors <div>Complied</div>	The Remuneration Committee determines the levels of Remuneration for Non- Executive Directors taking into account the time commitment and responsibilities of their role and market practices. Remuneration for Non-Executive Directors does not include share options.
Principle: B.3 Disclosure of the Remuneration The Company's Annual Report should contain a Statement of Remuneration Policy and details of Remuneration of the Board as a whole.	
B.3.1 Disclosure of the remuneration. <div>Complied</div>	<p>The names of the Directors of the Remuneration Committee are given under section B.1.2 above.</p> <p>The Remuneration Policy is to attract and retain a highly qualified and experienced workforce, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution, bearing in mind the business' performance and shareholder return.</p> <p>The total of Directors' Remuneration is reported in note 9 to the financial statements.</p>







Reference to ICASL & SEC Code	Details of Compliance
C. Relations with Shareholders - Constructive use of the AGM and conduct of General Meetings Principle: C.1 Boards should use the AGM to communicate with shareholder and should encourage their participation.	
C.1.1 Notice of the AGM <div>Complied</div>	The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
C.1.2 Separate resolution on each substantially separate issue <div>Complied</div>	<p>Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue.</p> <p>A resolution for adoption of the Annual Report of the Board of Directors and the financial statements with the Independent Auditor's Report is proposed separately.</p> <p>A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.</p>
C.1.3 Votes and use of proxy <div>Complied</div>	The Company ensures that all proxy votes are properly recorded and counted. The level of proxies lodged on each resolution is conveyed to the Chairman.
C.1.4 Answer questions at the AGM <div>Complied</div>	The Board invites the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary.
C.1.5 Notice of General Meetings <div>Complied</div>	<p>The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the Annual General Meeting as well as instructions on voting for shareholders, including the appointment of Proxies.</p> <p>The period of notice prescribed by the Companies Act No. 7 of 2007 has been met</p> <p>The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting</p>
Principle: C.2 Communication with shareholders The Board should implement effective communication with Shareholders.	
C.2.1 Channel to reach all Shareholders of the Company. <div>Complied</div>	<p>The modes of communication between the Company and the shareholders are the Annual Reports, quarterly financial statements and interim reports, announcements made through the CSE, other press releases and Annual / Extraordinary General Meetings</p> <p>Shareholders may bring up concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate at shareholder meetings</p> <p>The digital version of the Annual Report is posted on the company website immediately after it is released to the Stock Exchange. Moreover, the website posts news and latest updates of the Company.</p> <p>The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes that the Annual General Meeting is a means of continuing effective dialogue with shareholders.</p> <p>The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.</p>






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Reference to ICASL & SEC Code	Details of Compliance
C.2.2 Disclosure of the communication policy 	The communication policy and methodology for communication with the shareholders are given in the stakeholder engagement.
C.2.3 Implementation of the policy and methodology for communication with Shareholders 	Printed copies of Annual Reports are provided to all shareholders on request without a charge and soft copies are available in the CSE website and in the corporate website. A copy of the interim financial statements is released to the CSE and published on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.
C.2.4 Disclosure of contact person 	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.
C.2.5 Major issues and concerns of shareholders 	All major issues relating to shareholders are brought to the attention of the Board.
C.2.6 Person to be contacted with regard to shareholders' matters 	The Company Secretary holds the responsibility to be contacted in relation to shareholder's matters
C.2.7 Process for responding to shareholder matters 	The Chairman and the Directors answer all queries raised by the shareholders at General Meetings. The Board in conjunction with the Company Secretary, formulates the process for addressing shareholder matters.







Reference to ICASL & SEC Code	Details of Compliance
GRI 2-15 Principle: C.3 Major and Material Transactions Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would material alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	
C.3.1 Major Related Party Transactions 	Prior to engaging in a major transaction with a related party or Related Party Transactions which have the effect of substantially altering the nature of business, the Directors disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting
C.3.2 Disclosure of Major Transactions to shareholders 	There have been no transactions during the year falling within the definition of "Major Transactions" as set out in the Companies Act No. 7 of 2007
D. Accountability and Audit - Financial and Business Reporting (The Annual Report)	
Principle: D.1 The Board should present a balanced and an understandable assessment of the Company's financial position, performance, business model, Governance structure, Risk Management, internal Controls and challenges, opportunities and prospects	
D.1.1 D.1.2 Balance and understandable information to shareholders 	The Company has presented balanced and understandable financial statements which provide a true and fair view, quarterly and annually. In the preparation of financial statements, the Company has complied with the requirements of the Companies Act No 07 of 2007 and requirement of Sri Lanka Accounting Standards and the SEC Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner as required
D.1.3 CEO's & CFO's approval on financial statements prior to Board approval 	Director Finance and two other Directors have signed the financial statements on behalf of the Board. Responsibilities of Board of Directors and Directors statement on internal controls are given on pages 197 and 198 respectively
D.1.4 The Directors Report 	The Annual Report of the Board of Directors on the affairs of the Company is given from pages 193 to 196 of this Annual Report which contains the following: <ul style="list-style-type: none">➤ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka (refer page 193);➤ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested (refer pages 194).➤ Equitable treatment to shareholders (refer page 196)➤ Compliance with best practices of Corporate Governance (refer page 195)➤ Information relating to PPE has been given in notes 12, 13 and 14 to the financial statements.➤ Review of internal controls, Risk Management and reasonable assurance of effectiveness and adherence (Refer page 196)➤ Going concern of the business (refer page 196)






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Reference to ICASL & SEC Code	Details of Compliance
D.1.5 Statement of Directors Responsibility, statement on internal controls and Auditors' Report. 	<p>The Statement of Director's Responsibilities for the financial statements is given on page 198 and Directors statement on internal controls are given on page 197.</p> <p>The Auditors' Report is available on pages 207 to 209.</p>
D.1.6 Management Discussion & Analysis 	<p>A comprehensive coverage of key initiatives undertaken during the year, business model, industry structure and development, opportunities and threats, Risk Management, internal controls and their adequacy, Governance, stakeholder relationship, social and environment protection activities, financial performance, investment in physical and intellectual capital, human resource / industrial relations, sector performances, achievements and prospects for the future. Awards won and certifications received are available in the management discussion (page 12 and 13) of this Report.</p>
D.1.7 Summon an EGM to notify serious loss of capital 	<p>In the event the net assets of the Company fall below 50% of its Stated Capital, the Directors will forthwith summon an Extraordinary General Meeting to notify shareholders the remedial action being taken. However, such event has not been required since the adoption of New Companies Act No. 07 of 2007.</p>
D.1.8 Related Party Transactions 	<p>The Company adheres to the Listing Rules of the CSE and the Code of Best Practise on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) . The Company Secretary keeps records on Related Party Transactions quarterly.</p>
Principle: D.2 Risk Management and Internal Control The Board is responsible for determining the nature and extent of the principle risks it is willing to take in achieving its strategic objectives. The Board should have a process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, Risk Management and internal control is a process, effected by a Company's Board of Directors and management designed to provide reasonable assurance regarding the achievement of Company's objectives.	
D.2.1 Monitoring sound system of internal control 	<p>The Directors review the risks facing the Company and the effectiveness of the internal controls. The Audit Committee executes this function evaluating the effectiveness of the internal controls and Risk Management on behalf of the Board and make necessary recommendations to the Board.</p>
D.2.2 Review of the process and effectiveness of Risk Management 	<p>The details of risks affecting the Company and mitigation actions are explained on pages 183 to 192</p>




Reference to ICASL & SEC Code	Details of Compliance
D.2.3 Internal Audit function 	<p>The Company has an Internal Audit team in sub office to overlook all estates procedures. Audits are conducted in accordance with the Audit Plan prepared at the beginning of the year.</p> <p>The Hayleys Group Management Audit and System Review Department (MA&SRD) carried out internal audits according to the annual plan. The Internal Audit functions are also outsourced to leading Audit firms according to the annual audit plan.</p>
D.2.4 Review the internal controls and risk management by the Audit Committee 	<p>The Board has delegated reviews of the process and effectiveness of risk management and internal controls to the Audit Committee who reports their findings to the Board.</p>
D.2.5 Content of statement internal controls 	<p>Directors' Statement on Internal Controls is given on page 197.</p>
Principle: D.3 Audit Committee The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.	
D.3.1 Composition of Audit Committee 	<p>The Audit Committee was established in 2008. The Committee consists three Independent Non-Executive Directors and is chaired by Mr. N Ekanayake. He is a Fellow Member of The ICASL.</p>
D.3.2 Committees' terms of reference 	<p>Terms of References (TOR) provides proper guideline duty and authority to deliver the responsibilities.</p> <p>The Committee is empowered to examine any matters relating to the Financial Reporting Systems of KVPL, Risk Management, external audits and internal audits. Its duties include the detailed review of financial statements, internal control procedures and Risk Management Framework, accounting policies and compliance with applicable accounting standards and other rules and regulations.</p> <p>It reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and Company policies.</p> <p>The Audit Committee makes recommendations to the Board pertaining to appointment, re - appointment of External Auditors after assessing the independence and performance and approves the remuneration and terms of engagement of the external auditors.</p> <p>The Chairman, the Managing Director, the Chief Executive Officer of the Company, Head of Group Internal Audit and Hayleys Group CFO are invited to attend meetings. Other Directors and Senior Managers attend meetings as required. The input of the External Auditors is obtained where necessary. The Audit Committee helps the Group to achieve a balance between conformance and performance.</p>





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Reference to ICASL & SEC Code	Details of Compliance
<div>D.3.3</div> <div>Disclosures</div> <div></div>	<p>Mr. N Ekanayake is the Chairman of the Audit Committee. Mr. F Mohideen and Mr. C V Cabraal are the two other members. Annual Report contains a compliance report of the Audit Committee on pages 199 and 200</p> <p>Audit Committee charter can be found on page 199</p>
<div>Principle: D.4 Related Party Transactions Review Committee</div> <p>The Board should establish a procedure to ensure that the Company does not engage in transactions with “Related Parties” in a manner that would grant such parties “more favorable treatment” than that accorded to third parties in the normal course of business</p>	
<div>D.4.1</div> <div>Related Party Transactions</div> <div></div>	<p>The Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in note 30 to the financial statements.</p>
<div>D.4.2</div> <div>Composition of Related Party Transactions Committee</div> <div></div>	<p>The Company has formed its own Related Party Transactions Review Committee (RPTRC) w.e.f. 2 February 2023. Until such time RPTRC of Hayleys PLC acted as the Company’s RPTRC. The RPTRC of the Company consist of,</p> <p>Mr. N Ekanayake – (Chairman) Independent Non – Executive Director Mr. F Mohideen – Independent Non – Executive Director Mr. C Cabraal – Independent Non – Executive Director</p>
<div>D.4.3</div> <div>Terms of Reference</div> <div></div>	<p>RPTRC has written terms of reference dealing with its authority and duties. RPTRC report describing the duties, task and attendance of the committee is appear on page 201</p>
<div>Principle: D.5 Code of Business Conduct & Ethics</div> <p>Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees’ including but not limited to: dealing with shares of the Company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal fraudulent and unethical behavior be promptly reported to those charged with governance. The Company must disclose waivers of the Code of Directors, if any.</p>	
<div>D.5.1</div> <div>Disclosure on presence of Code of Business Conduct & Ethics</div> <div></div>	<p>The Directors and members of the Senior Management team are bound with a Code of Business Conduct & Ethics which is developed by the Hayleys Group. The Code consists of important topics such as, conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, fair and transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets including information assets, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal, fraudulent or unethical behaviors.</p> <p>The Board ensures compliance with the Code and non-compliance may cause disciplinary action.</p>
<div>D.5.2</div> <div>Process to identify & report price sensitive information</div> <div></div>	<p>The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported.</p>





Reference to ICASL & SEC Code	Details of Compliance
<div>D.5.3</div> <div>Shares purchased by Directors and key management personnel</div> <div></div>	<p>The Company has a policy and a process for monitoring, and disclosure of shares purchased by any Director and key management personnel</p> <p>Details of Directors shareholdings are given on page 194 of the Annual Report of Board of Directors on the affairs of the Company</p>
<div>D.5.4</div> <div>Affirmation of Code in the Annual Report by the Chairman</div> <div></div>	<p>The Chairman affirms that Code of Conduct and business Governance offers direction for all the employees across the organisation and he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics in Statement from the Chairman on Corporate Governance on page 156</p>
<div>Principle: D.6 Corporate Governance Disclosures</div> <p>Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.</p>	
<div>D.6.1</div> <div>Disclosure of adherence to Corporate Governance</div> <div></div>	<p>The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed on page 195 under the Annual Report of the Board of Directors on the affairs of the Company</p>
<div>Section 2: Shareholders</div> <div>E. Institutional Investors</div>	
<div>Principle: E.1 Shareholder voting</div> <p>Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice</p>	
<div>E.1.1</div> <div>Dialogue with shareholders</div> <div></div>	<p>All shareholders are invited to attend the Annual General Meeting and they are encouraged to make comments/suggestions. The Company seeks dialogues with institutional investors</p> <p>Impartiality is maintained on shareholder vote at the Annual General Meeting based on individual holding and weightage</p>
<div>Principle E.2. Evaluation of Governance Disclosures</div> <p>When evaluating Companies’ Governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.</p>	
<div>E.2</div> <div>Evaluation of Governance disclosure</div> <div></div>	<p>Institutional investors are encouraged to give due weight to all relevant factors which are brought to their attention when evaluating Companies’ Governance arrangements, particularly in relation to Board structure and composition</p>

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Reference to ICASL & SEC Code	Details of Compliance
F. Other Investors	
Principle: F.1 Investing/Divesting Decisions Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	
F.1 Individual shareholders are encouraged to do their own analysis or seek independent advice. 	<p>The quarterly financial statements, Company disclosures and Annual Report provide sufficient information to carry out their own analysis for decision on investing or divesting</p> <p>In addition, KVPL encourages individual shareholders to seek independent advice for their investing and divesting decisions</p> <p>The Board carries out dialogues with its shareholders at General Meetings. In this regards, the Annual General Meeting and Extraordinary General Meetings (EGM) of the Company plays a critical role. Voting of the shareholders is crucial in carrying a resolution at the AGM/EGM.</p>
F.2 Shareholder Voting Principle F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	
F.2 Encourage Shareholders to participate and vote at AGM 	All individual shareholders are encouraged to actively participate in the Annual General Meetings and they have the independence of exercising their votes as they wish
Principle: G. Internet of Things and Cyber Security	
G.1 The Board should have a process to identify how in the organisation’s business model, IT devices within and outside the organisation can connect to the organisation’s network to send and receive information and the consequent cyber security risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the Company’s network to send and receive date. Such access could be authorised or unauthorised.	
G.1 Cyber security risk from sending and receiving information 	<p>The Company has an Information Security Policies Manual and Disaster Recovery & Business Continuity Plan Supported by Hayleys Acceptable IT Use Policy to mitigate the risk associated with IT failures due to both internal and external threats.</p> <p>The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of anti-virus and firewall software to filter malicious content and maintenance contracts with reputed companies are some of the safeguards currently in place to minimise IT related risks.</p>

Reference to ICASL & SEC Code	Details of Compliance
Principle G.2 The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a Cyber-Security Risk Management Policy which should be approved by the Board.	
G.2 Appointment of Chief Information Security Officer (CISO) 	Hayleys Group has formed the “Hayleys Group Information Security Committee” which consist of each sector representatives who have been officially appointed by sector management headed by the Chief Information Security Officer (CISO) nominated by Head of Hayleys Group IT under the patronage of Group Executive Director for IT
Principle G.3 The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber-risk management.	
G.3 Allocation of adequate board time to discuss cyber- risk management 	The Board reviews business risk quarterly including IT and cyber- security risk.
Principle G.4 The Board should ensure the effectiveness of the Cyber Security Risk Management through independent periodic review and assurance. The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, Company’s business model and incident findings.	
G.4 Review and assurance of effectiveness of the Cyber Security Risk Management 	Independent reviews are carried out to ensure cyber- security and a secured Management Information System.
Principle G.5 The Board should disclose in the Annual Report, the process to identify and manage cyber security risks.	
G.5 Disclose of the process to identify and manage cyber security risk 	<p>Hayleys IT security policy provides a procedure to identify and manage cyber security risk. Assistant General Manager – Information Technology, adhere the Group Policy to manage and control the cyber security risk.</p> <p>Company IT Security Policy provides a procedure to identify and manage Cyber Security risks which consist of Proper usage of Hayleys acceptable IT use policy, Company Disaster Recovery and Business Continuity plan, use of reliable backup systems, use of licensed software, enter in to maintenance contracts with reputed companies and provide continuous training for employees on IT and cyber security.</p>

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Reference to ICASL & SEC Code	Details of Compliance
Principle: H. Environment, Society and Governance (ESG) H.1 The Company's Annual Report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported.	
H.1.1 Provide Sufficient information relating to ESG risks  Complied	The Annual Report contains sufficient and relevant information of ESG to assess how risks and opportunities are recognised, managed, measured and reported presented from page 52 to 63. The impact of ESG issues are disclosed in Risk Management report from page 188 to 192.
H.1.2.1 H.1.3.1 Environmental and Social Factors  Complied	Direct and indirect economic, social, health and environmental implications of Company decisions and activities are discussed from page 106 to 154.
H.1.4.1 Governance  Complied GRI 2-14 H.1.5.1 Boards Role on ESG Factors  Complied	The Company has an established Governance structure to support its ability to create value and manage risk on all pertinent aspects of ESG. The Company has recognises the key resources deployed in the business and financial and non-financial measures are established. The Company has identified risk and has taken mitigatory actions for the risks which have an impact on the sustainability of the business and are discussed in the Risk Management report from page 188 to 192. The Board has committed to environment, social and governance aspects and the environmental management and social activities have been discussed from page 106 to 154.

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance A.5.1 Four out of seven Directors on the Board are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	Corporate Governance A.5.2 Three of four Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format	Compliant	Corporate Governance A.5.4 Each Non-Executive Director has submitted declarations stating the independence/non-independence in a prescribed format
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Corporate Governance A.5.5 Brief resume of all the Directors is available on pages 16 and 17
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met	Compliant	Corporate Governance A.5.5 All the Independent Non-Executive Directors meet the criteria specified in the Listing Rules of the CSE.
7.10.3 (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	Compliant	Corporate Governance A.5.5
7.10.3 (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	Compliant	Corporate Governance A.7.3 There was a new appointment made to the Board during the financial year as an Independent Non-Executive Director. Brief resume of the Directors is available on page 17
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 KVPL formed its own Remuneration Committee w.e.f. 2 February 2023
7.10.5 (a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors a majority of whom will be independent	Compliant	Corporate Governance B.1.2, B.1.3 Comprise of three Independent Non-executive Directors
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Compliant	Corporate Governance B.1.2,B.1.3, B.1.4, B.1.5
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; Names of Directors comprising the Remuneration Committee, Statement of Remuneration Policy, Aggregated Remuneration paid to Executive and Non-Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5

CORPORATE GOVERNANCE

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance D.3.1, D.3.2 The Audit Committee was established in 2008
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent. Non-Executive Directors shall be appointed as the Chairman of the committee. Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings. The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Corporate Governance D.3.1, D.3.2 Audit Committee Report is available on page 199 and 200
7.10.6 (b)	Audit Committee Functions	Functions shall include: <ol style="list-style-type: none">Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting StandardsOverseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.Overseeing the processes to ensure that the internal controls and Risk Management are adequate to meet the requirements of the Sri Lanka Auditing StandardsAssessment of the independence and performance of the external auditorsMake 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.	Compliant	Corporate Governance D.3.2, D.3.3
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	<ol style="list-style-type: none">Names of Directors comprising the Audit CommitteeThe Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determinationThe Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	Corporate Governance D.3.1, D.3.2, D.3.3 The Audit Committee Report on Page 199 and 200

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
9.2	Related Party Transactions Review Committee Functions	<ol style="list-style-type: none">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 transactionSeek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related partyObtain knowledge or expertise to assess all aspects of proposed Related Party Transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified personsTo recommend, where necessary, to the Board and obtain their approval prior to the execution of any Related Party TransactionTo 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 shareholdersMeet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned dutiesTo review the transfer of resources, services or obligations between related parties regardless of whether a price is chargedTo review the economic and commercial substance of both recurrent/non - recurrent Related Party TransactionsTo 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	Compliant	RPT Review Committee Report

CORPORATE GOVERNANCE

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
9.2.1 & 9.2.3	Related Party Transactions Review Committee	As per the Listing Rules of the CSE this is mandatory from 1 January 2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as such Committee of the subsidiary.	Compliant	Corporate Governance D.4.1, D.4.2, D.4.3 The RPT Committee of Hayleys PLC the Ultimate Parent Company, which was formed on 10 February 2015 functioned as the Committee of the Company up to 2 February 2023. KVPL formed its own Related Party Transaction Review Committee w.e.f. 2 February 2023
9.2.2	Composition	2 Independent Non-Executive Directors and 1 Executive Director	Compliant	Corporate Governance D.3.1 RPT Review Committee Report
9.2.4	Related Party Transactions Review Committee Meetings	Shall meet once a calendar quarter	Compliant	RPT Review Committee Report Annual Report of the Board of Directors.
9.3.2	Related Party Transactions Review Committee Disclosure in the Annual Report	<div>1. Non-recurrent Related Party Transactions, - If aggregate value exceeds 10% of the equity or 5% total assets whichever is lower</div> <div>2. Recurrent Related Party Transactions – If aggregate value exceeds 10% gross revenue/ income as per the latest audited accounts</div> <div>3. Report by the Related Party Transactions Review Committee</div> <div>4. A declaration by the Board of Directors</div>	Compliant	RPT Review Committee Report in Page 201 Annual Report of the Board of Directors from Page 193 to 196

RISK MANAGEMENT

Following two most challenging financial years due to the global pandemic and the economic crisis, the industry gradually returned to normal in the second half of the 2022/23 financial year.

KVPL continued to follow the plans it has formulated to meet unpredictable risks which may arise from internal and external environments. In addition the management expertise and the unique Enterprises Risk Management Process of the Company, enabled KVPL to mitigate the other major risks within a controllable level during the year, in a transparent manner.

Further, as a responsible Company of the Hayleys Group, the overall Risk Management System of the Company is regularly reviewed internally and externally via the following mechanisms;

- Special Review Teams have been developed in the regions to carry out system reviews to ensure that the systems are in line with existing controls. The team share their findings with the Head Office Management as well the respective estate for necessary action where needed
- An independent external Risk Assessment is also conducted by the external auditors and specific risks which are identified through the audit findings are mentioned in the year end management letter
- As a member of the multinational and diversified conglomerate Hayleys Group, KVPL’s entire Risk Management Process is stringently supervised by the Hayleys PLC Audit Division. The division coordinates with KVPL with regards to regularly involving & coordinating with the Company on controlling the risks and improving the effectiveness of the Risk Management System
- A Special Risk Assessment is submitted each quarter for the Board’s review

Risk Management Process

The KVPL Group including its subsidiary companies adhere to a comprehensive Risk Management Process as illustrated below to face unpredictable risks in the plantation industry. KVPL focuses on risk mitigation rather than risk avoidance or acceptance mostly by obtaining insurance coverage based on the nature of the business and advice of experts.

Similar to the other companies, KVPL Group’s Risk Management Strategy also comprises the following four steps:

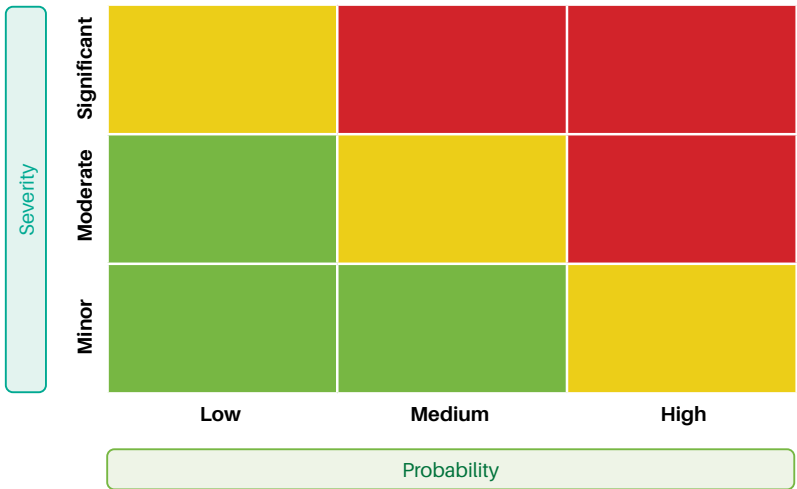


1. Risk Identification

This initial step of the Risk Management Process, is critical as the success of the entire Risk Management Process relies on the accurate identification of risks. At KVPL, the Risk Identification Process begins from the estate managers who identify risks in their respective areas. Following the completion of this step, the identified risks are shared at the monthly/quarterly meetings for broader analysis in order to identify possible risks which arise from unique events. The minor risks which are identified are sorted out at estate level under the guidance of the Estate Managers.

2. Risk Evaluation

The response steps for the identified risks are taken based on the priority given at the Risk Evaluation Stage. The identified risks are evaluated carefully through an evaluation procedure. Through the evaluation process, the risk will be ranked as low, medium & high based on the impact of the risk and the probability. After the ranking is done, the Company management will take necessary action to respond to the risks based on their priority.



RISK MANAGEMENT

3. Risk Control

Based on the rankings, the top management of the Company will control the risk based on the priority by,

➤ Developing Risk Response Strategies

The risk response strategies will be planned & developed to manage the evaluated risk. The strategies will be mainly developed to accept, reduce and share or to avoid the risk based on the impact and the probability of the identified risk. The entire responsibility of developing risk strategies lies with the Managing Director of KVPL & the top-level management team. In addition, to provide the ideal response strategy out of the alternatives, the Company carries out an internal control system to filter and select the most suitable response strategy out of the alternatives. Similar to previous years, KVPL responded to most of the risks that it came across in 2022/23 by mitigating them rather than avoiding or accepting; by obtaining adequate insurance coverage and by having several meaningful discussions with industry experts.

➤ Risk Reporting

The risk response strategies are discussed by the Company’s top management as soon as they are developed and thereafter presented to the Board of Directors as well as the Audit Committee along with the review reports for further analysis. They will evaluate and develop risk strategies along with the respective risks and will make any necessary adjustments before implementing them in practical scenarios. Upon finalisation of the developed strategies, they will be communicated to the ground level for the implementation process. KVPL’s communication process has three components:

- Corporate Level Communication
- Regional Level Communication
- Estate Level Communication

➤ Corporate Level Communication

The top tier of the communication process where communication takes place between the Directors of the Plantations,

the CEO & The Managing Director which discusses the uncontrollable risks which can’t be solved at estate or regional level. The most important high-risk issues are discussed at this level.

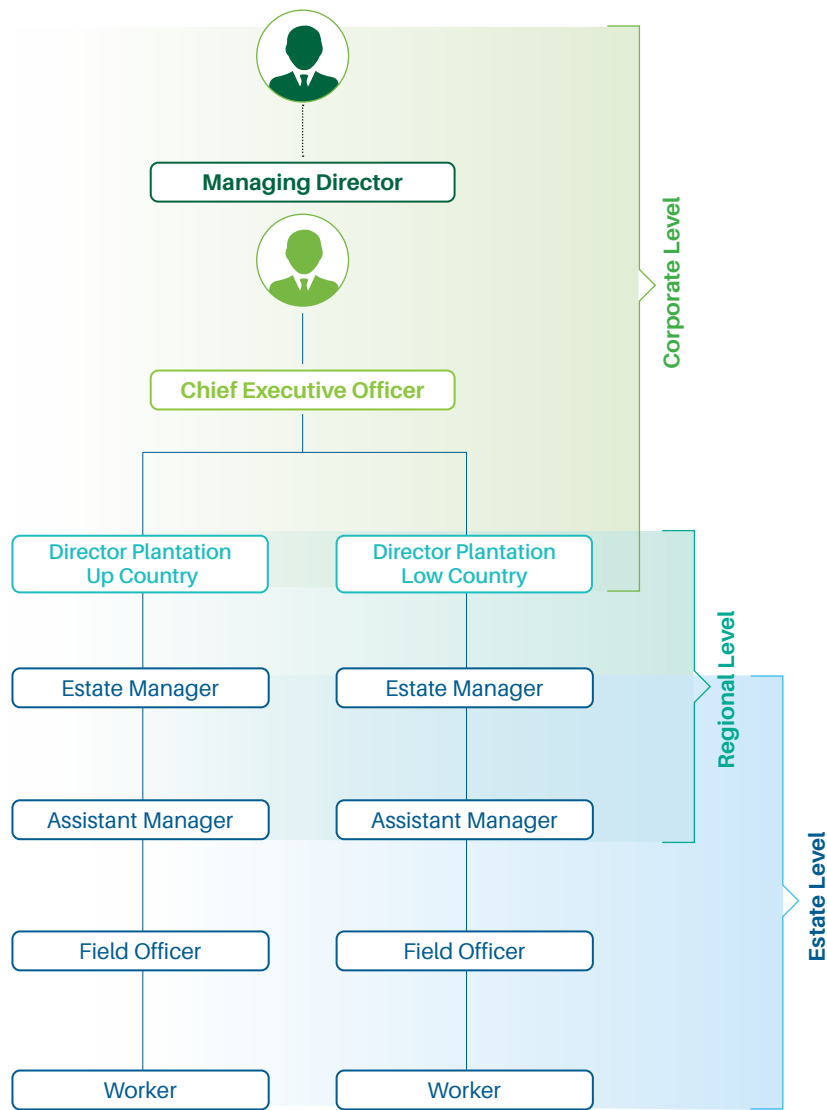
➤ Regional Level Communication

This is the intermediary level of the KVPL communication process. Issues raised by ground level/estate level workers which can’t be solved at the estate level are brought into this level and discussed and solved between estate managers and Directors of Low Country and Up Country Plantations.

➤ Estate Level Communication

GRI 2-13

The initial step of the communication process at KVPL where ground level workers and estate staff have the opportunity to raise issues and any concerns with the estate manager and the assistant manager on a specially designated labour day allocated by the Company each week



4. Risk Monitoring

This is the final step of the Risk Management Process where the Company has to monitor the entire Risk Management Process and this step can be divided into two stages as follows:

➤ Monitoring:

The Company evaluates the efficacy of the implemented strategies and if they have yielded the expected results of reducing the respective risks within the year. This monitoring process is carried out at different levels of the organisation by different parties.

➤ Review:

Review process of the risk profile of KVPL is conducted every quarter unless there is a substantial diversion.

Risk Portfolio of the KVPL Group

With the addition of diversified business sectors, KVPL Group has a wide risk portfolio as depicted below. KVPL adopts a variety of strategies to address the different types of risks.

GRI 201-2

Key Risks Faced in 2022/23



KVPL Approaches Towards Risk Management:

➤ Bottom-up Approach:

Under this approach, information such as Company results, opportunities and operational risks are communicated from the ground level worker to the top level employees of the Company through regular meetings and simultaneous remedial action and goal setting also will take place at this meeting.

➤ Hayleys Groups’ Risk Management Functions:

The Audit Division of the parent Company (Hayleys PLC) also pays more attention to the KVPL Risk Management Process. They coordinate the identification and documentation of control risk areas and tries to enhance the Risk Management System at regular intervals in conjunction with the KVPL management.

➤ Internal Systems Review:

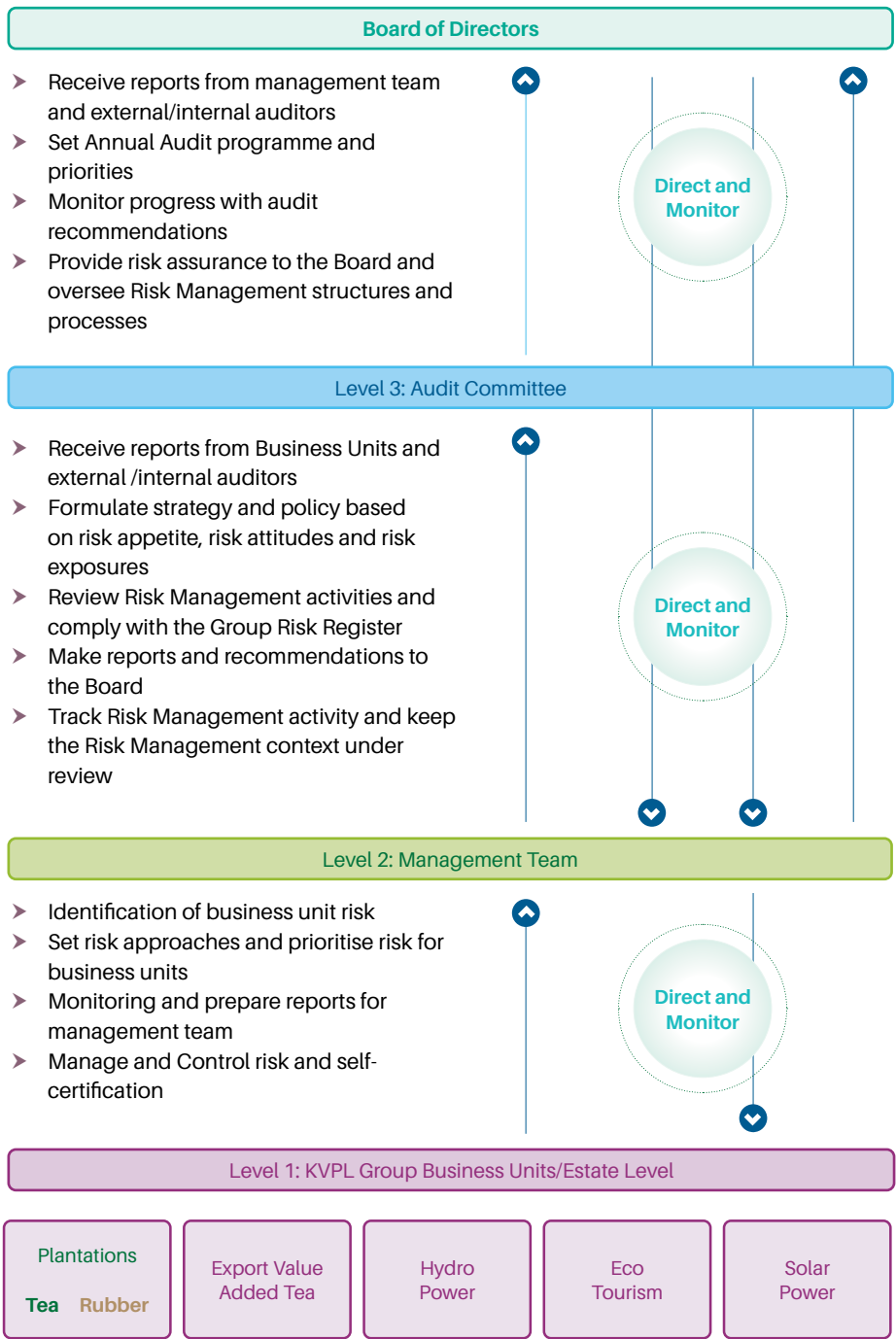
There is a separate review team at KVPL Group to carry out system reviews in order to ensure the efficacy and compliance of existing systems and controls. Based on the review findings, necessary feedback is given to the H/O as well as to the estates to take necessary appropriate action.

➤ External Auditor’s Management Letter:

The year-end management letter issued by the external auditors highlights the risks associated with the audit findings. KVPL uses those findings for continuous enhancement of the Company’s overall Risk Management System.

RISK MANAGEMENT

Risk Architecture



Business Units/Estates: Each divisional business units identifies value creation model and shareholder concerns from the stakeholder engagement processes, to identify material aspects and risk indicators. The risks originated are evaluated and managed within their approved risk appetites and policies and the units are required to establish and maintain appropriate risk management controls, resources and self -assurance processes.

Management Team / Executive Committee: The management team is responsible for developing division-specific risk appetite statements, policies, controls and procedures, in addition to monitoring and reporting in line with the Board’s Statement of Risk Appetite and the Risk Management Frameworks approved by the Board of Directors. The Heads of the business units evaluate operational risk and consults operational management. The significant risks are reported to the Corporate Management where risks are analysed, mitigated and implemented at operational level.

Audit Committee: Group Audit Committee spearheads the optimisation of the risk-reward concept by overseeing the development of risk appetite statements, Risk Management Frameworks, policies and risk concentration controls and monitoring diverse risk profiles to sharpen the alignment with approved risk appetites and strategies.

Board of Directors: The ultimate responsibility of managing risk lies with the Company Board of Directors. They are required to ensure that Risk Management is embedded into all processes and has to review the Group risk profile. Further, the BOD will be assisted by the Audit Committee to overlook the responsibility for risk and Internal Control.

Estate Level Risk Management Process

As a Company which operates in the Plantations Industry, KVPL’s Risk Management Process has identified that workers including the estate community are exposed to large scale risk when on and off duty. These risks basically can be divided into two components as,

1. Environmental Risk – Earth Slips, Floods, Cyclones, Lightning Strikes and Animal Attacks
2. Housing and Other Risk – Factory Fires, Factory Accidents, Customer Complaints, Fire at worker housing, Violence & Strikes, Field Accidents & Sudden Illnesses amongst other.

For the above-mentioned risks, the Estate Risk Management Process will identify solutions for the following questions :

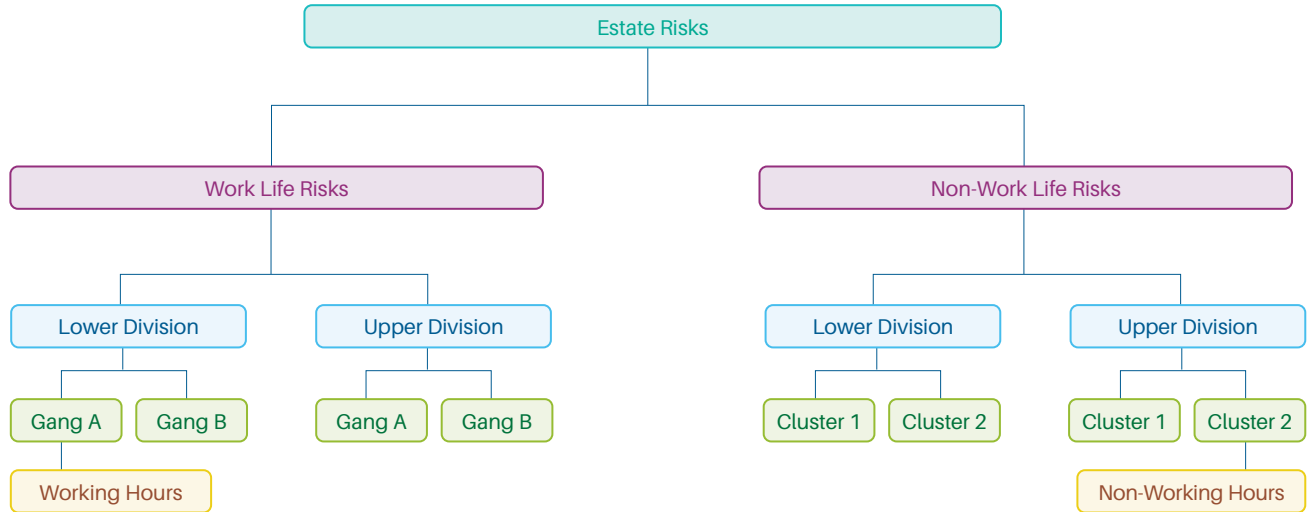
- How the risk could occur
- Who might be harmed
- What is being done already
- Is anything else required to control this risk
- Action by who
- Action by when

Process of Managing Estate Risks

Based on the location where the risks are arising, the Estate Risk Management has divided the risks into two components as,

- Field Level Risk Management
- Worker Housing/Environment Risk Management







The Field Level Risk Management directly covers the labour force while the Worker Housing/Environment Risk Management covers the entire estate community. Response action to hazards are assigned at divisional, field and work group levels, to be able to reach the grass root level in each estate. Responsibilities are assigned between working hours and non-working hours and the risk communication processes follows a bottom-up approach.



RISK MANAGEMENT

L Low M Medium H High

Group Risk Management in 2022/23

RISK FACTOR	RISK RATING		RESPONSE
	2022/23	2021/22	
Strategic Risk GRI 13.2, 201-2			
Climate Changes ➤ Both Tea and Rubber crop output fluctuated due to adverse weather conditions, and erratic weather patterns. This affected the yields, quality, market share, earnings and profitability of the product.			Climate change risk remained high and an unpredictable area during the current year as well Our sustainable agricultural practices strengthened the Emergency Response Plan and Business Recovery Plan to mitigate effects of climatic changes ➤ Close supervision on Tea and Rubber crop variances ➤ Successful implementation of the Company Crisis Management Plan with periodic review ➤ Preserve forests and water sheds to retain the moisture contains ➤ Pre-drought spraying for Tea to prevent excessive transpiration during dry seasons ➤ Sloping Agriculture Land Technology (SALT) to avoid soil erosion ➤ Management of shade trees ➤ Burial of weed heaps to retain moisture ➤ Fixing of Rain Guards to protect the tapping area of Rubber Trees
Production Risk			
➤ Consistencies in product quality depends on the consistency in quality of raw material (Green leaf, Field Latex...etc).			Quality of end product (eg; made Tea and Rubber) is purely dependent on quality of the raw material. Production risk remained high during the year as well due to the continuation of prohibition of non-organic fertiliser & non-availability of organic fertiliser The energy crisis which during the 1 st half of the year also impacted production Following mitigatory measures have been undertaken, ➤ Although the Global Pandemic was mitigted during the year our Health and Safety Measures continued to be implemented since the previous year to ensure an interruption free production operation ➤ Regular refresh programmes are conducted to manual grade workforce on quality of raw material and on techniques of harvesting ➤ Encouraged the workforce by having annual plucking competitions within estates as well as within the Hayleys Plantations Companies ➤ Revenue Share Model introduced to mitigate the shortage of workers as well as to motivate the workers ➤ Management closely monitors stocks which are limited and have special plans to optimise the use of scarce resources
➤ Inconsistencies lead to reduced demand, resulting a drop-in market price, market share and reputation, and increases the number of quality claims			➤ Obtained advice from industry experts, TRI, RRI, brokers and feedback from customers ➤ Conducted weekly Tea assessments on quality ➤ Frequent quality audits, reviews and corrective measures (Quality Assurance Systems) ➤ A better grade mix by converting our Plantation Field latex crop in order to obtain the best market demand locally and overseas ➤ Centralising Tea factories according to high NSA ➤ Developed new areas of diversification in to identified high market potential crops and products such as Cinnamon, Coconut etc. ➤ Introduced Speciality Tea for customers ➤ Exploring into New Non-Traditional markets (China/Poland)

RISK FACTOR	RISK RATING		RESPONSE
	2022/23	2021/22	
Political Risk			
<ul style="list-style-type: none">➤ Political intervention in wage negotiations and major industrial relations inhibit the resolution of issues on the basis of economic viability alone➤ High Instability & Volatility in the Political Environment➤ Increase in Corporate Tax Rates	<div>Ⓜ</div>	<div>Ⓜ</div>	<ul style="list-style-type: none">➤ Political risks remained as a high-level risk during the year. The case regarding the Rs. 1,000.00 wage rate is still pending without a decision in Courts➤ However, Plantation Management has a good rapport with the workers to mitigate the unrest within the plantation➤ Due to high volatile political environment, the management executed the contingency plans to keep the production process smooth➤ Obtained advice from tax experts for tax planning and tax concessions prior to the quarterly tax payments
Value chain <ul style="list-style-type: none">➤ Fluctuations in global supply and demand, close substitutes and competition from other major low cost producers (India, China, Kenya, Vietnam and Indonesia) affects the demand and determines the price(s) of KVPL products➤ Unavailability of chemicals and fertilisers due to restrictions imposed during the panademic➤ Restrictions in Rubber exports due to certain rules and regulations imposed by some countries, during the panademic	<div>Ⓜ</div>	<div>Ⓜ</div>	<ul style="list-style-type: none">➤ Obtaining accreditations for Black Tea factories on international food hygienic standards and accreditations of Tea estates for good agricultural practices➤ Membership in the UNGC which positions KVPL as a socially responsible plantation company➤ The Company continues to produce high quality products in order to reach high-end markets whilst maintaining high gross sales averages over elevational averages to optimise the profit margin➤ Obtaining Certifications which increase the goodwill of the estate products,<ul style="list-style-type: none">1. ISO 22000:2018 Food Safety Management System Certification2. Fair Rubber Certification3. Organic Rubber Field Certification (GOLS)➤ Complete stoppage of certain chemicals and regular chemical tests➤ Integrated Weed Management System➤ Exploring new global markets for Rubber (Germany/ China)➤ Maintaining good relations with global customers during the pandemic season
Social Environmental Risk			
Managing the young generation with gender mix of Gen Y & Gen Z	<div>Ⓜ</div>	<div>Ⓜ</div>	Increasing the dignity of estate level employment by providing uniforms and changing traditional designations and ensuring continuous awareness of sector level benefits, and critical engagement on health & well-being initiatives

RISK MANAGEMENT

RISK FACTOR	RISK RATING		RESPONSE
	2022/23	2021/22	
Financial Risk			
Foreign Exchange Risk <div><div>➤ Our subsidiary Mabroc is focused on foreign markets and adverse fluctuations of foreign exchange rates affect pricing policy and results of the Company</div><div>➤ The depreciation of the LKR impacted KVPL & Mabroc bottom lines significantly due to the higher cost of raw material purchases</div></div>	<div><div></div><div>H</div></div>	<div><div></div><div>H</div></div>	<div>The exchange rate risk and the associated risk exposure is managed as follows;<div><div>➤ Arranging forward exchange contracts to minimise the exposure of currency volatility</div><div>➤ Monitor exchange rate movements and outlook for high exposure currencies</div><div>➤ Forex exposures are monitored, and appropriate action is recommended to reduce inherent risk and minimise adverse impact of currency rate movements on assets and liabilities</div><div>➤ Measures are established to determine effectiveness of actions taken</div><div>➤ Arranging export credit insurance covers in order to mitigate the risks from the foreign debtors</div></div></div> <div>➤ The Company management closely monitored the performances, inventory levels estate wise and weekly & monthly, to ensure that costs were contained within internal budgets</div>
Interest Rate Risk <div>➤ Frequent changes in national fiscal and monetary policies affect the Company's pricing policy and profitability. Similarly, low returns on investment, high opportunity cost of investment and difficulty in generating funds for capital development and growth are the other major risks inherent in the industry</div>	<div><div></div><div>M</div></div>	<div><div></div><div>H</div></div>	<div><div>➤ The KVPL Group's credibility, reputation strength and financial dependability help ensure ready access to funds at attractive rates</div><div>➤ Fluctuation of local currency and interest rates are minimised by having foreign currency borrowings linked to LIBOR</div><div>➤ The Company has taken action to settle the high interest rate loans by obtaining low interest rate loans from the banks as soon as market rates were reduced following Central Bank initiatives</div><div>➤ The Company maintains constant communication with the Hayleys Group Treasury to obtain a higher return for the investments</div><div>➤ The Company invested in Treasury Bills with different maturity periods in order to mitigate the interest rate risks</div></div>
Credit Risk <div>➤ Credit risk is in the financial losses that result from customers defaulting and the prospect of protracted legal proceedings without assurance of a favourable outcome</div>	<div><div></div><div>M</div></div>	<div><div></div><div>M</div></div>	<div>Although, this is a medium risk area in the current economic conditions, mitigatory measures are followed,<div><div>➤ Credit risks are assessed, limits are set and credit granted is closely monitored</div><div>➤ Suppliers are settled and dues collected from customers leaving no room for default on payment</div><div>➤ Tea and Rubber stocks are sold through auction and settlements are assured in seven (7) days</div><div>➤ Customers of Mabroc Teas (Pvt) Ltd. are provided credit upon a thorough evaluation and all open account customers are subject to credit insurance</div><div>➤ Government leases and other finances are closely monitored and settled without delay</div></div></div>

RISK FACTOR	RISK RATING		RESPONSE
	2022/23	2021/22	
Investment Risk <ul style="list-style-type: none"> This entails failure in investments/ inability to achieve expected objectives. This affects future profitability and sustainability of the Group 	(M)	(M)	<ul style="list-style-type: none"> Any "Proposed Investments" are subject to a rigorous evaluation and feasibility process involving expert advice to ensure a maximum return on investment, and Board approval is required prior to embarking on any investment Further KVPL closely monitor the progress to ensure project deliverables are achieved within the given budgets and timelines Prudent investments are made in capital development i.e. replanting, machinery and plant upgrading and rationalising the production capacities in major factories The investments have been diversified such as into minor crops to minimise the investment risk to a certain level, this year as well
Liquidity Risk <ul style="list-style-type: none"> Liquidity challenges are likely to arise due to uncontrollable factors such as, erratic weather patterns, a wage hike, drop in demand and prices and increase in prices of input materials 	(L)	(M)	<p>Due to the positive performance of the year under review, the Liquidity Risk of the Company reduced to a certain level compared to the 2021/22. Further, the Liquidity Risk of the Company was managed via the following steps:</p> <ul style="list-style-type: none"> Efficient cash management such as close monitoring of expenditure, maintaining an effective budgetary control system for each estate, and building up of reserves are keys to minimising Liquidity Risks The Company monitor cash flows on daily basis as against monthly forecasts (expenses are prioritised and expenditure curtailed to the earnings of the estates especially in less crop and lower NSA seasons) Estate level monthly expenditure is monitored by plantation Directors based on monthly expenditure forecast which is approved by the CEO at the beginning of each month. Further, expenses are monitored through the annual budget
Accounting and Reporting <ul style="list-style-type: none"> Possibility of misstatement of Financial Position or Profitability and noncompliance with Accounting Standards and other regulatory requirements 	(L)	(L)	<ul style="list-style-type: none"> The KVPL Board consists of Senior Qualified Accountants The KVPL Group consists of Chartered Accountants and skilled staff with relevant qualifications and expert knowledge in the industry KVPL consult experts in the field when required and regular training on areas such as changes in standards, laws and compliance are given to the staff
Operational Risk			
Human Capital Risk <ul style="list-style-type: none"> Recruitment of competent and skilled employees 	(H)	(H)	<ul style="list-style-type: none"> Through the Plantation Management Trainee Programme, absorbing talented and knowledgeable candidates to the plantation management team through a transparent and comprehensive selection process comprising 1st level interviews, an aptitude test, panel interviews and MDs interviews. Five candidates were selected for batch No. 6 of Plantation Management Trainees Structured and transparent system is in progress to screen and select the skilled employees in staff categories Digital recruitment and on-boarding module through Oracle HCM have helped to recruit the talented and skilled employees Goals setting and performance-based culture has been inculcated through Oracle HCM

RISK MANAGEMENT

RISK FACTOR	RISK RATING		RESPONSE
	2022/23	2021/22	
Human Capital Risk ➤ Retention and development of existing talent ➤ Migration of young and talented employees	H	H	<ul style="list-style-type: none">➤ The performance-based evaluation system has been linked with comprehensive and well-structured benefit packages including training opportunities➤ More training and foreign exposure to young talent➤ Transparent succession plan➤ Maximising the opportunities on digital platforms available for focused and productive online training opportunities➤ Transparent career development and succession plan is in place and further expansion of the areas to retain the top talent➤ Investment on skills, competencies and managerial professionalism through innovative training opportunities (internal and external)➤ Assigning/re-alignment of JDs based on the key competencies and strategic contribution of the employees into new business model of the Company
Reputation Risk ➤ KVPL’s reputation may be tarnished due to non-compliance, unethical practices, and inconsistency in product/ service quality	L	L	<ul style="list-style-type: none">➤ KVPL continues to adopt all the global and local standards such as quality assurance policies, Food Safety Standards and ISO Standards to maintain the reputation within the country and globally➤ In efforts to maintain product quality, the Company sends Tea samples frequently to foreign and local Tea Testing Institutes as per the buyer requirements
Business Disruption ➤ Natural disasters, human involved activities (human errors, accidents etc.) may cause business/ operational disruptions.	L	L	<ul style="list-style-type: none">➤ Obtained regular 3rd party certification on Health & Safety and implemented Disaster Management Policies with the help of the expertise of Internal & external personnel➤ Transfer the risk through obtaining insurance covers for the Company assets
IT Risk ➤ Include risk of system failure and loss of data	M	M	<ul style="list-style-type: none">➤ Have implemented a sound IT policy, including IT security, privacy and confidentiality, supported by adequate systems and controls➤ Have a disaster recovery plan in place to mitigate the risk of IT failures. An effective backup procedure has been implemented both at estates and head office level with the support of Hayleys Group IT unit➤ Monitor system hardware capacities➤ Have a maintenance contract for hardware with a reputed Company➤ Have immediate IT related support for estates in the capacity of skilled personnel in the Regional Office➤ Have provided new technologies (Tabs, Smart phones etc.) for online transmission of daily information to the estate managers➤ Closely monitor the internet and e-mail usage
Technological Risk ➤ Not keeping pace with technological developments could lead to obsolescence	L	L	<ul style="list-style-type: none">➤ Mechanisation of estate functions up to the highest possible extent➤ Investing in research and development activities whenever necessary➤ Investing in hardware resources➤ Maintain close relationship with Research Institutes and Universities to acquire new technology
Compliance and Other Risks			
Regulatory Risk (Legal, Tax...etc) Compliance with laws and other statutory obligations and risk arising from litigation and law suits against the Company may lead to loss of reputation and penalties being imposed	L	L	<ul style="list-style-type: none">➤ Statutory obligations are regularly reviewed by the Head of Finance and reported to the Audit Committee➤ Group has its own legal and tax consultants

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

The Board of Directors of Kelani Valley Plantations PLC has pleasure in presenting its Report on the Affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31 March, 2023.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 (‘Companies Act’), the Listing Rules of Colombo Stock Exchange (‘Listing Rules of CSE’) and the Code of best practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (Corporate Governance Code).

Principle Activities, Business Review and Future Developments

The principle activities of the Company are producing and processing of Tea and Rubber. Details of activities of other companies in the Group are given on page 20 of this Report.

The Chairman’s Message (page 32 to 34), Managing Director’s Review (page 35 to 38), Sustainability Report (page 52 to 154) and Financial Capital (pages 75 to 91) describe the performance of the Company during the year, with comments on the financial results, future strategic developments and the progress of its subsidiaries, Kalupahana Power Company (Private) Limited, Mabroc Teas (Private) Limited., Kelani Valley Resorts (Private) Limited. and Investment in Martin Bauer Hayleys (Private) Limited.

Kelani Valley Instant Tea (Pvt) Ltd. the Company in which the pilot project on manufacturing Ready to Drink (RTD) Tea started, was amalgamated with its parent company, Kelani Valley Plantations PLC in accordance with the Companies Act on 12 May 2022,in accordance with the Companies Act, since Martin Bauer Hayleys (Pvt) Ltd. launched RTD Tea project with its full capacity.

There were no material changes in the nature of business of the Company and the Group during the financial year.

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

Financial Statements

The Financial Statements of the Company and the Group are given from page 210 to 271

Auditor’s Report

The Independent Auditor’s Report on the Financial Statements of the Company and the Group is given from page 207 to 209

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given from page 217 to 232.

Group Revenue

The Group revenue during the year was Rs. 20,704,225,946/- (2021/22 -Rs. 12,925,849,633 /-) and an analysis is given in Note 6.1 to the Financial Statements.

The Group revenue from tea increased by Rs. 7,481,250,188/- (2021/22 increased by Rs. 633,055,665/-) and rubber increased by Rs. 295,475,112/- (2021/22- increased by Rs. 510,621,085/-) during the year, respectively. Segmental analysis of the Group revenue is shown in note 6.1 to the Financial Statement.

Results and Dividend

First interim dividend of Rs. 2.50 (Rupees Two and Cents Fifty) per share, second interim dividend of Rs. 3.00 (Rupees Three) per share and Third interim dividend of Rs. 3.00 (Rupees Three) per share was paid to the shareholders on 30 September 2022, 23 January 2023 and 11 April 2023 respectively.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the first, second and third interim dividends paid. A solvency certificate was obtained from the Auditors in respect of the first, second and third interim dividends paid.

The Group profit before taxation amounted to Rs. 3,040,669,860/- (2021/22- profit before taxation Rs. 1,965,171,491 /-). After deducting Rs. 952,825,506/- (2021/22- Rs. 187,706,514 /-) for taxation, the profit for the year was Rs. 2,087,844,354 /- (2021/22 – profit of Rs. 1,777,464,486 /-).

The Group profit attributable to owners of the parent after deducting for non-controlling interest of Rs. 460,405/- (2021/22- Rs. 7,932,135/-) for the year was Rs. 2,087,383,949 /- (2021/22 – 1,769,531,982 /-).

The Profit available for appropriation, inclusive of Rs. 3,852,994,998 /- (2021/22- Rs. 2,209,054,697 /-) of brought forward retained profit amounted to Rs. 5,115,216,558 /- (2021/22- Rs. 3,852,994,998/). Segmental analysis of the Group gross profit is shown in note 6.2 to the Financial Statement and KPI’s are discussed in Financial Capital section of this report

Property, Plant & Equipment

The capital expenditure of the Group during the period amounted to Rs. 911,367,856/- (20121/22 - Rs. 411,503,659/-) whilst that of the Company was Rs. 567,331,033/- (2021/22 – Rs. 295,018,532/-) which includes replanting expenditure of Rs. 292,506,317/- (2020/21 - Rs. 183,750,506/-) on tea, rubber, coconut, cinnamon and fuel wood.

Information relating to movement of Property, Plant & Equipment is given in Notes 12, 13 and 14 to the Financial Statements.

Stated Capital and Reserves

In compliance with the Companies Act, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received, due or payable to the Company in respect of the issue of shares.

The stated capital of the Company, consisting of 68,000,000 ordinary shares and one Golden share amounts to Rs. 340,000,010/-. There was no change to the stated capital during the year.

The Golden share of Rs. 10/- held by the Secretary to the Treasury, enjoys the following special rights:

- The concurrence of the Golden Shareholder should be obtained to sub-lease estate lands and amend the Articles of Association of the Company in which the Golden Shareholders’ rights are given.

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

- The Golden Shareholder or his nominee has the right to examine the books and accounts of the Company.
- The Company is required to submit a detailed quarterly report to the Golden Shareholder.
- The Golden Shareholder can request the Board of Directors of the Company for a meeting.

Reserves

The total reserves of the Group as at 31 March, 2023 amounted to Rs. 6,815,216,558/- (2021/22 -5,552,994,616 /-) comprising the general reserve of Rs. 1,700,000,000/- (2021/22 - Rs. 1,700,000,000/-) and the carried forward profit of Rs. 5,115,216,558/- (2020/21 - Rs. 3,852,994,616/-).

The movement is shown in the Statements of Changes in Equity in the Financial Statements.

Taxation

It is the Company’s policy to provide for deferred taxation on all known temporary differences on the liability method.

The Company is liable to income tax at the rate of 10.5% for the first 6 months and 22.5% for the second 6 months of the year on its agro processing activities (After allowing for 25% tax rebate) and 24% & 30% on other income for the first and second six months respectively. Agricultural profits of the Company is exempted for the year of assessment 2022/23.

Information relating to income tax rates of subsidiary companies is shown in Note 10 to the Financial Statements.

Interest Register

The Company, in compliance with the Companies Act, maintains an Interest Register. Particulars of entries in the Interest Register are detailed below. The subsidiary companies have unanimously agreed to dispense with the keeping of an Interest Register.

Directors’ Interests in Transactions

The Directors of the Company have made the general disclosures provided for in

Section 192 (2) of the Companies Act. Note 32 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors’ Interests in Shares

Directors who have relevant interests in the shares of the Company have disclosed their shareholdings and any acquisitions/ disposals during the year to the Board, in compliance with Section 200 of the Companies Act.

Directors’ Shareholdings

The shareholdings of the Directors as at 31 March 2023 were as follows;

No. of Shares	As at 31.03.2023	As at 31.03.2022
Mr. A M Pandithage	Nil	NIL
Dr. R Rajadurai	4,382	2,382
Mr. A Weerakoon	NIL	NIL
Mr. F Mohideen	NIL	NIL
Mr. S C Ganegoda	45,147	NIL
Mr. N. Ekanayake	NIL	N/A
Mr. C V Cabraal	NIL	NIL

Dr. R Rajadurai Managing Director of the Company purchased 2,000 shares of the Company during the financial year.

Mr. S C Ganegoda, Non-Executive Director of the Company purchased 45,147 shares of the Company during the financial year.

Insurance & Indemnity

The ultimate parent of the 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.

Payment of Remuneration to Directors

Executive Directors’ remuneration is determined within an established framework. The total remuneration of the Executive Directors of the Group and the Company for the year ended 31 March 2023, is Rs. 126,843,165/- and Rs. 52,998,917 respectively, including the value of perquisites granted to them as part of their terms of service.

The total remuneration of Independent Non-Executive Directors of both Group and the Company for the year ended 31 March, 2023, is Rs. 2,895,000/- determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of this remuneration is fair to the Company.

Corporate Donations

No donations were made during the year (2021/22 - Nil) by the Company and its subsidiaries. No donations were made for political purposes.

Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on page 16 and 17

Executive Directors

Mr. A M Pandithage, Dr. W G R Rajadurai, Mr. A Weerakoon

Non-Executive Directors

Mr. S C Ganegoda

Independent Non-Executive Directors

Mr. F Mohideen, Mr. C V Cabraal, Mr. N Ekanayake.

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

Mr. L N De S Wijeyeratne ceased to be a Director on 28 June 2022 in terms of Section 210 of the Companies Act.

Mr. N Ekanayake was appointed to the Board as an Independent Non-Executive Director on 29 June 2022 in terms of Article 28(2) of the Articles of Association of the Company, Shareholders will be requested to re-elect Mr. N Ekanayake at the Annual General Meeting.

In terms of Article 30 (1) of the Articles of Association of the Company, Mr. C V Cabraal retires by rotation and being eligible, offers himself for re-election.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, ordinary resolutions will be put before the shareholders for the re-appointment of Mr. A M Pandithage and Mr. F Mohideen not withstanding the age limit of Seventy years stipulated by Section 210 of the Companies Act.

Directors of the Company and subsidiaries are given on page 20.

Corporate Governance

The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the CSE. Adoption of good governance practices has become an essential requirement in today’s corporate culture. The practices carried out by the Group are explained in the Corporate Governance Statement from page 156 to 182

Board Committees

Audit Committee

The Report of the Audit Committee on Page 199 to 200 sets out the manner of compliance by the Company in accordance with the requirements of the Listing Rules of the CSE on Corporate Governance.

The composition of the Audit Committee and the attendance of the meetings of the Audit Committee are given on Page 199 of the Audit Committee Report.

Remuneration Committee

The Company formally appointed its own Remuneration Committee on 2 February 2023. Until such time, the Remuneration Committee of Hayleys PLC acted as the Remuneration Committee of the Company. The Committee comprises the following Directors:

- Mr. N Ekanayake (Chairman) - Independent Non-Executive Director
- Mr. F Mohideen - Independent Non-Executive Director
- Mr. C V Cabraal - Independent Non-Executive Director

The Report of the Remuneration Committee given on page 202 contains a Statement of the Remuneration Policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 9.1 on page 235 to the financial statements.

Board Nomination Committee

The Company formally appointed its own Nomination Committee on 2 February 2023. Until such time, the Nomination Committee of Hayleys PLC acted as the Nomination Committee of the Company. The Committee comprises the following Directors:

- Mr. N Ekanayake (Chairman) - Independent Non-Executive Director
- Mr. FMohideen - Independent Non-Executive Director
- Mr. C V Cabraal - Independent Non-Executive Director
- Mr. S C Ganegoda - Non-Executive Director

The Nomination Committee report is given on page 203 to this Annual Report

Related Party Transactions Review Committee

The Company formally appointed its own Related Party Transactions Review Committee on 2 February 2023. Until such time, the Related Party Transactions Review Committee of Hayleys PLC assisted the Board in reviewing all related party transactions in accordance with Section 9.2.3 of the Listing Rules of the CSE. The Related Party Transactions Review Committee of the Company comprises the following three Independent Non-Executive Directors of the Company.

- Mr. N Ekanayake (Independent Non-Executive) - Chairman
- Mr. F Mohideen (Independent Non-Executive)
- Mr. C V Cabraal (Independent Non-Executive)

The attendance of the meetings of the Related Party Transaction Review Committee is given on Page 201 of the Related Party Transaction Review Committee Report.

Auditors

The Auditors, Messrs Ernst & Young, Chartered Accountants were paid Rs. 7,884,312/- (2021/22 – Rs. 6,493,950 /-) and Rs. 6,351,450 /- (2021/22 Rs. 5,203,060 /-) by the Group and the Company respectively as Audit fees for the Financial year ended 31 March 2023.

In addition, the Group paid Rs. 1,332,405/- (2020/21 - Rs. 764,803/-) to Messrs. Ernst & Young for the year whilst the Company incurred Rs. 625,841 /- (2020/21 – Rs. 222,584/-) on non – audit related work which mainly consists of tax consultancy services.

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationships (other than that of the Auditor) with, or interests in the Company or any of its subsidiaries other than those disclosed above.

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

Messrs Ernst & Young, Chartered Accountants have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors and to authorise the directors to determine their remuneration is being proposed at the Annual General Meeting.

Share Information and Major Shareholdings

Information relating to Earnings, Dividend, Net Assets per Share, Market Value Per Share and Share Trading is shown in page 24 and 274 respectively.

Shareholders

It is the Company's policy to endeavour to ensure equitable treatment to its shareholders. The Twenty major shareholders' names, comparative number of shares held and the percentage held as at 31 March 2023 and public shareholding percentage and total number of public shareholders are shown on page 275

Events Occurring After the Date of the Statement of Financial Position

No circumstances have arisen since the date of the Statement of Financial Position, which would require adjustments to, or disclosure of other than those disclosed in Note 35 to the Financial Statements.

Employees & Industrial Relations

The Company has a structure and a culture that recognises the aspirations, competencies and commitment of employees. Career growth and advancement within the Company is promoted. Details of the Company's human resource practices and employee and industrial relationships are given in Human Capital Section. The number of persons employed by the Group at financial year-end was 7,764 (2021/22 - 8,725) of which 7,586 (2021/22 - 8,552) are engaged in employment outside the Western province.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory institutions and those

related to employees have been made promptly.

The declaration relating to statutory payments is made in the Statement of Directors' responsibilities on page 198.

Ratios and Market Price Information

The ratios relating to equity and debt as required by the listing requirements of the CSE are given on page 24.

Environmental Protection

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the environment section of the Sustainability Report from page 52 to 154.

The Group's business activities can have direct and indirect effect on the environment. It is the Group's policy to minimise any adverse effects its activities may have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

Risk Exposure

Information pertaining to material foreseeable risks are given under Risk Managemen on pages 188 to 192.

Internal Control

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

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

Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the code of best practice on corporate governance, the Directors have a reasonable expectation that the Group and Company possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

Annual General Meeting

The Annual General Meeting will be held at Hayleys Conference Hall, No. 400, Deans Road, Colombo 10 at 09.00 a.m. on 26 June 2023. The Notice of the Annual General Meeting appears on page 290 of the Annual Report.

For and on behalf of the Board,



Mohan Pandithage
Chairman



Dr. Roshan Rajadurai
Managing Director



Hayleys Group Services (Private) Limited.
Secretaries

12 May 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The following statement fulfills 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.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to 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 committees 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 and Group. Audits are carried out on all subsidiaries 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.

- 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.

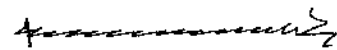
Conclusion

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 objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

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



Dr. Roshan Rajadurai
Managing Director



Anura Weerakoon
Director/Chief Executive Officer

12 May 2023

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1), & 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Company and the Group for the 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 judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, Companies Act. No. 07 of 2007 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 reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for first, second and third interim dividends paid and the Solvency Certificate has been received from the auditors in this respect.

The External Auditors, Messrs. Ernst & Young Chartered Accountants were re-appointed in terms of the Companies Act and were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown from page 207 to 209 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 provided where relevant.

By order of the Board
Hayleys Group Services (Private) Limited.
Secretaries

12 May 2023

AUDIT COMMITTEE REPORT



Mr. N. Ekanayake
(Chairman)

Composition



Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors.

Mr. N Ekanayake (Chairman)
Mr. F Mohideen
Mr. C V Cabraal

Mr. L N De S Wijeyeratne who was the Audit Committee Chairman, ceased to be a Director on 28 June 2022 in terms of Section 210 of the Companies Act No. 7 of 2007 and consequently vacated the post of Chairman of the Audit Committee.

Mr. N Ekanayake a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, possessing over 30 years of post-qualifying experience at different management levels was appointed as the Chairman of the Audit Committee on 29 June 2022.

Brief profiles of each member are given on pages 16 and 17 of this report. Individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee’s purview.

Hayleys Group Services (Private) Limited. Company Secretaries act as the Secretaries to the Audit Committee. The Managing Director, Chief Executive Officer and the Director Finance of the Company attend the meetings. The Chairman, Group Chief Finance Officer and Head of Management Audits and Systems Review Department attend meetings by invitation.

Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of the Board of Directors. 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 Colombo Stock Exchange, Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka 2017 further regulate the composition, role and functions of the Audit Committee.

Meetings of the Audit Committee

The Audit Committee met 4 times during the financial year ending 31 March 2023. The attendance of the members at these meetings is as follows:

Independent Non-Executive Director	10/05/2022	02/08/2022	01/11/2022	02/02/2023	Total
Mr. N Ekanayake (Chairman)	N/A	√	√	√	3/3
Mr. F Mohideen	√	√	√	√	4/4
Mr. C V Cabraal	√	√	√	√	4/4
Mr. L N de S Wijeyeratne (Resigned on 28.06.2022)	√	N/A	N/A	N/A	1/1

AUDIT COMMITTEE REPORT

Role of the Audit Committee

The Committee has a written term of reference, which clearly defined the oversight role and responsibility of the Audit Committee, and it is described in the Corporate Governance Report on page 173.

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure the reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from the Managing Director and Director/CEO. 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 recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal 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 the preparation and presentation of Financial Statements. The Hayleys Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedures in Group companies that are selected according to an annual plan. These reports are reviewed by the Audit Committee. Internal Audits are outsourced wherever necessary, to leading audit firms in line with an agreed annual audit plan. The Committee also invited representatives from the respective audit firms to make presentations on their observations and findings.

Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the MA

& SRD and other internal auditors, in the conduct of their assignments.

The Committee reviewed statements that indicated major business risks, mitigating actions or contemplated for management of these risks.

External Audits

The Committee held meetings with the External Auditors to review the nature, approach, and scope of the audit and the Audit Management Letters of Group Companies. 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 actions were recommended wherever necessary.

The audit results were presented to the Audit Committee after the completion of the audit. The Committee reviewed the audit observations in relation to the Group's accounting policies, judgments and accounting estimates adopted, with particular reference to the going concern and impairment of assets assessments carried out by management and noted that there were no significant issues reported.

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

Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young Chartered Accountants continue as the External Auditors for the financial year ending 31 March 2024 subject to the approval of the shareholders at the Annual General Meeting (AGM) and the requested resolution will be put to the shareholders at the AGM.

Support to the Committee

The Committee received information and support from the Management and Group Auditor during the year to carry out its duties and responsibilities effectively.

Ethics and Good Governance

The Committee continuously emphasised on upholding the ethical values of the staff members. In this regard, the 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 the adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group Companies and made recommendations to the Board of Directors.

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

The Committee has pursued the support of Messrs. Ernst & Young, Chartered Accountants to assess and review the existing SLFRS policies and procedures adopted by the Group.



N Ekanayake
Chairman

Audit Committee

12 May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Company formally appointed its own Related Party Transactions Review Committee (RPTRC) with effect from 2 February 2023. Until such time, the Related Party Transactions Review Committee of Hayleys PLC assisted the Board in reviewing all related party transactions.

Composition of the Committee, Meetings and Attendance

The composition of the RPTRC of Hayleys PLC and the RPTRC of the Company and the attendance at meetings is given below;

RPTRC of the Company

Name	Category	Meeting Attendance
Mr. N Ekanayake - Chairman	IND/NED	1/1
Mr. F Mohideen	IND/NED	1/1
Mr. C V Cabraal	IND/NED	1/1

(IND-Independent Director, NED-Non-Executive Director)

RPTRC of Hayleys PLC

Name	Category	Meeting Attendance
Dr. H Cabral PC - Chairman	IND/NED	3/3
Mr. M Y A Perera	IND/NED	3/3
Mr. S C Ganegoda	ED	3/3

(IND-Independent Director, NED-Non-Executive Director, ED – Executive Director)

The Duties of the Committee

- 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.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- 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.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- 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.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- 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.

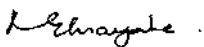
Task of the Committee

The Committee reviewed the related party transactions and their compliance and communicated to the Board.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.

Disclosures

A detailed disclosure of all the related party transactions including recurrent and non-recurrent related party transactions which are required to be disclosed under Section 9.3.2 of the Listing Rules of CSE has been made in Note 32 to the financial statements given from page 263 to 265 in report.



N Ekanayake
Chairman

Related Party Transactions Review Committee

12 May 2023

REMUNERATION COMMITTEE REPORT

The Company formally appointed its own Remuneration Committee with effect from 2 February 2023. Until such time, the Remuneration Committee of Hayleys PLC assisted the Board.

Composition of the Committee, Meetings and Attendance

Remuneration Committee of Hayleys PLC met two times and the Remuneration Committee of the Company met once during the financial year. The attendance of these meetings is given below;

Remuneration Committee of the Company

Name	Category	Total
Mr. N Ekanayake – Chairman	IND/NED	1/1
Mr. F Mohideen	IND/NED	1/1
Mr. C V Cabraal	IND/NED	1/1

(IND-Independent Director, NED-Non-Executive Director)

Remuneration Committee of Hayleys PLC

Name	Category	Total
Dr. H Cabral - Chairman	IND/NED	2/2
Mr. H Jamaldeen	IND/NED	2/2
Mr. M Y A Perera	IND/NED	2/2
Mr. K D D Perera – Resigned w.e.f. 10 June 2022	NED	1/1

(IND-Independent Director, NED-Non-Executive Director)

The Managing Director of the Company, who is responsible for the overall management of the Company, provides information to the Committee in all deliberations except in relation to those matters where the outcome has an impact on him.

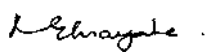
Scope of Duties

Led by the objective of attracting and retaining high caliber individuals in a competitive environment, in line with business performance and stakeholder expectations, the Remuneration Committee shall be responsible for the following;

- Setting the overall Hayleys PLC group remuneration policies after taking into consideration the current industrial norms; laying down guidelines and parameters for the compensation structure of the Managing Director, Executive Directors and other key managing staff.
- To set goals and targets for the Managing Director, Executive Directors and key management personnel.
- To monitor and review the performance of the Managing Director, Executive Directors and other key management personnel.
- To periodically evaluate the performance of the Managing Director, Executive Directors and other key management personnel against the set targets and goals, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.

Remuneration Policy

The remuneration policy is to attract and retain highly qualified and experienced work force, and reward performance accordingly against the backdrop of industry norms. These compensation packages provide compensation appropriate for the Group and commensurate with each employee’s level of expertise and contributions, bearing in mind the business’ performance and shareholder returns.



N Ekanayake
Chairman

Remuneration Committee

12 May 2023

NOMINATION COMMITTEE REPORT

The Company formally appointed its own Nomination Committee with effect from 2 February 2023. Until such time, the Nomination Committee of Hayleys PLC assisted the Board.

Composition of the Committee, Meetings and Attendance

As at 31 March 2023, the Nomination Committee of the Company comprised the following Members:

Mr. N Ekanayake (Chairman) – IND/NED
Mr. F Mohideen – IND/NED
Mr. C V Cabraal – IND/NED
Mr. S C Ganegoda – NED
(IND-Independent Director, NED-Non-Executive Director)

The Nomination Committee of Hayleys PLC met Nine times during the financial year. The attendance of these meetings is given below;

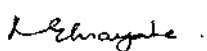
Nomination Committee of Hayleys PLC

Name	Category	Total
Mr. A M Pandithage	ED	9/9
Dr. H Cabral	IND/NED	9/9
Mr. K D D Perera (Resigned with effect from 10 June 2022)	NED	1/2

(IND-Independent Director, NED-Non-Executive Director, ED – Executive Director)

Duties of the Nomination Committee

- Consider the making of any new appointment to the Board or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a director is able to and has been adequately carrying out his or her duties as a director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principle commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. C V Cabraal at the Annual General Meeting to be held on 26 June 2023.
- The Committee has recommended to reappoint Mr. A M Pandithage and Mr. F Mohideen who are over seventy years of age.



N Ekanayake
Chairman

Nomination Committee

12 May 2023

MANAGING DIRECTORS', CHIEF EXECUTIVE OFFICERS', AND DIRECTOR - FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of Kelani Valley Plantations PLC and the Consolidated Financial Statements of the Group as at 31 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; and
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

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

We have taken measures in installing systems of internal control and accounting records, to safe guard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurance that the established policies and procedures have been consistently followed was provided through periodic audits conducted by Hayleys Group Internal Auditors (MA & SRD) and our own staff. 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 quarterly and additionally if required 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 Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is given from page 207 to 209 of the Annual Report.

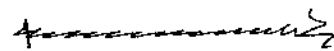
The Audit Committee reviews the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that:

- The Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- There are no non-compliances; and
- There is no material litigation that is pending against the Group.



Dr. Roshan Rajadurai
Managing Director



Anura Weerakoon
Director / Chief Executive Officer



Vidura Weerabahu
Director- Finance

12 May 2023

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FINANCIAL CALENDAR

Financial Calendar	2022/23	2021/22
01st Quarter	02 August 2022	05 August 2021
02nd Quarter	01 November 2022	04 November 2021
03rd Quarter	02 February 2023	02 February 2022
Annual Report	12 May 2023	10 May 2022
Annual General Meeting	26 June 2023	28 June 2022

Date of Authorisation for Issue	Financial Year	Annual General Meeting
11 May 2021	2020/21	25 June 2021
09 June 2020	2019/20	23 July 2020
07 May 2019	2018/19	25 June 2019
09 May 2018	2017/18	22 June 2018
16 May 2017	2016/17	22 June 2017
11 May 2016	2015/16	16 June 2016
08 May 2015	2014/15	29 June 2015
13 February 2014	2013	28 March 2014
20 February 2013	2012	28 March 2013
14 February 2012	2011	29 March 2012

Dividend	Rs. Per Share	Date of Announcement	Date of Payment
1st Interim Dividend	2.50	15 September 2023	30 September 2022
2nd Interim Dividend	3.00	30 December 2022	23 January 2023
3rd Interim Dividend	3.00	15 March 2023	11 April 2023
Proposed Final Dividend	1.50	18 May 2023	14 July 2023

INDEPENDENT AUDITORS’ REPORT



Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 10,
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Email: eysl@lk.ey.com
ey.com

RDeS/NG/MRH

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF KELANI
VALLEY PLANTATIONS PLC

Report on the Financial Statements

Opinion

We have audited the financial statements of Kelani Valley Plantations PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at March 31, 2023, and statement of profit or loss the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation	
The retirement benefit obligation as at 31 March 2023 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group.	Our audit procedures included the following: <ul style="list-style-type: none">➤ We assessed the competency, capability and objectivity of the external actuary engaged by the Group.➤ We read the external actuary’s report and understood the key estimates made and the approach taken by the actuary in determining the present value of retirement benefit obligation.➤ We assessed reasonableness the discount rate used, with our internally developed benchmarks.➤ We validated the key data used by the actuary to the underlying data held by the Group.➤ We have also assessed the adequacy of the disclosures made in notes 26 to the financial statements relating to the significant judgements and estimates.
Measurement of the retirement benefit obligation was a key audit matter due to following reasons: <ul style="list-style-type: none">➤ The retirement benefit obligation of the Group is significant (Rs. 1,077 Mn) in the context of the total liabilities of the Group (15% of total liabilities).➤ The actuarial valuation involves making significant assumptions about discount rate. Further, the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation.➤ The determination of the base salary/ wage rate and the future salary/ wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end. Key areas of significant judgements, estimates and assumptions are disclosed in notes 26 to the financial statements.	

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. M A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Marasinga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Widesuriya FCA FCMA, C A Velagala ACA ACMA

Principals: W S J De Silva BSc (Hons) MSc FT, G B Goudan ACMA, D L B Karunathilaka ACMA, Ms. P S Parandavilane ACA ACMA LLB (Colombo), T P M Rubena FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS’ REPORT



Key audit matter	How our audit addressed the key audit matter
Bearer Biological Assets	
<p>The Bearer Biological Asset is a significant non-current asset of the Group representing 28% of the total assets comprising of Rs 2,925 Mn as Mature plantations and Rs 1,060 Mn as Immature Plantations as at 31 March 2023, as disclosed in Notes 3.7.8.1 and 14.1 to the financial statements</p> <p>Measurement of Bearer Biological assets in the financial statements was a key audit matter due to following:</p> <ul style="list-style-type: none">➤ Materiality of the balance and its significance to total assets (28%) of the group.➤ Identification of costs to be capitalised as immature plantations, involvement of management judgement regarding the point at which transfers are to be made from immature plantations to mature plantations and for the identification of triggers of impairment.	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">➤ Assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations.➤ Validated the significant amounts capitalised (including capitalised labour and other acceptable costs) by examining related invoices, capital expenditure authorisations and other corroborative evidence.➤ Assessed the reasonableness of depreciation provided on the matured plantations by performing independent computations.➤ Assessed timely transfer of matured plants to respective matured plantation categories by examining the ageing profile of immature plantations.➤ Inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment have been identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements.➤ We also assessed the adequacy of the related disclosures given in Notes 3.7.8.1 and 14.1 in the financial statements.

Other information included in The Company’s 2023 Annual Report

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

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

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

Responsibilities of management and those charged with governance

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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



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

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

related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor’s report is M-2448.

12 May 2023
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March		Group		Company	
		2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
	Notes				
Revenue	6.1	20,704,226	12,925,850	8,389,910	5,351,531
Cost of sales		(17,045,866)	(10,661,213)	(6,317,776)	(4,441,459)
Gross profit	6.2	3,658,360	2,264,637	2,072,134	910,072
Gain on change in fair value of biological assets	14.2.1	36,592	16,207	36,592	16,207
Other income	7	213,062	331,637	693,401	448,748
Administrative expenses		(989,099)	(877,826)	(432,154)	(425,972)
Distribution expenses		(93,200)	(59,139)	-	-
Results from operating activities		2,825,715	1,675,516	2,369,973	949,055
Finance income	8.1	945,493	960,908	285,169	105,283
Finance expenses	8.2	(640,686)	(588,140)	(26,754)	(48,201)
Interest paid to Government on lease	8.3	(89,852)	(83,113)	(89,852)	(83,113)
Net finance income/(cost)	8	214,955	289,655	168,563	(26,031)
Profit before tax	9.1	3,040,670	1,965,171	2,538,536	923,024
Tax expense/ reversal	10.1	(952,826)	(187,707)	(753,681)	15,810
Profit for the year		2,087,844	1,777,464	1,784,855	938,834
Attributable to:					
Equity holders of the Parent		2,087,384	1,769,532	1,784,855	938,834
Non-controlling interest		460	7,932	-	-
Profit for the year		2,087,844	1,777,464	1,784,855	938,834
Earnings per Share					
Basic earnings per share (Rs.)	11.1 (A)	30.70	26.02	26.25	13.81
Diluted earnings per share (Rs.)	11.1 (B)	30.70	26.02	26.25	13.81
Dividend per Share (Rs.)	11.2	-	-	10.00	4.45

Figures in brackets indicate deductions.

Notes to the Financial Statements from page 217 to 271 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March		Group		Company	
		2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
	Notes				
Profit for the year		2,087,844	1,777,464	1,784,855	938,834
Comprehensive Income					
Comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Fair value gain on FVTOCI financial assets	15.2	6,050	-	-	-
Revaluation of land	13	-	62,715	-	-
Actuarial gain/(loss) on retirement benefit obligations	26	(104,469)	59,487	(102,726)	62,344
Income tax effect	10.2	21,295	(13,224)	30,818	(4,844)
Comprehensive income for the year, net of tax		(77,124)	108,978	(71,908)	57,500
Total comprehensive income for the year, net of tax		2,010,720	1,886,442	1,712,947	996,334
Attributable to:					
Equity holders of the Parent		2,010,223	1,878,539	1,712,947	996,334
Non-controlling interest		497	7,903	-	-
Total comprehensive income for the year		2,010,720	1,886,442	1,712,947	996,334

Figures in brackets indicate deductions.

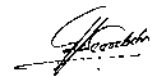
Notes to the Financial Statements from page 217 to 271 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		As at	As at	As at	As at
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non-current assets					
Right-of-use assets	12	597,533	595,090	597,533	595,090
Freehold property, plant & equipment	13	2,587,345	2,106,696	1,109,224	871,025
Improvements to leasehold property	14.1	3,985,445	3,880,180	3,985,445	3,880,180
Biological assets - consumable	14.2	237,603	212,691	237,603	212,691
Investments in subsidiaries	15	-	-	328,000	347,813
Other non-current financial assets	15.2	396,970	390,920	396,970	390,920
Intangible assets	16	38,673	41,251	-	-
Deferred tax assets	25	1,221	-	-	-
Total non-current assets		7,844,790	7,226,828	6,654,775	6,297,719
Current assets					
Produce on bearer biological assets	17.1	28,660	16,980	28,660	16,980
Inventories	17.2	2,359,023	1,855,248	1,170,979	711,067
Amounts due from subsidiaries	30.1	-	-	24,995	22,910
Amounts due from other related companies	30.1	57,876	224,877	14,343	154,010
Trade and other receivables	18	2,304,369	2,319,105	573,507	457,684
Income tax receivable	29.1	-	138	-	-
Short-term investments	20.1	1,539,471	496,060	1,445,448	264,794
Cash and cash equivalents	20.2	200,720	371,939	130,360	85,286
Total current assets		6,490,119	5,284,347	3,388,292	1,712,731
Total assets		14,334,909	12,511,175	10,043,067	8,010,450
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	340,000	340,000	340,000	340,000
Revenue reserves		6,815,218	5,552,995	4,792,711	3,827,764
Total equity attributable to equity holders of the company		7,155,218	5,892,995	5,132,711	4,167,764
Non-controlling interest		49,582	49,085	-	-
Total equity		7,204,800	5,942,080	5,132,711	4,167,764
Non-current liabilities					
Interest-bearing borrowings	22.1	17,456	125,574	3,375	8,669
Deferred income	24	653,266	672,440	653,266	671,819
Deferred tax liability	25.1	992,118	444,120	920,369	386,973
Retirement benefit obligations	26	1,077,144	1,034,290	1,021,131	988,099
Lease liability	27.3	631,871	599,964	631,871	599,964
Total non-current liabilities		3,371,855	2,876,388	3,230,012	2,655,524

	Notes	Group		Company	
		As at	As at	As at	As at
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current liabilities					
Trade and other payables	28	1,773,310	1,391,395	1,306,207	795,359
Lease liability	27.3	19,963	16,899	19,963	16,899
Amounts due to subsidiaries	30.1	-	-	-	11,997
Amounts due to other related companies	30.1	80,200	82,753	50,276	55,420
Income tax payable	29.2	207,087	96,915	154,158	-
Interest-bearing borrowings payable within one year	22.1	110,097	137,861	4,500	30,278
Other financial liabilities	23	-	92,081	-	-
Short-term interest bearing borrowings	22.2	1,416,682	1,845,270	-	250,000
Bank overdraft	20.3	150,915	29,534	145,240	27,209
Total current liabilities		3,758,254	3,692,707	1,680,344	1,187,162
Total liabilities		7,130,109	6,569,095	4,910,356	3,842,686
Total equity and liabilities		14,334,909	12,511,175	10,043,067	8,010,450
Net assets per share (Rs.)		105.22	86.66	75.48	61.29

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



Vidura Weerabahu
Director - Finance

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board,



Mohan Pandithage
Chairman



Dr. Roshan Rajadurai
Managing Director

Notes to the Financial Statements from page 217 to 271 form an integral part of these Financial Statements.

12 May 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March		Attributable to equity holders of the parent									
Group	Notes	Revenue reserves									
		Stated capital	General reserve	Re-valuation reserve	FVTOCI financial assets	Bearer		Retained earnings	Total	Non-controlling interest	Total equity
						Timber reserve	biological produce				
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2021	21	340,000	1,700,000	-	89,347	152,786	9,286	1,957,636	4,249,055	41,182	4,290,237
Profit for the year		-	-	-	-	8,513	7,694	1,753,325	1,769,532	7,932	1,777,464
Comprehensive income		-	-	53,935	-	-	-	55,073	109,008	(29)	108,979
Dividends		-	-	-	-	-	-	(234,600)	(234,600)	-	(234,600)
Balance as at 31 March 2022		340,000	1,700,000	53,935	89,347	161,299	16,980	3,531,434	5,892,995	49,085	5,942,080
Profit for the year		-	-	-	-	24,912	11,680	2,050,791	2,087,383	460	2,087,844
Comprehensive income											
Actuarial gains on defined benefit plans		-	-	-	-	-	-	(104,522)	(104,522)	53	(104,469)
Financial assets		-	-	-	6,050	-	-	-	6,050	-	6,050
Income tax on comprehensive income	10.2	-	-	(10,034)	-	-	-	31,345	21,311	(16)	21,295
Total comprehensive income		-	-	(10,034)	6,050	-	-	(73,177)	(77,161)	37	(77,124)
Total comprehensive income for the period		-	-	(10,034)	6,050	24,912	11,680	1,977,615	2,010,223	497	2,010,720
Dividend to equity holders	11.2	-	-	-	-	-	-	(748,000)	(748,000)	-	(748,000)
Balance as at 31 March 2023		340,000	1,700,000	43,901	95,397	186,211	28,659	4,761,049	7,155,218	49,583	7,204,800

Company	Notes	Revenue reserves					
		Stated capital	General reserve	Timber reserve	Bearer		Total equity
					biological produce	Retained earnings	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2021	21	340,000	1,700,000	152,786	9,286	1,203,958	3,406,030
Profit for the year		-	-	8,513	7,694	922,627	938,834
Comprehensive income		-	-	-	-	57,500	57,500
Dividends		-	-	-	-	(234,600)	(234,600)
Balance as at 31 March 2022		340,000	1,700,000	161,299	16,980	1,949,485	4,167,764
Profit for the year		-	-	24,912	11,680	1,748,264	1,784,855
Comprehensive income		-	-	-	-	(71,908)	(71,908)
Dividends	11.2	-	-	-	-	(748,000)	(748,000)
Balance as at 31 March 2023		340,000	1,700,000	186,211	28,659	2,877,840	5,132,711

General reserves set aside for future distribution and investment.

The timber reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

The bearer biological produce relates to change in fair value of harvestable produce growing on bearer biological assets.

Figures in brackets indicate deductions.

Notes to the Financial Statements from page217 to 271 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March		Group		Company		
		2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000	
Notes						
Cash flows from operating activities						
Profit before tax		3,040,670	1,965,171	2,538,536	923,024	
Adjustments for;						
Interest on Government finance lease		8.3	89,852	83,113	89,852	83,113
Finance expenses		8.2	640,686	588,140	26,754	48,201
Finance income		8.1	(945,493)	(960,908)	(285,169)	(105,283)
Profit on disposal of property, plant & equipment		7	(2,754)	(15,137)	(1,475)	(14,745)
Net gains on fair value of biological assets			(36,592)	(16,207)	(36,592)	(16,207)
Dividend income		7	(25,916)	-	(535,856)	(305,100)
Depreciation			367,317	327,398	275,752	251,060
Amortisation of right-of-use assets			49,971	47,629	49,971	47,629
Amortisation of intangible assets		16	2,578	2,422	-	-
Provision for retirement benefit obligations			216,518	152,948	204,940	146,547
Amortisation of capital grants		24	(32,113)	(30,538)	(32,113)	(30,512)
Provision for falling value of investment			-	-	-	2,796
Loss on amalgamation of subsidiary			-	-	174	-
Provision/(reversal) for obsolete inventories			25,925	(183)	25,411	1,566
Provision/(reversal) for doubtful debts			(1,883)	1,591	558	2,574
Operating profit before working capital changes			3,388,766	2,145,439	2,320,743	1,034,663
(Increase)/decrease in inventories			(529,700)	(508,817)	(485,324)	(209,117)
(Increase)/decrease in trade and other receivables			16,620	(515,724)	(116,380)	15,895
(Increase)/decrease in amounts due from related companies			167,000	(152,221)	137,582	(106,558)
Increase/(decrease) in trade and other payables			343,691	472,922	475,122	210,769
Increase/(decrease) in amount due to related companies			(2,554)	824	(17,141)	13,915
Cash generated from operating activities			3,383,823	1,442,423	2,314,602	959,567
Interest paid on Government lease		8.3	(89,852)	(83,113)	(89,852)	(83,113)
Interest paid			(216,792)	(149,682)	(26,754)	(48,201)
Taxes paid			(274,581)	(128,324)	(35,309)	-
Retirement benefit obligations paid		26	(278,132)	(132,206)	(274,635)	(127,338)
Net cash flow from operating activities			2,524,466	949,098	1,888,052	700,915
Cash flows from investing activities						
Field development expenditure		14.1	(289,042)	(183,751)	(289,042)	(183,751)
Interest received		8.1	221,134	20,491	193,615	9,077
Dividend received			25,916	-	535,856	305,100
Acquisition of property, plant & equipment			(669,225)	(197,573)	(312,775)	(105,893)
Proceeds from disposal of property, plant & equipment			7,566	25,020	1,475	23,077
Acquisition of intangible assets			-	(3,152)	-	-
Net cash used in investing activities			(703,651)	(338,965)	129,129	47,610
Net cash Inflow/(outflow) before financing activities			1,820,815	610,133	2,017,181	748,525

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group		Company	
		2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Cash flows from financing activities					
Dividend paid		(709,417)	(166,245)	(709,417)	(166,245)
Capital settlement of net liability to lessor		(17,441)	(14,899)	(17,441)	(14,899)
Exchange gain		300,464	501,958	85,504	96,206
Short-term loans obtained during the year		8,577,535	6,918,715	-	1,750,000
Short-term loans repaid during the year		(9,006,122)	(7,056,722)	(250,000)	(2,100,000)
Long-term loans obtained during the year	22.1	-	79,750	-	-
Long-term loans repaid during the year	22.1	(227,964)	(298,249)	(31,072)	(64,966)
Long-term loans repaid to group company		-	(8,270)	-	(8,270)
Grants received	24	12,941	35,535	12,941	35,535
Net cash used in financing activities		(1,070,004)	(8,427)	(909,485)	(472,639)
Net increase/(decrease) in cash and cash equivalents		750,811	601,706	1,107,696	275,886
Cash and cash equivalents at the beginning of the period		838,465	236,759	322,871	46,985
Cash and cash equivalents at the end of the period (Note A)		1,589,276	838,465	1,430,568	322,871
Note A: Analysis of cash and cash equivalents					
Cash and bank balances	20.2	200,720	371,939	130,360	85,286
Short-term deposits	20.1	1,539,471	496,060	1,445,448	264,794
		1,740,191	867,999	1,575,808	350,080
Bank overdraft	20.3	(150,915)	(29,534)	(145,240)	(27,209)
Cash and cash equivalents		1,589,276	838,465	1,430,568	322,871

Figures in brackets indicate deductions.

Notes to the Financial Statements from page 217 to 271 form an integral part of these Financial Statements.

NOTE TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Kelani Valley Plantations PLC was incorporated on 18 June, 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No 400, Deans Road, Colombo 10 and Plantations are situated in the planting districts of Nuwara Eliya, Hatton and Yatiyantota.

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

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The Consolidated Financial Statements of Kelani Valley Plantations PLC., as at and for the year ended 31 March 2023 comprise the Company and its Subsidiaries namely, Kalupahana Power Company (Pvt) Ltd.(“KPC”), Kelani Valley Instant Tea (Pvt) Ltd. (“KVIT”) (Merged on 12 May 2022), Mabroc Teas (Pvt) Ltd. (“MTPL”) and Kelani Valley Resorts (Pvt) Ltd. (“KVRL”).

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

1.1 Principle Activities and Nature of the Operations

During the year, the principle activities of the Company were the producing and processing of Tea and Rubber.

Principle activities of other companies in the Group are as follows.

Company	Nature of the Business/ Principle Place of Business
Kalupahana Power Company (Pvt) Ltd.	Generating Hydropower Kalupahana Estate, Bulathkohupitiya
Kelani Valley Instant Tea (Pvt) Ltd.	Manufacture of Ready-To-Drink Tea Powder Nuwara Eliya Estate, Labukelle
Mabroc Teas (Pvt) Ltd.	Export of Bulk and Retail Packed Tea No.57/3 New Hunupitiya Road, Kiribathgoda
Kelani Valley Resorts (Pvt) Ltd.	Provide Services in the Hospitality Industry Oliphant Estate, Nuwara Eliya

1.2 Holding Company

The Company is a subsidiary of DPL Plantations (Pvt) Ltd., which is a wholly-owned subsidiary of Dipped Products PLC (DPL) whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorisation for issue

The Financial Statements of Kelani Valley Plantations PLC for the period ended 31 March 2023, were authorised for issue in accordance with a resolution of the Board of Directors on 12 May 2023.

1.4 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 PREPERATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements (“the Consolidated Financial Statements”) have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding Notes.

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

2.3 New accounting standards, interpretations and amendments adopted by the Group

The following amendments and improvements do not have a significant impact on the Company's Financial Statements during the year ended 31 March 2023.

- Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to LKAS 16 - Property, Plant & Equipment: Proceeds before Intended Use
- Amendments to SLFRS 3 Business Combinations: Updating a Reference to Conceptual Framework

NOTE TO THE FINANCIAL STATEMENTS

2.4 Functional and Presentation
Currency

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

2.5 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

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

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2023. Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

Company level investments in subsidiaries are recognised at cost.

3.2.1 Business Combinations and
Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all

of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Statement of Profit or Loss.

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

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

3.3 Current versus Non-Current
Classification

The Group presents assets and liabilities in Statement of Financial Position based on current/ non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each Statement of Financial Position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Managed Consumable Biological Assets Note 14.2.
- Produce Growing on Bearer Biological Assets Note 17.1.

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

- In the principle market for the asset or liability; or,
- In the absence of a principle market, in the most advantageous market for the asset or liability.

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as managed consumable biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company’s Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Management Committee

NOTE TO THE FINANCIAL STATEMENTS

decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.5 Foreign Currencies

The Group’s consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company’s functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in Statement of Profit or Loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to Statement of Profit or Loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss

on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or Statement of Profit or Loss are also recognised in OCI or Statement of Profit or Loss, respectively).

3.6 Cash Dividend and Non-Cash Distribution to Equity Holders of the Parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit or Loss.

3.7 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on ‘Property Plant and Equipment’ in accounting for its assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.7.1 Basis of Recognition

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

3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost (or at fair value in the case of land) less accumulated depreciation and accumulated impairment losses, if any.

3.7.3 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 capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised 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 capitalisation are determined in accordance with the ‘LKAS 23 - Borrowing Costs’.

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

The amount so capitalised and the capitalisation rates are disclosed in Notes to the Financial Statements.

3.7.4 Owned Assets

The cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the Property, Plant and Equipment and borrowing costs for long-terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All

other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.7.5 Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right-of-use of assets representing the right-of-use the underlying assets.

3.7.5.1 Right-of-Use Assets

The Group recognises right-to-use of assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use of assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group 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.

3.7.5.2 Lease Liabilities

At the commencement date of the lease, the Group recognises 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. 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.

3.7.6 De-Recognition

An item of Property, Plant and Equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is de-recognised and gains are not classified as revenue.

3.7.7 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

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

3.7.8 Biological Assets

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

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

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

3.7.8.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property, Plant & Equipment.

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The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.7.8.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

3.7.8.3 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees is measured using Market Approach by an independent professional valuer. Accordingly, the timber trees which have reached their

maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. The timber trees which have not reached to the harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor. All other assumptions and sensitivity analysis are given in Note 14.2.

The main variables in Market Approach model concerns

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition. Here, the valuer has considered timber prices published by State Timber Corporation as the sector benchmark as the appropriate basis for determining the fair value of the subject timber trees.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.

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.

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

3.7.8.4 Nursery Plants

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

3.7.9 Depreciation and Amortisation

(a) Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045.

The estimated useful lives for the current and comparative periods are as follows,

Assets Category	No. of Years	Rate (%)
Buildings & Roads	40	2.50
Plant & Machinery	20	5.00
Plant & Machinery-Effluent Treatment Plant	10	10.00
Electronic Machinery	10	10.00
Hydro Power Plant	30	3.33
Motor Vehicles-Utility	10	10.00
Motor Vehicles-Supervisory	5	20.00
Equipment	4	25.00
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00
Computer Accessories	4	25.00
Tea Bagging Machines	15	6.67
Intangible assets	5	20.00

Mature Plantations (Replanting and New Planting)

Mature Plantations	No. of Years	Rate (%)
- Tea	33 1/3	3.00
- Rubber & Cinnamon	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

(b) Amortisation

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

Assets Category	No. of Years	Rate (%)
Right of Use land	53	1.89
Right of Use Building	05	20
Improvements to Land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	20	5.00

3.7.9.1 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset

- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.7.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Statement of Profit or Loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category

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that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 Financial Assets

3.8.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through profit or loss.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group’s financial assets include cash and short-term deposits, investments, trade and other receivables.

3.8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

(a) Financial Assets at Amortised Cost (Debt Instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

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

(b) Financial Assets at Fair Value Through OCI (Debt Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

(c) Financial Assets at Fair Value Through OCI

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group has opted to classify investment in shares of Martin Bauer Hayleys (Pvt) Ltd under Financial assets at fair value through OCI.

(d) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at

fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principle and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss. The Company has opted to classify investment in shares of Martin Bauer Hayleys (Pvt) Ltd. under financial assets at fair value through profit or loss.

3.8.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is de-recognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of

ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.8.1.4 Impairment of Financial Assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.8.2 Financial Liabilities

3.8.2.1 Initial Recognition and Measurement

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

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

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

3.8.2.2 Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

(b) Financial Liabilities at Amortised Cost

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

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

3.8.2.3 De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange

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or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

3.8.3 Offsetting of Financial Instruments

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

Financial risk management objectives and policies have been disclosed under Note 37.

3.9 Harvestable Agricultural Produce Growing on Bearer Biological Assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognised in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas,

- Tea – Bought leaf rate less cost of harvesting & transport.
- Rubber – Latex price (92.5% of current RSS1 Price) less cost of tapping & transport.

3.10 Inventories (a) Finished Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling

price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

(b) Input Material, Spares and Consumables

At actual cost on weighted average basis.

(c) Agricultural Produce Harvested from Biological Assets

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

3.11 Cash and Cash Equivalents

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

3.12 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market

transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.14 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

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

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters’ Provident Society (CPPS)/ Estate Staff Provident Society (ESPS)/ Employees’ Provident Fund (EPF).

All the employees of the Company are members of the Employees’ Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through comprehensive income. Past service costs are recognised immediately in Statement of Profit or Loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 26.

3.15 Capital Commitments and Contingencies

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

3.16 Events Occurring after the Reporting Date

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.17 Earnings per Share

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

3.18 Deferred Income

3.18.1 Grants and Subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years
Sanitation & water supply	20 years
Plant & equipment	13 1/3 years

NOTE TO THE FINANCIAL STATEMENTS

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.19 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted, as it represents fairly the elements of the Group’s performance.

3.19.1 Revenue

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

The Group is in the business of cultivation, manufacture and sale of Black Tea, Rubber and Other crops (Plantation Produce). Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principle in its revenue arrangements, because it typically controls the goods before transferring them to customer.

3.19.1.1 Revenue from Contracts with Customers

➤ Sale of Plantation Produce

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods is transferred to the customer. Black Tea and Rubber produce are sold at the Colombo Tea/ Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops is recognised at the point in time when the control of the goods has been transferred to the customer

generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group’s sale of plantation produce are either on cash terms (immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

The Mabroc Teas (Pvt) Ltd (“Subsidiary”) is the most significant revenue contributor to the Group’s revenue and they are recognised their export revenue at a point in time when control of the goods is transferred to the customer, generally on delivery/ handed over to the shipper.

➤ Rendering of Services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognised at the point of hydro energy releases to the national grid at a pre-determined unit price.

➤ Fee from Management Services

Fee from management services is recognised as revenue over the time during the period in which the services are rendered.

3.19.1.2 Other Source of Income

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

➤ Rental Income

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

➤ Dividend Income

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

➤ Interest Income

Interest income is recognised based on effective interest method.

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

Interest income of financial assets at amortised cost is calculated by using the

effective interest method and is recognised as other income.

3.19.2 Expenses

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

3.19.2.1 Financing Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

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

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Foreign currency gains and losses are reported on a net basis.

3.19.2.2 Taxes

3.19.2.2.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.19.2.2.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.20 Statement of Cash Flow

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

3.21 Segment Reporting

Segmental information is provided for the different business segments of the Group.

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

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described in Note 36 in the Notes to the Financial Statements. The Group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses.

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

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

NOTE TO THE FINANCIAL STATEMENTS

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group’s Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 1 April 2019. In addition to above the prevailing tax rate up to 30 September 2022 was 14%. This was increased with effect from 1 October 2023 to 30%. As per tax amendment issued by IRD, companies have to allocate business income based on pro-rata basis for 06 months and 06 months periods. Accordingly, where applicable, the Group has separated its income and expenses as Agro Farming and Agro Processing and applied the respective tax rates.

4.2 Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (tax laws) that have been enacted or substantively enacted at the reporting date. As per the Inland Revenue (Amended) Bill issued on 19.12.2022, company is identified business income separately as Agro Farming & Agro Processing for the purpose of calculating income tax liability. Therefore, the Company has separated assets and liabilities as at 31 March 2023 as Agro Farming and Agro Processing for the deferred tax purpose.

4.3 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

Further details about Retirement Benefit Obligations are provided in Note 26.

4.4 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12- Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it

assessed whether the Interpretation had an impact on its Financial Statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

4.5 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 14.2.

4.6 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

4.7 Leases - Estimating the Incremental Borrowing Rate

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

required to make certain entity-specific estimates (such as the Company’s stand-alone credit rating).

4.8 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company’s CGUs to which the individual assets are allocated.

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 SLFRS 17 – Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 - Insurance Contracts that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

The amendments are not expected to have a material impact on the Group.

5.2 Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a

change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors

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

The amendments are not expected to have a material impact on the Group.

5.3 Amendments to LKAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (interest expense) or to the related asset component (interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

The amendments are not expected to have a material impact on the Group.

5.4 Amendments to LKAS 1 - Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide

NOTE TO THE FINANCIAL STATEMENTS

accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

The amendments are not expected to have a material impact on the Group.

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

Amendments to LKAS 1 - Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

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

The amendments are not expected to have a material impact on the Group.

6. REVENUE
6.1 Industry Segment Revenue

For the year ended 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Tea	18,745,385	11,187,812	6,121,721	3,381,385
Rubber	2,224,238	1,928,763	2,224,238	1,928,763
Others	104,000	102,349	43,951	41,383
Less: Intra-group sales	(369,397)	(293,074)	-	-
	20,704,226	12,925,850	8,389,910	5,351,531
6.2 Industry Segment Results (Gross Profit)				
Tea	3,465,724	1,706,821	1,919,660	399,392
Rubber	151,940	493,420	151,940	493,420
Others	40,696	64,396	534	17,260
	3,658,360	2,264,637	2,072,134	910,072

7. OTHER INCOME

For the year ended 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Profit on disposal of property, plant & equipment	2,754	15,137	1,475	14,745
Lease / rent income	59,677	39,290	59,677	39,290
Dividend income	25,916	-	535,856	305,100
Hydro power & solar income	8,508	9,144	3,730	10,952
Amortisation of Government grants	32,113	30,538	32,113	30,512
Revenue grants	-	500	-	500
Sale of timber	12,560	6,151	12,560	6,151
Facilitation fee	737	183,178	-	6,763
Sundry income	70,797	47,699	47,990	34,735
	213,062	331,637	693,401	448,748

There are no unfulfilled conditions or contingencies attached to the grants.

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8. NET FINANCE COST

8.1 Finance Income

For the year ended 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Interest income	221,134	20,491	193,615	9,077
Gain on FVTPL financial asset	-	-	6,050	-
Foreign exchange gain	724,359	940,417	85,504	96,206
	945,493	960,908	285,169	105,283
8.2 Finance Expenses				
Interest on term loans	(40,675)	(21,186)	(1,831)	(3,962)
Interest on overdraft and short-term loans	(172,113)	(122,086)	(22,115)	(40,102)
Foreign exchange loss	(423,894)	(438,459)	(119)	-
Interest expense on corporate guarantee	(1,315)	(2,272)	-	-
Interest paid on lease	(2,689)	(4,137)	(2,689)	(4,137)
	(640,686)	(588,140)	(26,754)	(48,201)
8.3 Interest paid to Government on lease	(89,852)	(83,113)	(89,852)	(83,113)
	(89,852)	(83,113)	(89,852)	(83,113)
Net finance cost	214,955	289,655	168,563	(26,031)

9 LOSS ON AMALGAMATION

Amalgamation of the wholly owned subsidiary Kelani Valley Instant Tea (Pvt) Ltd (KVIT) with Kelani Valley Plantations PLC (KVPL - Parent Company) was approved by the Directors by way of a circular resolution on 08 March 2022. The amalgamation of the Companies was effected in accordance with Section 244 (1) (a) of the Companies Act No. 07 of 2007, whereby the whole of the assets, undertakings, property, business and liabilities of KVIT was vested in KVPL, without payment or other consideration. The Registrar of Companies issued the amalgamation Certificate stating the date of amalgamation as at 12 May 2022.

In terms of Section 245 (c) of the Companies Act, names of the subsidiary, Kelani Valley Instant Tea (Pvt) Ltd was removed from the Register of Companies by the Registrar on 12 May 2022 and ceased to exist thereafter.

The effect of the amalgamation is been reflected from the date on which the legal transfer took place, which was the 12 May 2022.

The amalgamation has been accounted for in the books of KVPL, the continuing entity as follows,

- 1) All assets and liabilities of KVIT as at 12 May 2022 has been taken over at their respective carrying values;
- 2) The difference between the net assets taken over and the carrying amount of the investment in KVIT before the amalgamation is recognised in the Income Statement of KVPL.

Summary of assets and liabilities of KVIT as of 12 May 2022 and their respective carrying values on the said date as taken over and the effect on the income statement of KVPL is as follows;

	Rs. '000
Assets	
Property, plant & equipment	8,739
Income tax recoverable	138
Amounts due from other related companies	11,827
Cash & cash equivalents	13
Total assets	20,717
Less: Liabilities	
Deferred income	(619)
Trade & other payables	(459)
Total liabilities	(1,078)
Net assets	19,639
Less: carrying value of investment in KVIT	(19,813)
Loss on amalgamation	(174)

9.1 Profit Before Taxation

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

For the year ended 31 March	Notes	Group		Company	
		2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Directors' emoluments		126,843	105,760	52,999	49,191
Auditor's remuneration					
- Audit services		7,884	6,494	6,351	5,203
- Non-audit services		1,332	765	626	223
Depreciation and Lease Amortisation					
- Right-of-use asset-land	12.1.A	25,397	23,141	25,397	23,141
- Right-of-use asset-building	12.1.B	11,966	11,789	11,966	11,789
- Right-of-use asset-immovable assets	12.2.1/12.2.2	12,608	12,700	12,608	12,700
- Amortisation of intangible assets	16	2,578	2,422	-	-
- Tangible property, plant & equipment	13	183,617	165,203	92,052	88,864
- Bearer biological assets	14.1	183,700	162,196	183,700	162,196
Staff Costs					
- Defined contribution plan costs (EPF, CPPS, ESPS & ETF)		412,988	410,704	387,895	383,930
- Defined benefit plan cost (Retirement benefit obligations)	26	216,517	152,948	204,941	146,547
- Salaries and wages and other staff costs		2,879,479	2,945,637	2,693,096	2,646,775
- Staff training & development cost		3,718	3,414	2,789	2,409
Legal fees		13,985	8,174	13,985	7,600
Provision/(reversal) for bad & doubtful debts		(1,883)	1,591	558	2,574
Provision/(reversal) for obsolete inventories		25,925	(183)	25,411	1,566

10. TAX EXPENSE

10.1 Statement of Profit or Loss

			Group		Company		
For the year ended 31 March			2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000	
		Notes					
(I) Current Tax Expense							
Income tax on current year profit	Company	10. A	(176,796)	(30,184)	(176,796)	(30,184)	
	Subsidiaries	10. A	(194,652)	(185,914)	-	-	
			(371,448)	(216,098)	(176,796)	(30,184)	
(Under)/over provision in respect of previous years			(13,306)	1,214	(12,671)	-	
Irrecoverable economic service charge written-off			-	(4,088)	-	(4,088)	
			(384,754)	(218,972)	(189,467)	(34,272)	
(II) Deferred Tax Expense							
Origination and reversal of temporary difference of							
	Company		(564,214)	50,082	(564,214)	50,082	
	Subsidiaries		(3,858)	(18,817)	-	-	
		25	(568,072)	31,265	(564,214)	50,082	
Tax expense reported in the Statement of Profit or Loss			(952,826)	(187,707)	(753,681)	15,810	
10.2 Statement of Comprehensive Income							
Net (gain)/loss on actuarial (gain)/loss on defined benefit plans	Company		30,818	(4,844)	30,818	(4,844)	
	Subsidiaries		511	400	-	-	
Revaluation of land	Subsidiaries		(10,034)	(8,780)	-	-	
Tax charged directly to comprehensive income			25	21,295	(13,224)	30,818	(4,844)

NOTE TO THE FINANCIAL STATEMENTS

10. TAX EXPENSE (CONTD.)

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 1 October 2022) for income taxation.The following rates have been used for income tax calculation.

Taxable income source	Description	Effective tax rate (%)	
		First Six Months	Second Six Months
Agro farming	Exempted	-	-
Agro processing	Tax on taxable income at special rates - (After allowing for 25% tax rebate)	10.50%	22.50%
Dividend income	Tax on dividend	14%	15%
Other investment income	Tax on balance taxable income	24%	30%

Deferred taxes of the Company is computed at the rate of 30% (2021/22 - 10.50%)

KPC has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 1 October 2022) for income taxation. Accordingly, 14% for hydro power profits and 24% for other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for deferred tax.

The Mabroc Teas (Pvt) Ltd. has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 1 October 2022) for income taxation. Accordingly, income tax rates of, 18% for manufacturing business profits, 14% for export profits and 24% for other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for deferred tax.

KVR is liable to income tax rates of, 14% for the first six months and 30% for the second six months in terms of Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022 (with retrospective effect from 1 October 2022).

(A) Reconciliation of Accounting Profit to Income Tax Expense

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Profit before tax	3,040,670	1,965,171	2,538,536	923,024
Aggregate disallowable expenses/investment income	1,727,626	760,764	1,335,376	605,184
Aggregate tax deductible expenses	(1,738,024)	(248,223)	(1,554,112)	(244,589)
Aggregate exemted/non taxable income	(24,129)	(434,833)	(24,122)	(433,845)
Total assesseble income	3,006,142	2,042,879	2,295,678	849,773
Tax exempt income from agro farming	1,235,751	244,589	1,235,751	244,589
Tax exempt income from foreign interest	24,122	-	24,122	-
Taxable income from agro processing	341,802	284,065	341,802	284,065
Taxable income from subsidiaries	737,388	1,191,478	-	-
Other source of income	691,199	322,747	694,003	321,119
Total assesseble income	3,030,262	2,042,879	2,295,678	849,773
Tax losses for the year	-	(1,564)	-	-
Tax losses claimed during the year	-	(401,025)	-	(401,025)
Tax exempt income	(1,277,546)	(244,589)	(1,259,873)	(244,589)
Tax effect on qualifying relief	(1,456)	-	-	-
Total taxable income	1,751,260	1,398,829	1,035,805	204,159
Income tax @ 10.50%	17,945	-	17,945	-
Income tax @ 14%	178,440	165,051	37,510	26,340
Income tax @ 15%	40,189	-	40,189	-
Income tax @ 18%	4,568	5,183	-	-
Income tax @ 22.50%	38,453	-	38,453	-
Income tax @ 24%	23,394	45,864	18,978	3,844
Income tax @ 30%	68,460	-	23,722	-
Income tax on current year profit	371,448	216,098	176,796	30,184
(Over)/under provision in respect of previous years	13,306	(1,214)	12,671	-
Irrecoverable economic service charge written-off	-	4,088	-	4,088
Income tax charge for the year	384,754	218,972	189,467	34,272

(B) Tax Losses

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	(26,613)	(413,937)	-	(401,025)
Due to amalgamation	25,049	-	(25,049)	-
Adjustment for tax loss during the year	1,564	(12,136)	-	-
	-	(426,073)	(25,049)	(401,025)
Tax loss for the year	-	(1,564)	-	-
Loss set-off during the year	-	401,025	-	401,025
	-	399,461	-	401,025
As at 31 March	-	(26,613)	(25,049)	-

11. EARNINGS PER SHARE AND DIVIDEND PER SHARE

11.1 Earnings per Share

(A) Basic Earnings per Share

The computation of the basic earnings per share is based on profit attributable to ordinary shareholders for the period divided by weighted average number of ordinary shares outstanding during the period and calculated as follows,

For the year ended 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Amount used as the Numerator				
Profit attributable to ordinary shareholders (Rs. '000)	2,087,384	1,769,532	1,784,855	938,834
Amount used as the Denominator				
Weighted average number of ordinary shares ('000)	68,000	68,000	68,000	68,000
Basic earnings per share (Rs.)	30.70	26.02	26.25	13.81

(B) Diluted Earnings per Share

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

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

11.2 Dividend per Share

	Company	
	2022/23	2021/22
First interim dividend Rs.2.50 per share, Second interim dividend Rs.3/- per share & Third interim dividend Rs.3/- per share (2021/22-First interim dividend Rs.0.70 per share, Second interim dividend Rs.0.25 per share, Third interim dividend Rs.1/- per share) (Rs.'000)	578,000	132,600
Proposed final dividend Rs.1.50 per share (2021/22 - Final dividend Rs. 2.50 per share) (Rs. '000)	102,000	170,000
	680,000	302,600
Number of ordinary shares ('000)	68,000	68,000
Dividend per share (Rs.)	10.00	4.45

NOTE TO THE FINANCIAL STATEMENTS

12. RIGHT-OF-USE ASSETS

	Notes	Group/Company	
		2022/23 Rs. '000	2021/22 Rs. '000
Right-of-use of land	12.1.A	558,726	532,243
Right-of-use of building	12.1.B	12,145	23,577
Right-of-use asset-Immovable bearer biological assets	12.2.1	26,662	39,246
Right-of-use asset-Immovable assets (other than Right-of-use asset land, Building and bearer biological assets)	12.2.2	-	24
		597,533	595,090

12.1.A Right-of-use of land

This Right-of-use asset-land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset-land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 1 April 2022 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset-land" and "Lease Liability" has been enhanced. "Right-of-use asset-land" have been executed for all estates for a period of 53 years.

The effect to the Statement of Financial Position and amortisation of the right-of-use of land up to 31 March 2023 are as follows:

As at 31 March	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
Capitalised Value		
As at 1 April	599,565	581,688
Adjustment on reassessment of lease liability 1 April 2022	51,880	17,877
As at 31 March	651,445	599,565
Amortisation		
As at 1 April	67,322	44,181
Amortisation for the year	25,397	23,141
As at 31 March	92,719	67,322
Carrying amount	558,726	532,243

The unexpired period of the lease as at the Statement of Financial Position date is 22 years.

The Company has sub leased an extent of 1.0127 hectares in Ingestre Estate and 2.2247 hectares in Blinkbonnie Estate to Martin Bauer Hayleys (Pvt) Ltd.

12.1.B Right-of-use asset-Building

Kelani Valley 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 as follows:

	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	52,459	52,459
Adjustment on reassessment of lease liability as at 01 October 2022	534	-
As at 31 March	52,993	52,459
Amortisation		
As at 1 April	28,882	17,093
Amortisation for the year	11,966	11,789
As at 31 March	40,848	28,882
Carrying amount	12,145	23,577
Total Carrying Amount of Right-of-use asset-land & Building	570,871	555,820

12.2 Right-of-use asset-Immovable assets

12.2.1. Right-of-use asset-Immovable Bearer Biological Assets

As at 31 March	Mature Plantations		Group/Company	
	Tea Rs. '000	Rubber Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Capitalised Value (18 June, 1992)	213,541	178,145	391,686	391,686
Amortisation				
As at 1 April	188,288	164,152	352,440	339,856
Amortisation for the year	6,815	5,769	12,584	12,584
As at 31 March	195,103	169,921	365,024	352,440
Carrying amount	18,438	8,224	26,662	39,246

Investment in immature plantations at the time of handing over to the Company as at 18 June, 1992 by way of estate leases were shown under immature plantations.

However, since then all such investments in immature plantations attributable to JEDB/SLSPC period have been transferred to mature plantations. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation.Further, investments in such plantations to bring them to maturity are shown under Note 14.

NOTE TO THE FINANCIAL STATEMENTS

12. RIGHT OF USE ASSETS (CONTD.)

12.2.2. Right-of-use asset-Immovable assets (other than Right-of-use asset land, Building and bearer biological assets)

	Land development Rs. '000	Buildings Rs. '000	Machinery Rs. '000	Group/Company	
				2022/23 Rs. '000	2021/22 Rs. '000
Capitalised Value (18 June, 1992)	3,455	84,600	23,094	111,149	111,149
Amortisation					
As at 1 April	3,431	84,600	23,094	111,125	111,010
Amortisation for the year	24	-	-	24	115
As at 31 March	3,455	84,600	23,094	111,149	111,125
Carrying amount	-	-	-	-	24

13. FREEHOLD PROPERTY, PLANT & EQUIPMENT

(A) Group

As at 31 March	Land Rs. '000	Buildings Rs. '000	Plant & machinery Rs. '000	Hydro power plant Rs. '000	Motor vehicles Rs. '000	Furniture & fittings Rs. '000	Equipment Rs. '000	Computers Rs. '000	Others Rs. '000	2022/23	2021/22
										Total Rs. '000	Total Rs. '000
Cost											
As at 1 April	542,000	1,184,823	1,237,236	133,017	373,097	186,865	149,863	31,389	42,478	3,880,768	3,650,708
Additions during the year	-	4,593	428,975	-	137,758	31,494	8,677	7,365	-	618,862	224,601
Additions due to amalgamation	-	8,719	19	-	-	-	-	-	-	8,738	-
Revaluation of land	-	-	-	-	-	-	-	-	-	-	62,715
Disposals/Discard	-	(13,436)	(55,206)	-	(4,813)	(8,947)	(28,490)	(5,813)	(2,823)	(119,528)	(57,256)
As at 31 March	542,000	1,184,699	1,611,024	133,017	506,042	209,412	130,050	32,941	39,655	4,388,840	3,880,768
Depreciation											
As at 1 April	-	348,239	740,925	71,839	305,534	114,901	137,398	25,857	34,005	1,778,698	1,660,869
Charge for the year	-	39,665	82,455	4,434	23,039	22,661	6,998	3,161	1,204	183,617	165,203
Disposals/Discard	-	(4,687)	(50,275)	-	(4,813)	(8,929)	(28,490)	(5,813)	(2,823)	(105,830)	(47,374)
As at 31 March	-	383,217	773,105	76,273	323,760	128,633	115,906	23,205	32,386	1,856,485	1,778,698
Net book value	542,000	801,482	837,919	56,744	182,282	80,779	14,144	9,736	7,269	2,532,355	2,102,070
Work-in-Progress (a)										54,990	4,626
Carrying amount										2,587,345	2,106,696

(a) Work-in-Progress

	Group			Company			Balance as at 31.03.2023 Rs. '000
	Balance as at 01.04.2022 Rs. '000	Additions for the year Rs. '000	Transfers/ Disposals Rs. '000	Balance as at 31.03.2023 Rs. '000	Balance as at 01.04.2022 Rs. '000	Additions for the year Rs. '000	
	4,626	(69,219)	119,583	54,990	3,298	(70,120)	49,987
	4,626	(69,219)	119,583	54,990	3,298	(70,120)	49,987

(B) Company

As at 31 March	Buildings Rs. '000	Plant & machinery Rs. '000	Motor vehicles Rs. '000	Furniture & fittings Rs. '000	Equipment Rs. '000	Computers Rs. '000	Others Rs. '000	2022/23	2021/22
								Total Rs. '000	Total Rs. '000
Cost									
As at 1 April	820,838	788,952	321,855	13,384	140,862	30,251	42,478	2,158,620	2,095,527
Additions during the year	4,593	118,257	136,304	340	7,965	7,365	-	274,824	111,268
Additions due to amalgamation	8,719	19	-	-	-	-	-	8,738	-
Disposals/Discard	-	(15,257)	(4,813)	(5,203)	(28,365)	(5,813)	(2,823)	(62,274)	(48,175)
As at 31 March	834,150	891,971	453,346	8,521	120,462	31,803	39,655	2,379,908	2,158,620
Depreciation									
As at 1 April	304,493	507,881	274,728	12,248	132,628	24,910	34,005	1,290,893	1,241,871
Charge for the year	22,764	41,925	17,254	270	5,592	3,043	1,204	92,052	88,864
Disposals/Discard	-	(15,257)	(4,813)	(5,203)	(28,365)	(5,813)	(2,823)	(62,274)	(39,842)
As at 31 March	327,257	534,549	287,169	7,315	109,855	22,140	32,386	1,320,671	1,290,893
Net book value	506,893	357,422	166,177	1,206	10,607	9,663	7,269	1,059,237	867,727
Work-in-Progress								49,987	3,298
Carrying amount								1,109,224	871,025

(a) The assets shown above are those movable assets vested in the Company by Gazette notification on the date of formation of the Company (18 June 1992) and all investment in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Note 12.

(b) The cost of fully depreciated Property, Plant and Equipment which are still in use as at date of Statement of Financial Position is as follows,

As at 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Computers	19,557	22,007	16,503	21,886
Equipment	150,697	139,375	100,765	117,927
Furniture & fittings	43,343	47,341	5,818	10,715
Motor vehicles	262,122	237,082	255,255	230,997
Mature plantations	163,638	130,527	163,638	130,527
Plant & machinery	244,444	213,873	216,533	185,962
Intangible assets	2,933	2,933	-	-
Others	16,626	18,052	16,626	18,052
	903,360	811,190	775,138	716,066
(C) Unexpired lease periods of land:				
Kelani Valley Plantations PLC				22 years
Kalupahana Power Company (Pvt) Ltd.				22 years

NOTE TO THE FINANCIAL STATEMENTS

14. BIOLOGICAL ASSETS

14.1 Improvements to Leasehold Property (Bearer Biological Assets)

									Group/Company	
	Immature Plantations				Mature Plantations				2022/23 Rs. '000	2021/22 Rs. '000
	Tea Rs. '000	Rubber Rs. '000	Other Rs. '000	Total Rs. '000	Tea Rs. '000	Rubber Rs. '000	Other Rs. '000	Total Rs. '000		
Cost										
As at 1 April	140,466	589,044	232,495	962,005	1,144,529	2,901,211	176,630	4,222,370	5,184,375	5,000,701
Additions during the year	1,058	164,652	126,797	292,507	-	-	-	-	292,507	183,751
Removal	-	(3,163)	(302)	(3,465)	-	-	-	-	(3,465)	-
Transfers (from)/to	(5,413)	(125,504)	(59,815)	(190,732)	5,413	125,504	59,815	190,732	-	-
Inter crop transfers	(4,560)	-	4,560	-	-	-	-	-	-	-
As at 31 March	131,551	625,029	303,735	1,060,315	1,149,942	3,026,715	236,445	4,413,102	5,473,417	5,184,375
Depreciation										
As at 1 April	-	-	-	-	406,607	888,455	9,210	1,304,272	1,304,272	1,142,076
Charge for the year	-	-	-	-	36,723	138,137	8,840	183,700	183,700	162,196
As at 31 March	-	-	-	-	443,330	1,026,592	18,050	1,487,972	1,487,972	1,304,272
Carrying amount	131,551	625,029	303,735	1,060,315	706,612	2,000,123	218,395	2,925,130	3,985,445	3,880,180

These are investments in Mature/Immature Plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Note 12 to the Financial Statements. Further, investments in Immature Plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The Company policy is capitalised borrowings cost on specific borrowing only. However, borrowing costs were not capitalised during the year under Immature Plantations (2021/22 - Nil).

The addition of Rs. 292 m (2021/22 - Rs. 184 m) shown above includes the following costs among other costs incurred during the year in respect of Uprooting and Planting of Tea, Rubber and Other.

As at 31 March		Group/Company			
		2022/23		2021/22	
		Extent - ha	Rs. '000	Extent - ha	Rs. '000
Planting	Tea	-	-	-	-
	Rubber	78	66,875	95	32,823
		78	66,875	95	32,823

14.2 Biological Assets (Consumable)

	Group/Company		
	Mature Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	212,691	212,691	204,178
Gain of change in fair value less cost to sell	24,912	24,912	8,513
As at 31 March	237,603	237,603	212,691

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried out by FRT Valuation Services (Pvt) Ltd, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

14.2.1 Change in Fair Value of Biological Assets

As at 31 March	Notes	Group/Company	
		2022/23 Rs. '000	2021/22 Rs. '000
Change in fair value of consumable biological assets	14.2	24,912	8,513
Change in fair value of produce on bearer biological assets	17.1	11,680	7,694
		36,592	16,207

14.2.2 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Non-Financial Asset	Valuation Technique		Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average.)		Relationship of Unobservable Inputs to Fair Value
	2022/23	2021/22		2022/23	2021/22	
Consumable managed biological assets	Market Approach	Market Approach	Discounting Rate	19.50%	15.42%	The higher the discount rate, the lesser the fair value
			Optimum Rotation (Maturity)	20-25 Years	20-25 Years	Lower the rotation period, the higher the fair value
			Volume at Rotation	23 - 95 cu.ft	23 - 95 cu.ft	The higher the volume, the higher the fair value
			Price (per cu.ft)	Rs.80/- to Rs.6,600/-	Rs.50/- to Rs.2,860/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

- It is assume that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor, i.e.19.50%.
- The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
- Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.
- Pre commercial stand are valued on cost approach and 15 years is taken as per merchantable depending on the growth.

The valuations, as presented in the external valuation models based on market values, take into account the possible market conditions and long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the active market prices and other variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that active market price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

NOTE TO THE FINANCIAL STATEMENTS

14. BIOLOGICAL ASSETS (CONTD.)

14.2.3 Sensitivity Analysis

Sensitivity variation sales price

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

	Group/Company	
	Rs. '000	Rs. '000
Managed Timber	-10%	+10%
As at 31 March 2023	(23,760)	23,760
As at 31 March 2022	(21,269)	21,269

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are less sensitive to changes of the discount rate applied because majority of the timber trees have reached their maturity by the time of valuation. Simulations made for timber show that a increase or decrease by 1.5% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Group/Company	
	Rs. '000	Rs. '000
	-1.5%	+1.5%
As at 31 March 2023	76	(73)
As at 31 March 2022	511	(481)

No biological assets have been pledged as securities for the year ended 31 March 2023 (2021/22 - nil).
There are no capital expenditure commitments for biological assets as at the reporting date.

15. INVESTMENTS IN SUBSIDIARIES

15.1 Unquoted Investments

	% Holding		No of Shares		Company Value Rs. '000	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000	18,000	18,000
Kelani Valley Instant Tea (Pvt) Ltd.	-	100	-	3,000,000	-	31,881
Provision for Impairment - KVIT	-	-	-	-	-	(12,068)
Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000	260,000	260,000
Kelani Valley Resorts (Pvt) Ltd.	100	100	5,000,000	5,000,000	50,000	50,000
Carrying amount					328,000	347,813

Subsidiaries	Principle Activity	% Equity Interest
Kalupahana Power Company (Pvt) Ltd.	Generates hydro power	60
Mabroc Teas (Pvt) Ltd.	Exports of bulk & retail packed tea	100
Kelani Valley Resorts (Pvt) Ltd.	Provide services in the hospitality industry	100

15.2 Financial Asset

Martin Bauer Hayleys (Pvt) Ltd.

Group - Fair Value Through Comprehensive Financial Asset

	Group			
	Holding %	No of Shares	2022/23 Value Rs '000	2021/22 Value Rs '000
As at 31 March 2022	10.1	39,091,550	390,920	390,920
Gain/(loss) on FVTOCI financial asset	-	-	6,050	-
As at 31 March 2023	10.1	39,091,550	396,970	390,920

Company - Fair Value Through Profit or Loss Financial Asset

	Company			
	Holding %	No of Shares	2022/23 Value Rs '000	2021/22 Value Rs '000
As at 31 March 2022	10.1	39,091,550	390,920	390,920
Gain/(loss) on FVTPL financial asset	-	-	6,050	-
As at 31 March 2023	10.1	39,091,550	396,970	390,920

	As at 31 March 2023 Value Rs.	As at 31 March 2022 Value Rs.
Fair Value of a share	10.15	10.00

15.2.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs	
			2022/23	2021/22
Financial Asset (Investment in shares of Martin Bauer Hayleys (Pvt) Ltd).	DCF	Discounting Rate	12%	11%
		Growth Rate	7.3%	1.5%
		Exchange Rate USD	LKR. 328.50	LKR 294.00

15.2.2 Sensitivity Analysis - Based on Discounting Rate

Discount Rate	Rs. '000 -1%	Rs. '000 +1%
2022/23	132,989	(75,587)
2021/22	50,455	(36,160)
Growth Rate	Rs. '000 -1%	Rs. '000 +1%
2022/23	(64,706)	115,053
2021/22	(24,673)	36,217

NOTE TO THE FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

Cost	Group			
	Goodwill	Computer Software	2022/23	2021/22
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April	33,310	15,822	49,132	45,980
Addition during the year	-	-	-	3,152
As at 31 March	33,310	15,822	49,132	49,132
Ammortisation and impairment				
As at 1 April	-	7,881	7,881	5,459
Amortisation for the year	-	2,578	2,578	2,422
As at 31 March	-	10,459	10,459	7,881
Carrying Amount	33,310	5,363	38,673	41,251

Key assumptions used in the Value In Use calculations

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount Rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The discount rate used for the valuation is 18.5%. (2021/22 - 11%)

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking in to account the growth rates of one of four years immediately subsequent to the budgeted year based on industry growth rates. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. The growth rate used for the valuation is 6%. (2021/22 - 6%)

The carrying value of goodwill represents the goodwill on acquisition of Mabroc Teas (Pvt) Ltd. There has been no permanent impairment of intangible assets that requires a provision.

17. PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

17.1 Produce on Bearer Biological Assets

	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	16,980	9,286
Change in fair value less cost to sell	11,680	7,694
	28,660	16,980

Level 2 inputs were used when arriving above figures.

17.2 Inventories

As at 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Input materials	446,924	219,565	446,924	219,565
Nurseries	13,263	9,297	13,263	9,297
Harvested crop	673,941	457,098	673,941	457,098
Bulk tea & raw materials	1,174,504	1,145,330	-	-
Finished goods	15,124	7,084	7,242	1,506
Spares and consumables	80,993	36,675	68,095	36,675
	2,404,749	1,875,049	1,209,465	724,141
Provision for obsolete inventories	(45,726)	(19,801)	(38,486)	(13,074)
	2,359,023	1,855,248	1,170,979	711,067

The carrying amount of inventories pledged as securities for bank facilities obtained amounted to Rs. 674 m (2021/22 - Rs. 457 m) and Rs. 689 m (2021/22 - Rs.464 m) by the Company & the Group respectively .

18. TRADE AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Trade receivables	1,789,673	1,957,479	188,905	154,935
Lease rent paid in advance	21,390	21,834	21,390	21,834
Employee advances and receivables	77,070	68,165	77,063	67,712
Advance company tax recoverable	2,899	2,760	2,899	2,760
WHT recoverable	6,059	3,277	6,057	3,277
Other current assets	411,473	271,669	281,361	210,776
	2,308,564	2,325,184	577,675	461,294
Provision for impairment in trade and other receivables	(4,195)	(6,079)	(4,168)	(3,610)
	2,304,369	2,319,105	573,507	457,684

18.1 Movement in the Provision for Trade and Other Receivables

As at 31 March	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	(4,488)	(4,488)	(3,610)	(1,036)
Charge for the period	(2,548)	(1,591)	(2,548)	(2,574)
Reverse during the period	2,841	-	1,990	-
As at 31 March	(4,195)	(6,079)	(4,168)	(3,610)

18.2 The Aging Analysis of Trade Receivables is as follows;

	Total Rs.'000	0-60 days Rs.'000	61-120 days Rs.'000	121-180 days Rs.'000	181-365 days Rs.'000	> 365 days Rs.'000
As at 31 March 2023						
Company	188,905	188,347	-	412	146	-
Group	1,789,673	1,789,037	32	459	146	-

NOTE TO THE FINANCIAL STATEMENTS

18. TRADE AND OTHER RECEIVABLES (CONTD.)

Trade receivables are non-interest bearing and are generally on seven-day terms for the Company.

No loans over Rs. 20,000/- have been given to Directors or Officers of the Company.

The carrying amount of debtors pledged as securities for bank facilities obtained amounted to Rs.188 m (2021/22 - Rs. 154 m) by the Company.

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2023 are disclosed below.

The funds borrowed by the Company and the Group are given in Note 22 and 30.2.

	Group		Company	
	Interest - Bearing Borrowings Rs.'000	Other Borrowings Rs.'000	Interest - Bearing Borrowings Rs.'000	Other Borrowings Rs.'000
As at 1 April 2022	2,200,786	-	288,947	-
Cash in flows from financing activities	8,577,535	-	-	-
Cash out flows from financing activities	(9,234,086)	-	(281,072)	-
As at 31 March 2023	1,900,741	8,270	7,875	8,270

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 31 March				
20.1 Short-Term Investment				
Short-Term fixed deposits	110,092	496,060	16,069	264,794
Treasury bills	1,429,379	-	1,429,379	-
	1,539,471	496,060	1,445,448	264,794

20.2 Favourable Balances

Cash in hand	1,035	1,305	135	623
Cash at bank	199,685	370,634	130,225	84,663
	200,720	371,939	130,360	85,286

20.3 Unfavourable Balances

Bank overdraft	(150,915)	(29,534)	(145,240)	(27,209)
	(150,915)	(29,534)	(145,240)	(27,209)

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group. Interest income is earned at the prevalent interest rates at the time of investment.

The securities pledged have been disclosed in Note 31 to the Financial Statements.

21. STATED CAPITAL

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Issued & fully paid-ordinary shares				
68,000,000 (2021/22 - 68,000,000)	340,000	340,000	340,000	340,000
& 01 golden share	340,000	340,000	340,000	340,000

The holders of ordinary shares and golden share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the golden share are given in the Annual Report of the Board of Directors on the Affairs of the Company.

22. INTEREST-BEARING BORROWINGS

22.1 Long-Term Interest Bearing Borrowings

Group	Sampath Bank Rs. '000	Pan Asia Bank Rs. '000	HNB Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2022/23 Total Rs. '000	2021/22 Total Rs. '000
As at 1 April	152,450	4,775	67,264	25,979	12,967	263,435	352,562
Obtained during the year	-	-	-	-	-	-	79,750
Repayments during the year	(77,450)	(769)	(26,591)	(18,105)	(12,967)	(135,882)	(168,877)
As at 31 March	75,000	4,006	40,673	7,874	-	127,553	263,435
Payable within one year	(75,000)	(4,006)	(26,591)	(4,500)	-	(110,097)	(137,861)
(Transferred to current liabilities)							
Payable after one year	-	-	14,082	3,374	-	17,456	125,574
Analysis of long-term borrowings by year of repayment							
Repayable within one year from year-end	75,000	4,006	26,591	4,500	-	110,097	137,861
Repayable between 2 and 5 years from year-end	-	-	14,082	3,374	-	17,456	125,574
	75,000	4,006	40,673	7,874	-	127,553	263,435

Company	NDB Rs. '000	Amana Bank Rs. '000	2022/23 Total Rs. '000	2021/22 Total Rs. '000
As at 1 April	25,980	12,967	38,947	103,913
Obtained during the year	-	-	-	-
Repayments during the year	(18,105)	(12,967)	(31,072)	(64,966)
As at 31 March	7,875	-	7,875	38,947
Payable within one year	(4,500)	-	(4,500)	(30,278)
(Transferred to current liabilities)				
Payable after one year	3,375	-	3,375	8,669
Analysis of long-term borrowings by year of repayment				
Repayable within one year from year-end	4,500	-	4,500	30,278
Repayable between 2 and 5 years from year-end	3,375	-	3,375	8,669
	7,875	-	7,875	38,947

NOTE TO THE FINANCIAL STATEMENTS

22. INTEREST-BEARING BORROWINGS (CONTD.)

Long-Term Interest Bearing Borrowings - Lender Analysis

Company
22.1.1 Amana Bank

As at 31 March	Loan outstanding		Rate of interest per annum	Installments and terms of repayments
	2022/23 Rs. '000	2021/22 Rs. '000		
Disbursement 3	-	2,706	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 21.01.2017
Disbursement 4	-	10,261	SLIBOR + 3.25%	60 monthly installments commenced on 17.11.2017
Amana Bank - Total	-	12,967		

22.1.2 National Development Bank

As at 31 March	Loan outstanding		Rate of interest per annum	Monthly installment Rs.	Terms of repayments
	2022/23 Rs. '000	2021/22 Rs. '000			
Term loan 2	6,366	10,003	6.30%	303,125/-	72 monthly installments commenced on 19.01.2019
Term loan 3	1,509	2,372	6.30%	71,875/-	72 monthly installments commenced on 19.01.2019
COVID -19 Saubagya Loan	-	5,400	4.00%	1,400,000/-	17 monthly installments of Rs.1.4 m & one month installment of Rs.1.2 m commenced on 24.02.2021
COVID -19 Loan	-	8,200	4.00%	1,400,000/-	17 monthly installments of Rs.1.4 m & one month installment of Rs.1.2 m commenced on 24.04.2021
NDB - Total	7,875	25,975			
Company - Total	7,875	38,942			

22.1.3 Subsidiary - Mabroc Teas (Pvt) Ltd.

As at 31 March	Loan outstanding		Rate of interest per annum	Monthly installment Rs.	Terms of repayments
	2022/23 Rs. '000	2021/22 Rs. '000			
Lender Sampath Bank PLC					
Sampath Bank 1	75,000	150,000	AWPLR + 1%	6,250,000/-	48 monthly installments commenced on 30.04.2019
COVID -19 Loan	-	2,450	4.00%	1,350,000/-	15 monthly installments commenced on 26.03.2021
Sampath Bank - Total	75,000	152,450			
Hatton National Bank PLC					
Solar System	11,652	21,660	AWPLR+0.25%	834,000/-	36 monthly installments commenced on 12.05.2021
Color Sorter Machine	29,021	45,604	AWPLR+0.50%	1,381,940/-	36 monthly installments commenced on 06.12.2021
HNB - Total	40,673	67,264			
Mabroc Teas (Pvt) Ltd - Total	115,673	219,714			

22.1.4 Subsidiary - Kelani Valley Resorts (Pvt) Ltd.

As at 31 March	Loan outstanding		Rate of interest per annum	Monthly installment Rs.	Terms of repayments
	2022/23 Rs. '000	2021/22 Rs. '000			
Lender Pan Asia Bank					
COVID -19 Saubagya Loan	4,006	4,775	4.00%	208,333/-	24 monthly installments commenced on 30.10.2021
KVR - Total	4,006	4,775			
Group-Total	127,554	263,432			

NOTE TO THE FINANCIAL STATEMENTS

22. INTEREST-BEARING BORROWINGS (CONTD.)

22.2 Short-Term Interest Bearing Borrowings

Company			
As at 31 March		2022/23	2021/22
Lender	Currency	Rs. '000	Rs. '000
National Development Bank PLC	LKR	-	250,000
Total		-	250,000
Subsidiary - Mabroc Teas (Pvt) Ltd.			
As at 31 March		2022/23	2021/22
Lender	Currency	Rs. '000	Rs. '000
Sampath Bank PLC	LKR	-	150,000
Hongkong & Shanghai Banking Corporation Ltd.	USD	150,350	210,287
Hongkong & Shanghai Banking Corporation Ltd.	CNY	800,132	657,283
Hatton National Bank PLC	USD	83,250	-
National Development Bank PLC	LKR	-	155,000
Hatton National Bank PLC	LKR	-	150,000
Standard Chartered Bank (Sri Lanka) Ltd.	LKR	33,300	183,000
Citi Bank N. A.	USD	349,650	89,700
Total		1,416,682	1,595,270
Group-Total		1,416,682	1,845,270

The securities pledged for these facilities have been disclosed in Note 31 to the Financial Statements.

23. OTHER FINANCIAL LIABILITY

Group	As at 31 March		2022/23		2021/22		Rate of interest per annum	Installments and terms of repayments	
	Repayable within one year Rs. '000	Repayable after one year Rs. '000	Total	Total	Due date	Amount			
			Rs. '000	Rs. '000					
Long-Term Financial liability	-	-	-	-	-	-	-		
Short-Term Financial liability	-	-	-	92,081	10.50%	30-Jan-23	92 m		
	-	-	-	92,081					

Mabroc Teas (Pvt) Ltd has purchased company premises from MHL Holding (Pvt) Ltd with future payment of 400 m. The Company has discounted short-term portion of future payment at the rate of 10.5%.

24. DEFERRED INCOME

	Group		Company	
Grants and Subsidies	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Capital Grants				
As at 1 April	975,098	939,563	974,131	938,596
Due to amalgamation	(348)	-	619	-
Grants received during the year	12,941	35,535	12,941	35,535
As at 31 March	987,691	975,098	987,691	974,131
Amortisation				
As at 1 April	302,658	272,120	302,312	271,800
Due to amalgamation	(346)	-	-	-
Amortisation for the year	32,113	30,538	32,113	30,512
As at 31 March	334,425	302,658	334,425	302,312
Carrying amount	653,266	672,440	653,266	671,819

Grants were received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board, Save the Children International and Rubber Development Department of Ministry of Plantation Industries.

The amount spent is capitalised under relevant classification of improvement to leasedhold Property, Plant & Equipment. Corresponding grant component is reflected under deferred grants and subsidies and amortised over the useful life span of the asset.

25. DEFERRED TAXATION

	Group		Company	
As at 31 March	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Deferred tax assets	1,221	-	-	-
Deferred tax liabilities	992,118	444,120	920,369	386,973
Net deferred tax liabilities	990,897	444,120	920,369	386,973

NOTE TO THE FINANCIAL STATEMENTS

25. DEFERRED TAXATION (CONTD.)

25.1 Statement of Financial Position

As at 31 March	Group			
	2022/23		2021/22	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
As at 1 April	4,093,650	444,120	3,273,090	462,162
Deferred tax assets	4,069	1,221	-	-
Amount originating during the year	(790,660)	546,777	820,560	(18,042)
As at 31 March	3,307,059	992,118	4,093,650	444,120
Deferred Tax Liabilities				
Temporary difference of right-of-use assets	567,589	170,277	526,937	55,328
Temporary difference of property, plant and equipment (including mature and immature plantation)	4,835,792	1,450,738	4,483,927	480,740
Temporary difference of biological assets	215,433	64,630	207,691	21,808
Temporary difference of financial assets	6,050	1,815	-	-
Temporary difference of unrealised foreign exchange gain	85,459	25,638	273,623	34,940
As at 31 March	5,710,323	1,713,098	5,492,178	592,816
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(1,044,890)	(313,467)	(770,360)	(82,489)
Temporary difference of lease liabilities	(637,942)	(191,383)	(592,335)	(62,196)
Temporary difference of grant received	(653,265)	(195,980)	-	-
Temporary difference of provision for impairment of subsidiary	-	-	(12,068)	(1,267)
Temporary difference of provision for bad debts	(4,195)	(1,259)	(3,964)	(429)
Temporary difference of impairment for inventories	(45,726)	(13,718)	(19,801)	(2,315)
Temporary difference of unrealised foreign exchange loss	(17,245)	(5,173)	-	-
As at 31 March	(2,403,263)	(720,980)	(1,398,528)	(148,696)
At end of the year	3,307,059	992,118	4,093,650	444,120
Deferred tax assets	(4,069)	(1,221)	-	-
Net deferred tax liability as at 31 March	3,302,990	990,897	4,093,650	444,120

As at 31 March	Company			
	2022/23		2021/22	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
As at 1 April	3,685,460	386,973	3,087,224	432,211
Amount originating during the year	(617,561)	533,396	598,236	(45,238)
As at 31 March	3,067,899	920,369	3,685,460	386,973
Deferred Tax Liabilities				
Temporary difference of right-of-use assets	567,589	170,277	526,937	55,328
Temporary difference of property, plant and equipment (including mature and immature plantation)	4,516,550	1,354,965	4,200,291	441,031
Temporary difference of biological assets	215,433	64,630	207,691	21,808
Temporary difference of fair value gain on FVTPL financial assets	6,050	1,815	-	-
Temporary difference of unrealised foreign exchange gain	85,459	25,638	96,206	10,102
As at 31 March	5,391,081	1,617,325	5,031,125	528,269
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(989,321)	(296,796)	(724,578)	(76,082)
Temporary difference of lease liabilities	(637,942)	(191,383)	(592,335)	(62,195)
Temporary difference of grant received	(653,265)	(195,980)	-	-
Temporary difference of provision for impairment of subsidiary	-	-	(12,068)	(1,267)
Temporary difference of provision for bad debts	(4,168)	(1,251)	(3,610)	(379)
Temporary difference of impairment for inventories	(38,486)	(11,546)	(13,074)	(1,373)
As at 31 March	(2,323,182)	(696,956)	(1,345,665)	(141,296)
Net deferred tax liability as at 31 March	3,067,899	920,369	3,685,460	386,973

25.2 Statement of Profit or Loss

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	444,120	462,162	386,973	432,211
Tax charge recognised in profit or loss	568,072	(31,265)	564,214	(50,082)
Tax charge/ (reversal) recognised in comprehensive income	(21,295)	13,224	(30,818)	4,844
As at 31 March	990,897	444,120	920,369	386,973

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March 2023 is 30% (2021/22 - 10.5%) for the Company. Impact of income tax rate change to the deferred tax expense is Rs. 598 m.

NOTE TO THE FINANCIAL STATEMENTS

26. RETIREMENT BENEFIT OBLIGATIONS

Movement in the Retirement Benefit Obligations

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	1,034,290	1,073,035	988,099	1,031,234
Current service cost	71,956	87,314	67,046	84,158
Interest cost	144,561	65,634	137,895	62,389
Charged to profit or loss	216,517	152,948	204,941	146,547
Actuarial (gain) / loss due to changes in financial assumptions	66,083	(208,140)	66,083	(208,145)
Actuarial (gain) / loss due to changes in experience	38,386	148,653	36,643	145,801
Charged to statement of other comprehensive income	104,469	(59,487)	102,726	(62,344)
Benefit paid by the plan	(278,132)	(132,206)	(274,635)	(127,338)
As at 31 March	1,077,144	1,034,290	1,021,131	988,099

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligations and the current service cost. This require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2023 the actuarial present value of promised retirement benefits amounted to Rs. 1,077,144,588/- (2021/22 - Rs.1,034,290,062/-). If the Group had provided for gratuity on the basis of 14 days wage & half months salary for each completed year of service, the liability would have been Rs. 1,401,993,913/- (2021/22 - Rs. 1,536,209,803/-).

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

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Within the next 12 months	171,380	245,420	164,587	238,502
Between 2 to 5 years	472,005	409,836	452,285	394,107
Between 5 to 10 years	262,027	228,394	247,796	216,242
More than 10 years	171,732	150,640	156,463	139,248
	1,077,144	1,034,290	1,021,131	988,099

The weighted average duration of the defined benefit plan obligation as at the end of the reporting period for Staff is 5 years and workers is 5 years . The present value of retirement benefit obligations is carried on annual basis.

The key assumptions used by Messers.Acturial & Management Consultants (Pvt) Ltd. include the following,

	2022/23	2021/22
(i) Rate of interest	20%	15%
One of the principle assumptions is the discount rate, which should be based upon the yields available on Government bonds or high quality corporate bonds at the accounting date with a term that matches that of the liabilities. LKAS 19 does not define “high quality”, but this is generally taken to mean a security rating of at least AA.		
(ii) Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Executive and Head office staff	60 years	60 years

Sensitivity Analysis

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

Group	Rs. '000 +1%	Rs. '000 -1%
A one percentage point change in the discount rate.		

As at 31 March 2023	(46,291)	50,563
As at 31 March 2022	(42,609)	46,787

A one percentage point change in the salary / wage increment rate.	+1%	-1%
--	-----	-----

As at 31 March 2023	48,035	(44,577)
As at 31 March 2022	39,359	(36,328)

Company	Rs. '000 +1%	Rs. '000 -1%
A one percentage point change in the discount rate.		

As at 31 March 2023	(43,062)	46,966
As at 31 March 2022	(39,916)	43,769

A one percentage point change in the salary / wage increment rate.	+1%	-1%
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As at 31 March 2023	44,163	(41,052)
As at 31 March 2022	36,124	(33,398)

27. LEASE LIABILITY

As at 31 March	Notes	Group/Company	
		2022/23 Rs. '000	2021/22 Rs. '000
Lease liability on Right-of-use asset- Land	27.1	637,162	589,923
Lease liability on Right-of-use asset- Building	27.2	14,673	26,939
	27.3	651,835	616,862

27.1 Lease Liability on Right-of-Use Asset - Land

As at 31 March	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
Balance at the beginning of the year	589,923	575,786
Reassessment Adjustment as at 1 April	51,880	17,878
Accretion of Interest	89,852	83,113
Repayment during the year	(94,493)	(86,854)
Balance as at end of the year	637,162	589,923

The effect of adoption SLFRS 16 - Leases as at 1 April 2019

	Group/Company		
	Lease Liability Rs. '000	Right-of-Use Assets - Land Rs. '000	Retained Earnings Rs. '000
Balance as at 1 April 2019 (before intial application of SLFRS 16)	439,903	255,003	797,342
Transition adjustment due to initial application of SLFRS 16	126,518	311,418	184,899
Adjusted balance as at 1 April 2019 (at the intial application of SLFRS 16 leases)	566,421	566,421	982,241

NOTE TO THE FINANCIAL STATEMENTS

27. LEASE LIABILITY (CONTD.)

27.1.1 Maturity analysis of lease liability as follows,

	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
Payable within one year		
Gross liability	94,493	86,855
Finance cost allocated to future periods	(89,203)	(82,589)
Net liability transferred to current liabilities	5,290	4,266
Payable within two to five years		
Gross liability	377,972	347,419
Finance cost allocated to future periods	(348,292)	(323,488)
Net liability	29,680	23,931
Payable after five years		
Gross liability	1,606,382	1,563,386
Finance cost allocated to future periods	(1,004,191)	(1,001,659)
Net liability	602,191	561,727
Net liability payable after one year	631,871	585,658

The base rental payable per year Rs. 94,493,068/-.

The lease liability as at 1 April 2022 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use of Land" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2023 as follows,

	2022/23 Rs. '000	2021/22 Rs. '000
Gross liability	2,173,341	1,997,659
Finance charge	(1,531,538)	(1,407,736)
Net liability	641,803	589,923

Maturity analysis of gross lease liability are shown under Note. 37.3.

27.2 Lease Liability on Right-of-Use Asset- Building

	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
Balance at the beginning of the year	26,939	38,096
Reassessment adjustment as at 1 October 2022	534	-
Accretion of interest	2,689	4,136
Payments during the year	(15,489)	(15,293)
Balance as at end of the year	14,673	26,939
Current liability	14,673	12,633
Non current liability	-	14,306
Total lease liability as at 31 March 2023	14,673	26,939

The base rental payable per year Rs. 15,489,262/-.

The lease liability as at 1 October 2022 has been reassessed under the provisions of SLFRS 16 and both "Right-of-Use of Building" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2023 as follows,

	2022/23 Rs. '000	2021/22 Rs. '000
Gross liability	15,685	30,586
Finance charge	(1,012)	(3,647)
Net liability	14,673	26,939
Maturity analysis of Gross lease liability are shown under Note 37.3.		
Current liability	19,963	16,898
Non current liability	631,871	599,964
Total lease liability as at 31 March 2023	651,835	616,862

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 31 March				
Trade payables	242,127	390,933	29,180	29,347
Staff payables	339,855	282,368	339,855	321,351
Unclaimed dividend	29,409	18,684	29,409	18,684
Dividend payable	7,983	68,355	7,983	68,355
Accruals and advance received from debtors	531,376	115,503	413,242	53,687
Other payables	622,560	515,552	486,538	303,935
	1,773,310	1,391,395	1,306,207	795,359

29. INCOME TAX

29.1 Income Tax Receivable

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	138	422	-	-
Transferred from income tax payable	(138)	(284)	-	-
As at 31 March	-	138	-	-

29.2 Income Tax Payable

	Group		Company	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	96,915	42,996	-	1,642
Transferred from income tax receivable	-	(815)	-	-
Subsidiaries/Parent taxation on current year's profit	371,448	216,098	176,796	30,184
(Over)/under provision in respect of previous years	13,306	(1,214)	12,671	-
Cash paid during the year	(274,581)	(128,324)	(35,309)	-
ESC,WHT,ACT set-off against income tax	-	(31,826)	-	(31,826)
As at 31 March	207,087	96,915	154,158	-

NOTE TO THE FINANCIAL STATEMENTS

30. RELATED COMPANY BALANCES

30.1 Other Related Companies

As at 31 March	Group			
	2022/23		2021/22	
	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
Ultimate parent company				
Hayleys PLC	127	61,940	184,701	25,275
Intermediate parent				
Dipped Products PLC	7,154	562	3,196	15,208
Other related companies				
Martin Bauer Hayleys (Pvt) Ltd.	-	71	-	-
Hanwella Rubber Products Ltd.	1,834	735	-	14,149
Hayleys Agriculture Holdings Ltd.	-	41	31,624	27,204
Talawakelle Tea Estates PLC	4,680	5,695	814	917
Hayleys Consumer Products Ltd.	38,209	5,251	-	-
Amaya Leisure PLC	715	-	4,542	-
Culture Club Resorts (Pvt) Ltd.	303	5	-	-
Haycarb Ltd.	291	-	-	-
The Kingsbury PLC	988	42	-	-
Logiventure (Pvt) Ltd.	757	-	-	-
Hayleys Advantis Ltd.	94	-	-	-
Sun Tan Beach Resorts Ltd.	292	-	-	-
Expelogix (Pvt) Ltd.	-	516	-	-
Hayleys Business Solutions International (Pvt) Ltd.	-	417	-	-
Fentons Ltd.	823	888	-	-
Kandyan Resorts (Pvt) Ltd.	120	-	-	-
Toyo Cushion Lanka (Pvt) Ltd.	1,286	-	-	-
Hayleys Travels & Tours (Pvt) Ltd.	-	2,167	-	-
Hayleys Aventura (Pvt) Ltd.	-	1	-	-
Advantis Project & Engineering (Pvt) Ltd.	-	1,397	-	-
Advantis Freight (Pvt) Ltd.	-	97	-	-
Hayleys Fabric PLC	10	-	-	-
Ceva Logistics Lanka (Pvt) Ltd.	-	47	-	-
S & T Interiors (Pvt) Ltd.	193	-	-	-
Advantis Express (Pvt) Ltd.	-	321	-	-
Haymat (Pvt) Ltd.	-	7	-	-
Total	57,876	80,200	224,877	82,753

Subsidiaries	Company			
	2022/23 Receivable Rs. '000	2022/23 Payable Rs. '000	2021/22 Receivable Rs. '000	2021/22 Payable Rs. '000
Kalupahana Power Co. (Pvt) Ltd.	3,842	-	1,757	-
Kelani Valley Instant Tea (Pvt) Ltd.	-	-	-	11,827
Mabroc Teas (Pvt) Ltd.	-	-	-	170
Kelani Valley Resorts (Pvt) Ltd.	21,153	-	21,153	-
	24,995	-	22,910	11,997
Ultimate parent company				
Hayleys PLC	-	42,898	150,000	25,146
Intermediary ultimate parent				
Dipped Products PLC	7,154	562	3,196	15,208
Other related companies				
Martin Bauer Hayleys (Pvt) Ltd.	-	71	-	-
Hanwella Rubber Products Ltd.	1,834	735	-	14,149
Hayleys Bussines Solutions International (Pvt) Ltd.	-	315	-	-
Talawakelle Tea Estates PLC	4,069	5,695	814	917
Toyo Cushion Lanka (Pvt) Ltd.	1,286	-	-	-
Total	14,343	50,276	154,010	55,420

30.2 Other Related Companies - Loan Payable

Dipped Products PLC	Group/Company	
	2022/23 Rs. '000	2021/22 Rs. '000
As at 1 April	-	8,270
Obtained during the year	-	-
Repayments during the year	-	(8,270)
As at 31 March	-	-
Payable within one year	-	-
(Transferred to current liabilities)	-	-
Payable after one year	-	-

NOTE TO THE FINANCIAL STATEMENTS

31. ASSETS PLEDGED AS SECURITY

Following assets have been pledged as security for liabilities:

Company			
Nature of liability	2022/23		Security
	Facility (Rs. m)	Outstanding (Rs. m)	
Overdraft			
Bank of Ceylon	100.00	Nil	Concurrent mortgage over stock in trade and debtors.
Hatton National Bank PLC	74.50	18.16	Promissory Note.
Sampath Bank PLC	30.00	4.99	Concurrent mortgage over stock in trade and debtors.
Term-Loan			
National Development Bank PLC	27.00	7.90	Fixed deposit of Rs.16 m.
Subsidiary			
Mabroc Teas (Pvt) Ltd.			
Nature of liability	2022/23		Security
	Facility (Rs. m)	Outstanding (Rs. m)	
Overdraft			
Sampath Bank PLC	10.00	Nil	Hypothecation bond over stock and book debts.
Short-term borrowings			
(Foreign currency loans)			
	2022/23		Security
	Facility (USD m)	Outstanding (Rs. m)	
Hatton National Bank PLC	2.02	83.30	Confirmed order and irrevocable export LC
Sampath Bank PLC	1.97	Nil	Hypothecation bond totaling Rs. 200 m over stocks and book debts.
Term-Loan			
	2022/23		Security
	Facility (Rs. m)	Outstanding (Rs. m)	
Sampath Bank PLC	300.00	75.00	Negative pledge over fixed assets held at No.427, 427/A & 431, New Hunupitiya Road,Eriyawetiya, Kiribathgoda.

32. RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at market price. Details of significant related party disclosures are as follows,

Recurrent Transactions				
Company	Relationship	Nature of Transaction	Amount (paid)/received	
For the year ended 31 March			2022/23	2021/22
			Rs. '000	Rs. '000
(A) Parent and Ultimate Parent Company				
The Company has controlling related party relationship with its parent company DPL Plantations (Pvt) Ltd.				
(i) Hayleys PLC	Ultimate parent	Office space together with other related facilities, finance and secretarial services	(126,412)	(129,846)
		Loan receivable	-	150,000
The managing agent DPL Plantations (Pvt) Ltd has waived the management fees in its entirety effective from 2007.				
(B) Transactions with key management personnel				
Key management personnel includes, members of the Board of Directors of the Company and key employees holding directorships in the subsidiaries and other related companies.				
(i) Loans to Directors				
No loans have been given to the Directors of the Company.				
(ii) Key Management Personnel Compensation				
For the year ended 31 March			2022/23	2021/22
			Rs. '000	Rs. '000
Directors' emoluments			126,843	105,760
(C) Transactions with Subsidiaries				
Company	Relationship	Nature of Transaction	Amount (paid)/received	
For the year ended 31 March			2022/23	2021/22
			Rs. '000	Rs. '000
(i) Mabroc Teas (Pvt) Ltd.	Subsidiary	Purchase of tea	(6,872)	(1,829)
The Company has sub leased an extent of 8 acres, 2 roods and 6.1 perches in Kalupahana estate to Kalupahana Power Co. (Pvt) Ltd.				

NOTE TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTD.)

(D) Transactions with Other Related Companies

Company For the year ended 31 March	Relationship	Nature of Transaction	Amount (Paid)/Received	
			2022/23	2021/22
			Rs. '000	Rs. '000
(i) Dipped Products PLC	Intermediate parent	Sale of latex	49,062	77,084
		Purchase of skim crepe	(7,972)	(7,798)
		Cost of facilities and related services rendered	(4)	(502)
		Loan installment & interest	-	(8,464)
(ii) Hanwella Rubber Products Ltd.	Affiliates	Purchase of skim crepe	(19,751)	(27,546)
(iii) DPL Premier Gloves (Pvt) Ltd.	Affiliates	Sale of latex	105,207	139,207
		Purchase of skim crepe	(551)	-
(iv) Hayleys Agro Fertilizers (Pvt) Ltd.	Affiliates	Purchase of fertilisers	(110,091)	(83,621)
(v) Hayleys Agriculture Holdings Ltd.	Affiliates	Purchase of chemicals	(5,720)	(3,044)
(vi) Rileys (Pvt) Ltd.	Affiliates	Sale of rubber products	21,810	5,387
(vii) Hayleys Consumer Products Ltd.	Affiliates	Payment for rent	(90)	(94)
(viii) Talawakelle Tea Estates PLC	Affiliates	Share of office maintenance cost	-	-
		Receipt	-	1,395
		Payment	-	(2,165)
		Payment of expenses	(3,741)	(18,423)
(ix) Hayleys Business Solutions International (Pvt) Ltd.	Affiliates	Payment of executive payroll processing	(8,671)	(3,895)
(x) Fentons Ltd.	Affiliates	Solar system installation	-	(13,970)
(xi) The Kingsbury PLC	Affiliates	Services rendered for AGM and others	(3,899)	(17)
(xii) Logiwiz Ltd.	Affiliates	Storage & handling charges	(2,382)	(1,446)
(xiii) Hayleys Aventura (Pvt) Ltd.	Affiliates	Payment of repairs	(4,312)	(1,207)
		Cost of chemicals	-	(1,122)
		Purchase of machinery	-	(1,807)
(xiv) Horana Plantations PLC	Affiliates	Reimbursement of expenses	4,561	927
(xv) Toyo Cusion Lanka (Pvt) Ltd.	Affiliates	Sale of latex	40,183	22,373
(xvi) Singer Sri Lanka PLC	Affiliates	Purchase of electronic items	(1,358)	(1,140)
(xvii) Advantis Pro and Eng. (Pvt) Ltd.	Affiliates	Purchase of plastic seals	(424)	(454)
(xviii) Advantis Frieght (Pvt) Ltd.	Affiliates	Storage & handling charges	(999)	(1,331)
(xiv) Hayleys Travels (Pvt) Ltd.	Affiliates	Cost of air fair	(3,044)	-
(xx) Creative Polymats (Pvt) Ltd.	Affiliates	Sale of latex	317	-
(xxi) Energynet (Pvt) Ltd.	Affiliates	Payment of equipments	(201)	-
(xxii) Puritas (Pvt) Ltd.	Affiliates	Payment for maintenance	(27)	-

Non - Recurrent Transactions

(E) Transactions with FVTOCI

Company For the year ended 31 March	Relationship	Nature of Transaction	Amount (Paid)/received	
			2022/23	2021/22
			Rs. '000	Rs. '000
(i) Martin Bauer Hayleys (Pvt) Ltd.	Financial assets	Reimbursement of expenses	10,356	12,612

The Company has sub leased an extent of 1.0127 hectares in Ingestre Estate and 2.2247 hectares in Blinkbonnie Estate to Martin Bauer Hayleys (Pvt) Ltd .

There are no non-recurrent related party transactions where aggregate value exceeds 10% of the equity or 5% of total assets and recurrent related party transactions where aggregate value exceeds 10% of gross revenue/income.

There are no related party transactions and balances other than those disclosed above and in Note 30 to the Financial Statements.

33. CONTINGENT LIABILITIES

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

34. CAPITAL EXPENDITURE COMMITMENTS

There were no material capital commitments as at the reporting date. However, the budgeted capital expenditure approved but, not committed by the Company for the financial year 2023/24 amounts to Rs. 661,157,642/- (2022/23 Rs.490,046,513/-).

35. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Directors on 18 May 2023 recommended the Final Dividend of Rs. 1.50 per share subject to the approval by the shareholders at the Annual General Meeting to be held on 26 June 2023 to be paid to the shareholders on 14 July 2023.

The Inland Revenue (Amendment) Act, No.04 of 2023 was passed in parliament and certified by Hon. Speaker on 8 May 2023.

NOTE TO THE FINANCIAL STATEMENTS

36. SEGMENTAL ANALYSIS

Group	Tea		Rubber		Others		Unallocated		Total	
	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2021/22 Rs. '000
Segmental assets										
Non-current assets	2,963,315	2,580,457	3,367,326	3,287,555	421,393	342,346	1,092,757	1,016,470	7,844,791	7,226,828
Current assets	3,557,312	4,097,478	374,521	77,788	82,609	87,933	2,475,680	1,021,148	6,490,122	5,284,347
Total assets	6,520,627	6,677,935	3,741,847	3,365,343	504,003	430,279	3,568,437	2,037,618	14,334,912	12,511,175
Segmental liabilities										
Non-current liabilities	1,384,926	1,536,104	699,740	737,211	18,156	15,491	1,269,032	587,582	3,371,854	2,876,388
Current liabilities	2,622,314	2,767,131	187,507	141,067	15,009	10,928	933,431	773,581	3,758,260	3,692,707
Total liabilities	4,007,241	4,303,235	887,247	878,278	33,164	26,419	2,202,463	1,361,163	7,130,114	6,569,095
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	992,117	444,120	992,117	444,120
Retirement benefit obligations	769,996	737,088	306,339	296,430	811	772	-	-	1,077,146	1,034,290
Trade & other payables	660,878	791,194	523,690	318,879	9,722	8,330	579,027	272,991	1,773,316	1,391,394
Total depreciation	176,829	160,789	138,137	121,519	19,815	15,054	32,536	30,036	367,318	327,398
Amortisation of right of use assets	18,793	18,679	19,213	17,162	-	-	14,544	14,211	52,549	50,051
Capital expenditure	344,313	110,940	164,652	98,103	127,578	88,041	274,824	111,268	911,368	408,352
Company										
Segmental assets										
Non-current assets	1,890,957	1,761,201	3,367,326	3,287,555	303,735	232,495	1,092,757	1,016,468	6,654,775	6,297,719
Current assets	538,091	613,499	374,521	77,788	-	-	2,475,680	1,021,444	3,388,292	1,712,731
Total assets	2,429,048	2,374,700	3,741,847	3,365,343	303,735	232,495	3,568,437	2,037,913	10,043,067	8,010,450
Segmental liabilities										
Non-current liabilities	1,261,240	1,330,731	699,740	737,211	-	-	1,269,032	587,582	3,230,012	2,655,524
Current liabilities	559,406	272,514	187,507	141,067	-	-	933,431	773,581	1,680,344	1,187,162
Total liabilities	1,820,645	1,603,245	887,247	878,278	-	-	2,202,463	1,361,163	4,910,356	3,842,686
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	920,369	386,973	920,369	386,973
Retirement benefit obligations	714,791	691,669	306,339	296,430	-	-	-	-	1,021,131	988,099
Trade & other payables	203,489	219,379	523,690	318,879	-	-	579,027	257,101	1,306,207	795,359
Total depreciation	96,241	95,338	138,137	121,519	8,840	4,167	32,536	30,036	275,754	251,060
Amortisation of right-of-use assets	18,793	18,679	19,213	17,162	-	-	11,966	11,788	49,972	47,629
Capital expenditure	1,058	727	164,652	98,103	126,797	84,921	274,824	111,268	567,331	295,019

Information in respect of geographical segments was considered not significant enough to be disclosed as explained under segment reporting in accounting policies.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, forward exchange contract and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group’s operations and to provide guarantees to support its operations. The Group has loan, trade and other receivables and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to mainly Credit Risk, Liquidity Risk, Currency Risk and Market Risk from its use of financial instruments.

This note presents information about the Groups exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk.

37.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group’s financial risk management framework which includes developing and monitoring the Group’s financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

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

37.2 Credit Risk

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

As at 31 March 2023	Trade Receivables					
	Days past due					
	Current	61-120 days	121-180 days	181-365 days	> 365 days	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Expected credit loss rate	0.12%	1%	4%	7%	12%	
Estimated total gross carrying amount at default	2,834	725	32	459	146	4,195
Expected credit loss rate	3	7	1	32	17	62

As at 31 March 2022	Trade Receivables					
	Days past due					
	Current	61-120 days	121-180 days	181-365 days	> 365 days	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Expected credit loss rate	0.12%	1%	4%	7%	12%	
Estimated total gross carrying amount at default	1,102	1,824	555	537	2,062	6,079
Expected credit loss rate	1	18	22	38	247	327

37.2.1 Trade & Other Receivables

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

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs.2,304 m (2021/22 – Rs.2,319 m).

NOTE TO THE FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

KVPL has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

MTPL has the largest exposure to credit risk as a major portion of the trade receivables are from foreign currencies. All open account debtors are covered with export credit Insurance. Settlement of other debtors are carried through banks.

37.2.2 Investments

Credit risk from invested balances with the financial institutions are managed by the Hayleys Group Treasury Department in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore, mitigate financial loss through potential counterparty’s failure.

The Group held short-term investments of Rs. 1,540 m as at 31 March 2023 (2021/22 – Rs. 496 m) which represents the maximum credit exposure on these assets.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 201 m as at 31 March 2023 (2021/22 – Rs.372 m) which represents its maximum credit exposure on these assets.

- Sampath Bank PLC – AA- (lka)
- Hatton National Bank PLC –AA- (lka)
- Bank of Ceylon – AA- (lka)
- Citi Bank N.A. – AAA (lka)
- Hong Kong and Shanghai Banking Corporation Ltd. – AAA (lka)
- DFCC Bank PLC – A+ (lka)
- National Development Bank PLC – A+ (lka)

37.3.Liquidity Risk

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

The Group does not concentrate on a single financial institution, thereby minimising the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long-term financial sources and short-term investment with short-term financing. Where necessary, the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinising the funding decisions.

The table below summarises the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31 March 2023	On Demand Rs.’000	Less than 3 Months Rs.’000	3 to 12 Months Rs.’000	2 to 5 years Rs.’000	>5 years Rs.’000	Total Rs.’000
Group						
Interest bearing loans & borrowing	150,915	464,268	1,062,511	17,456	-	1,695,150
Lease liability on right-of-use asset - land	7,874	15,749	70,870	377,972	1,606,382	2,078,847
Lease liability on right-of-use asset - building	1,154	2,309	11,210	-	-	14,673
	782,504	1,633,075	1,144,591	395,428	1,606,382	5,561,980
Company						
Interest bearing loans & borrowing	145,240	1,125	3,375	3,375	-	153,115
Lease liability on right-of-use asset - land	7,874	15,749	70,870	377,972	1,606,382	2,078,847
Lease liability on right-of-use asset - building	1,154	2,309	11,210	-	-	14,673
	640,807	838,851	85,455	381,347	1,606,382	3,552,842

As at 31 March 2022	On Demand Rs.’000	Less than 3 Months Rs.’000	3 to 12 Months Rs.’000	2 to 5 years Rs.’000	>5 years Rs.’000	Total Rs.’000
Group						
Interest bearing loans & borrowing	29,533	495,783	1,487,348	125,574	-	2,138,238
Lease liability on right-of-use asset - land	7,238	14,476	65,141	347,418	1,563,381	1,997,653
Lease liability on right-of-use asset - building	1,274	2,549	11,470	15,293	-	30,586
	38,045	512,808	1,563,959	488,285	1,563,381	4,166,477
Company						
Interest bearing loans & borrowing	27,209	70,069	210,208	8,669	-	316,157
Lease liability on right-of-use asset - land	7,238	14,476	65,141	347,418	1,563,381	1,997,653
Lease liability on right-of-use asset - building	1,274	2,549	11,470	15,293	-	30,586
	35,721	87,094	286,819	371,380	1,563,381	2,344,395

37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits, available for sale investment & derivative financial instruments.

37.4.1 Interest Rate Risk

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

The Group held long term borrowings with floating interest rates of Rs. 128 m (2021/22 – Rs.263 m) which represents its maximum credit exposure on these liabilities.

NOTE TO THE FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.4.1 Interest Rate Sensitivity

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

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.’000
Group		
2022/23	+ 1%	526
	-1%	(526)
2021/22	+5%	5,549
	-5%	(5,549)
Company		
2022/23	+ 1%	79
	-1%	(79)
2021/22	+5%	1,947
	-5%	(1,947)

37.4.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group.

These currencies primarily are the USD and CNY.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency forward contracts. Group treasury closely monitors the exchange rate fluctuations and advises on a regular basis.

Foreign Capital Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant. The impact on the Group’s Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in basis points	Effect on profit before tax Rs.’000
Group		
2022/23		
USD	25%	(38,619)
CNY	25%	59,403
JPY	25%	4,865
EUR	25%	9,370
USD	-25%	38,619
CNY	-25%	(59,403)
JPY	-25%	(4,865)
EUR	-25%	(9,370)
2021/22		
USD	25%	191,457
JPY	25%	9,237
EUR	25%	6,530
RMB	25%	93,730
USD	-25%	(191,457)
JPY	-25%	(9,237)
EUR	-25%	(6,530)
RMB	-25%	(93,730)

37.4.3 Equity Price Risk

The Group’s listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the Financial Statements. However company does not hold any quoted shares as at reporting date.

37.4.4 Capital Management

The Group’s policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows,

	Group		Company	
	2022/23 Rs.'000	2021/22 Rs.'000	2022/23 Rs.'000	2021/22 Rs.'000
(i) Interest bearing borrowings				
Current portion of long-term interest bearing borrowings	110,097	137,861	4,500	30,278
Payable within 2 and 5 years	17,456	125,574	3,375	8,669
(ii) Lease liability				
Current portion of liability to make lease payment	19,963	16,899	19,963	16,899
Payable within 2 and 5 years	29,680	38,237	29,680	38,237
Payable later than 5 years from year-end	602,191	561,727	602,191	561,727
(iii) Short-term interest bearing borrowings	1,416,682	1,845,270	-	250,000
(iv) Bank overdraft	150,915	29,534	145,240	27,209
Total debts	2,346,985	2,755,101	804,950	933,019
Equity	7,155,218	5,892,995	5,132,711	4,167,764
Equity & debts	9,502,203	8,648,095	5,937,661	5,100,783
Gearing ratio	25%	32%	14%	18%

Annexures

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TEN YEAR SUMMARY

Period Ended	2022/23 31-Mar (12 Months) Rs.'000	2021/22 31-Mar (12 Months) Rs.'000	2020/21 31-Mar (12 Months) Rs.'000	2019/20 31-Mar (12 Months) Rs.'000	2018/19 31-Mar (12 Months) Rs.'000	2017/18 31-Mar (12 Months) Rs.'000	2016/17 31-Mar (12 Months) Rs.'000	2015/16 31-Mar (12 Months) Rs.'000	2014/15 31-Mar (15 Months) Rs.'000	2013 31-Dec (12 Months) Rs.'000
Trading Results										
Revenue	20,704,226	12,925,850	11,760,469	8,909,174	9,166,118	8,642,220	6,852,262	6,068,746	8,647,349	6,790,012
Gross profit	3,658,360	2,264,637	1,756,634	844,957	967,084	1,091,683	617,739	464,702	739,302	885,720
Profit/(loss) before tax	3,040,670	1,965,171	947,521	(22,772)	447,767	202,487	12,474	(30,520)	102,407	465,485
Profit/(loss) after tax	2,087,844	1,777,464	802,185	(87,019)	387,913	160,422	(15,349)	(42,191)	52,495	391,693
Balance Sheet										
Funds Employed										
Stated capital	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000
Revenue reserves	6,815,218	5,552,995	3,909,055	3,097,193	2,982,544	2,677,740	2,580,914	2,292,660	2,358,424	2,435,888
Total equity attributable to equity holders of the company	7,155,218	5,892,995	4,249,055	3,437,193	3,322,544	3,017,740	2,920,914	2,632,660	2,698,424	2,775,888
Non-controlling interest	49,582	49,085	41,182	41,882	33,380	31,470	33,475	33,087	158,739	22,322
Lease liability	631,871	599,964	599,096	587,014	437,712	439,902	441,841	443,557	445,075	395,060
Amounts due to other related companies	-	-	-	13,086	28,392	43,041	36,286	22,500	-	-
Interest bearing borrowings	17,456	125,574	193,108	270,817	162,924	299,131	368,375	323,916	432,145	98,327
Other financial liabilities	-	-	71,454	200,411	-	-	-	-	-	-
Bank overdraft	150,915	29,534	141,477	634,929	675,083	219,827	274,302	95,081	51,190	16,297
	8,005,042	6,697,152	5,295,372	5,185,332	4,660,035	4,051,113	4,075,193	3,550,801	3,785,573	3,307,894
Assets Employed										
Non current assets	7,844,790	7,226,828	7,140,577	7,186,006	6,034,828	5,456,908	5,443,706	5,219,898	5,203,870	4,408,806
Current assets	6,490,119	5,284,347	3,611,819	2,185,654	2,651,826	2,329,463	1,813,705	1,306,824	1,793,293	1,938,316
Current liabilities	(3,607,339)	(3,663,173)	(3,254,384)	(2,002,323)	(1,914,931)	(1,812,969)	(1,372,311)	(909,299)	(1,217,120)	(1,153,489)
Retirement benefit obligations	(1,077,144)	(1,034,290)	(1,073,035)	(1,152,014)	(1,109,974)	(916,919)	(816,560)	(1,153,244)	(1,122,870)	(1,046,403)
Deferred tax liability	(992,118)	(444,120)	(462,162)	(415,361)	(405,363)	(427,497)	(457,659)	(390,615)	(393,243)	(363,132)
Deferred income	(653,266)	(672,440)	(667,443)	(616,630)	(596,351)	(577,874)	(535,688)	(522,763)	(478,357)	(476,204)
Capital employed	8,005,042	6,697,152	5,295,372	5,185,332	4,660,035	4,051,113	4,075,193	3,550,801	3,785,573	3,307,894
Key Indicators										
Gross profit margin %	17.67	17.52	14.94	9.48	10.55	12.60	9.02	7.66	8.50	13.04
Current ratio (times)	1.73	1.43	1.06	0.83	1.02	1.15	1.10	1.30	1.41	1.66
Turnover to capital employed (times)	2.59	1.93	2.22	1.72	1.97	2.13	1.68	1.71	2.28	2.05
Return on shareholders' fund %	29.17	30.03	18.71	(2.78)	11.40	5.19	(0.64)	(1.05)	2.23	13.84
Earning per share (Rs.) *	30.70	26.02	11.69	(1.40)	11.14	4.56	(0.55)	(0.82)	1.77	11.30
Net assets per share (Rs.) *	105.22	86.66	62.49	50.55	48.86	44.38	42.95	38.72	39.68	40.82
Dividend per share (Rs.)	10.00	4.45	3.00	-	-	1.00	-	-	1.00	3.50
Dividend payout ratio % *	32.58	17.10	25.66	-	-	43.82	-	-	112.88	61.96
Price earnings (Times) *	2.33	2.23	3.21	-	8.35	17.53	-	-	40.58	6.93
Market value (Rs.) *	71.50	58.00	37.50	80.00	93.00	80.00	82.00	65.00	71.90	78.30

* Due to company's shares were sub-divided by splitting each issued ordinary share into two ordinary shares,comparative key indicators (Share related) also ammended accordingly.

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The ordinary shares of Kelani Valley Plantations PLC are listed with the Colombo Exchange. The audited Company and Consolidated Statements of Profit or Loss for the year ended 31 March 2023 and the audited Statement of Financial Position of the Company and of the Group as at the date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

2. ORDINARY SHAREHOLDERS AS AT 31 MARCH 2023

Total number of shareholders 16,327

	Residents			Non-Residents			Total		
	No. of	No. of	%	No. of	No. of	%	No. of	No. of	%
	Shareholders	Shares		Shareholders	Shares		Shareholders	Shares	
1 - 10,00	15,311	3,758,873	5.53	7	2,835	-	15,318	3,761,708	5.53
1,001 - 10,000	799	2,866,863	4.22	7	23,778	0.03	806	2,890,641	4.25
10,001 - 100,000	175	5,240,666	7.70	2	110,000	0.16	177	5,350,666	7.86
100,001 - 1,000,000	21	3,648,602	5.37	2	901,400	1.33	23	4,550,002	6.70
Over 1,000,000	3	51,446,983	75.66	-	-	-	3	51,446,983	75.66
	16,309	66,961,987	98.48	18	1,038,013	1.52	16,327	68,000,000	100.00

No. of Shares held	Residents			Non-Residents			Total		
	No. of	No. of	%	No. of	No. of	%	No. of	No. of	%
	Shareholders	Shares		Shareholders	Shares		Shareholders	Shares	
Individuals	16,125	13,412,129	19.73	18	1,038,013	1.52	16,143	14,450,142	21.25
Institutions	184	53,549,858	78.75	-	-	-	184	53,549,858	78.75
	16,309	66,961,987	98.48	18	1,038,013	1.52	16,327	68,000,000	100.00

3. MARKET VALUE

The market value of Kelani Valley Plantations PLC ordinary shares :

	2022/23		2021/22	
Highest - Rs	124.00	(12 September 2022)	124.00	(25January 2022)
Lowest - Rs	28.90	(27 April 2022)	36.00	(27 April 2021)
Closing price - Rs	70.50		58.30	

4. DIVIDEND PAYMENT

First interim dividend of Rs.2.50 per share (2021/22 -First interim dividend Rs.0.70 per share), Second interim dividend of Rs.3/-per share (2021/22 -Second interim dividend Rs.0.25 per share) & Third interim dividend Rs. 3/- per share (2021/22 -Third interim dividend Rs.1/- per share)

Proposed final dividend of Rs.1.50 per share (2021/22 -Final dividend of Rs.2.50 per share)

5. SHARE TRADING

	2022/23	2021/22
Number of transactions	33,269	33,980
Number of shares traded	22,907,416	36,314,561
Value of shares traded (Rs.)	2,070,843,835	2,884,277,228

6. FIRST TWENTY SHAREHOLDERS AS AT 31 MARCH, 2023

Name of Shareholder		No. of Shares as at 31.03.2023	%	No. of Shares as at 31.03.2022	%
1	DPL Plantations (Pvt) Limited.	49,253,800	72.43	49,253,800	72.43
2	Dr. Mohamed Arafath Akram Mohamed Akram	1,153,675	1.70	311,600	0.46
3	Bank of Ceylon A/C Ceybank Unit Trust	1,039,508	1.53	1,039,508	1.53
4	Mr. Talib Tawfiq Talib Al-Nakib (Deceased)	610,000	0.90	610,000	0.90
5	Mrs. Uduwage Dona Deepthika Nilmini Perera	590,000	0.87	-	-
6	Mr. Rizmy Ahamed Rishard	370,371	0.54	-	-
7	Mr. Hashim Ahmed Alsayid Hashim Algharabally	291,400	0.43	291,400	0.43
8	Dr. Dilesh Jayanntha	226,000	0.33	226,000	0.33
9	Mr. Mohamed heebathulla muhammath fawsan	200,000	0.29	-	-
	Mr. Palaniyandi Muralitharan	200,000	0.29	150,000	0.22
10	Deutsche Bank AG-National Equity Fund	190,000	0.28	-	-
11	Motor Service Station (Private) Limited.	186,667	0.27	-	-
12	Asia Management Consultancy (Private) Limited.	150,000	0.22	-	-
13	Mr. Zoebaly Gulamabass Carimjee	147,734	0.22	147,734	0.22
14	Mr. Mohamed Imtizam Abdul Hameed	141,200	0.21	141,200	0.21
15	Mr. Anton Vasanthakumar Emmanuel/Mrs.S.Emmanuel	128,900	0.19	-	-
16	DFCC Bank PLC/ P. Muralitharan	123,677	0.18	123,677	0.18
17	Miss. Dehiwalage Sriyani Annestine Maristela Costa	113,780	0.17	-	-
18	Hatton National Bank PLC/Almas Holdings (Private) Limited.	111,719	0.16	-	-
19	Mrs. Dona Rajitha Costa	109,107	0.16	-	-
20	Hatton National Bank PLC/Almas Capital (Private) Limited.	106,594	0.16	-	-
TOTAL		55,444,132	81.53	52,294,919	76.91

7. THE PERCENTAGE OF ORDINARY SHARES HELD BY THE PUBLIC WAS 27.50% (2021/22 - 27.56%) OF THE ISSUED SHARE CAPITAL AS AT 31 MARCH 2023.

- There were no non-voting shares as at 31 March 2023
- Total number of Shareholders representing the Public Holding is 16,323.
- Float adjusted market capitalisation Rs. 1,318,350,000/-
- The Company complies with option 5 of the Listing Rules 7.14. (i) (A) which requires a Company with a float adjusted market capitalisation of less than Rs. 2.5 Bn to maintain a minimum public holding of 20%.

INDEPENDENT ASSURANCE REPORT



Building a better
working world

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Independent Assurance Report to
the Board of Directors of Kelani Valley
Plantations PLC

Scope
We have been engaged by Kelani Valley Plantations PLC (“the Entity”) to perform a ‘limited assurance engagement,’ as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity’s Integrated Annual Report (the “Subject Matter”) as of 31st March 2023.

Criteria applied by Kelani Valley Plantations PLC
In preparing the Subject Matter, Kelani Valley Plantations PLC applied the following criteria (“Criteria”):

- The Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines, publicly available at GRI’s global website www.globalreporting.org GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022
- Non-Financial Reporting Guideline issued by Institute of Chartered Accountants of Sri Lanka (2022).
- Communicating Sustainability: Six Recommendations for Listed Companies issued by Colombo Stock Exchange (Version 02)
- Section H of the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka (2017).

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity’s Economic, Environment, Social and Governance (EESG) indicators of the Entity’s Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Kelani Valley Plantations PLC’s responsibilities
Kelani Valley Plantation PLC’s management is responsible for selecting the Criteria, and for presenting the EESG indicators contained in the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young’s responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Kelani Valley Plantation PLC on 02 May 2023. Those standards

require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED
Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

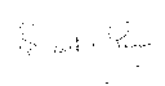
- Validated the information presented and checked the calculations performed by the organization through recalculation
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization’s personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter
Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

Conclusion
Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity’s Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.



12 May 2023

Colombo

GRI INDEX TABLE

GRI 1: Foundation
Kelani Valley Plantations PLC has reported in accordance with the GRI Standards for the period from 1st April 2022 to 31st March 2023.

Applicable GRI Sector Standard(s) GRI 13: Agriculture, Aquaculture, and Fishing

A gray cell indicates something that does not apply. This only relates to the ‘Omission’ and ‘GRI Sector Standard ref. no.’ columns.

GRI Standard / Other Source	Disclosure	Location (Page)	Omission			GRI Sector Standard Ref. No.
			Requirement Omitted	Reason	Explanation	
GRI 2: General Disclosures						
2-1	Organisational details	8				
2-2	Entities included in the organisation’s sustainability reporting	44				
2-3	Reporting period, frequency and contact point	5				
2-4	Restatements of information	5, 46				
2-5	External assurance	5				
2-6	Activities, value chain and other business relationships	48, 51, 99, 100				
2-7	Employees	110, 111				
2-8	Workers who are not employees	110, 111				13.21
2-9	Governance structure and composition	158				
2-10	Nomination and selection of the highest governance body	158, 165				
2-11	Chair of the highest governance body	158, 161				
2-12	Role of the highest governance body in overseeing the management of impacts	162,163				
2-13	Delegation of responsibility for managing impacts	159, 184				
2-14	Role of the highest governance body in sustainability reporting	178				
2- 15	Conflicts of interest	171				
2-16	Communication of critical concerns	158				
2-17	Collective knowledge of the highest governance body	162, 163				
2-18	Evaluation of the performance of the highest governance body	166				
2-19	Remuneration policies	167				
2-20	Process to determine remuneration	167				
2-21	Annual total compensation ratio	168				
2-22	Statement on sustainable development strategy	52				
2-23	Policy commitments	160				
2-24	Embedding policy commitments	160				
2-25	Processes to remediate negative impacts	120				
2-26	Mechanisms for seeking advice and raising concerns	160				
2-27	Compliance with laws and regulations	139, 162				

GRI Standard / Other Source	Disclosure	Location (Page)	Omission			GRI Sector Standard Ref. No.
			Requirement Omitted	Reason	Explanation	
2-28	Membership associations	46				
2-29	Approach to stakeholder engagement	40, 42 , 125				
2-30	Collective bargaining agreements	42				13.21
GRI 3: Material Topics 2021						
3-1	Process to determine material topics	45, 46				
3-2	List of material topics	46				
3-3	Management of material topics	46				
GRI 201: Economic						
3-3	Management of material topics	46, 76				
201-1	Direct economic value generated and distributed	92				13.22
201-2	Financial implications and other risks and opportunities due to climate change	188				13.2
201-3	Defined benefit plan obligations and other retirement plans		201-3	Confidential Information	KVPL is not disclosing sensitive data due to market competition	
201-4	Financial assistance received from government	85				
GRI 202: Market Presence						
3-3	Management of material topics	46, 108				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		202-1	Confidential Information	KVPL is not disclosing sensitive data due to market competition	
202-2	Proportion of senior management hired from the local community	111				
GRI 203: Indirect Economic Impacts						
3-3	Management of material topics	46, 125				13.22
203-1	Infrastructure investments and services supported	125				13.22
203-2	Significant indirect economic impacts	125				13.22
GRI 205: Anti-corruption						
3-3	Management of material topics	46, 118				13.26
205-1	Operations assessed for risks related to corruption	118				13.26
205-2	Communication and training about anti-corruption policies and procedures	118				13.26
205-3	Confirmed incidents of corruption and actions taken	118				13.26
GRI 206: Anti-competitive Behavior						
3-3	Management of material topics	46, 148				13.25
GRI 301: Material Management						
3-3	Management of material topics	46, 148				
301-1	Materials used by weight or volume	148				
301-2	Recycled input materials used	148				
301-3	Reclaimed products and their packaging materials	148				

GRI INDEX TABLE

GRI Standard / Other Source	Disclosure	Location (Page)	Omission			GRI Sector Standard Ref. No.
			Requirement Omitted	Reason	Explanation	
GRI 302: Energy						
3-3	Management of material topics	46, 149				
302-1	Energy consumption within the organisation	150				
302-2	Energy consumption outside of the organisation		302-2	Information unavailable	Currently we are not gathering information of energy consumption outside of the organization	
302-3	Energy intensity		302-3	Information unavailable	It is complex to report data separately as per the organizational context	
302-4	Reduction of energy consumption	150				
302-5	Reductions in energy requirements of products and services	150				
GRI 303: Water and Effluents						
3-3	Management of material topics	46, 150				13.7
303-1	Interactions with water as a shared resource	150				13.7
303-2	Management of water discharge-related impacts	151				13.7
303-3	Water withdrawal	151				13.7
303-4	Water discharge	151				13.7
303-5	Water consumption	151				13.7
GRI 304: Biodiversity						
3-3	Management of material topics	46, 152				13.3
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		304-1	Information unavailable	There are no sufficient data recorded and will be reported in next financial year	13.3
304-2	Significant impacts of activities, products, and services on biodiversity	152				13.3
304-3	Habitats protected or restored	152				13.3
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		304-4	Information unavailable	There are no sufficient data recorded and will be reported in next financial year	13.3
GRI 305: Emissions						
3-3	Management of material topics	46, 153				13.1
305-1	Direct (Scope 1) GHG emissions	153				13.1
305-2	Energy indirect (Scope 2) GHG emissions	153				13.1
305-3	Other indirect (Scope 3) GHG emissions	153				13.1
305-4	GHG emissions intensity	153				13.1
305-5	Reduction of GHG emissions	153				13.1
305-6	Emissions of ozone-depleting substances (ODS)		305-6	Information unavailable	No significant impact from ozone-depleting substances (ODS)	13.1

GRI Standard / Other Source	Disclosure	Location (Page)	Omission			GRI Sector Standard Ref. No.
			Requirement Omitted	Reason	Explanation	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		305-7	Information unavailable	No significant impact from Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	13.1
GRI 306: Waste						
3-3	Management of material topics	46, 154				13.8
306-1	Waste generation and significant waste-related impacts	154				13.8
306-2	Management of significant waste-related impacts	154				13.8
306-3	Waste generated	154				13.8
306-4	Waste diverted from disposal	154				13.8
306-5	Waste directed to disposal	154				13.8
GRI 401: Employment						
3-3	Management of material topics	46, 111				
401-1	New employee hires and employee turnover	111				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	118				
401-3	Parental leave	118				
GRI 402: Labor/Management Relations						
3-3	Management of material topics	46, 112				
402-1	Minimum notice periods regarding operational changes	112				
GRI 403: Occupational Health And Safety						
3-3	Management of material topics	46				13.19
403-1	Occupational health and safety management system	120				13.19
403-2	Hazard identification, risk assessment, and incident investigation	120				13.19
403-3	Occupational health services	120				13.19
403-4	Worker participation, consultation, and communication on occupational health and safety	120				13.19
403-5	Worker training on occupational health and safety	120				13.19
403-6	Promotion of worker health	120				13.19
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	120				13.19
403-8	Workers covered by an occupational health and safety management system	120				13.19
403-9	Work-related injuries	120				13.19
403-10	Work-related ill health	120				13.19

GRI INDEX TABLE

GRI Standard / Other Source	Disclosure	Location (Page)	Omission			GRI Sector Standard Ref. No.
			Requirement Omitted	Reason	Explanation	
GRI 404: Training And Education						
3-3	Management of material topics	46				
404-1	Average hours of training per year per employee	115				
404-2	Programs for upgrading employee skills and transition assistance programs	115				
404-3	Percentage of employees receiving regular performance and career development reviews	119				
GRI 405: Diversity and Equal Opportunity						
3-3	Management of material topics	46				13.15
405-1	Diversity of governance bodies and employees	111				13.15
405-2	Ratio of basic salary and remuneration of women to men		405-2	Confidential Information	KVPL is not disclosing sensitive data due to market competition	13.15
GRI 406: Non-discrimination						
3-3	Management of material topics	46, 117				
406-1	Incidents of discrimination and corrective actions taken	117				13.15
GRI 407: Freedom Of Association And Collective Bargaining						
3-3	Management of material topics	46				13.18
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	112,113				13.18
GRI 408: Child Labor						
3-3	Management of material topics	46, 118				13.17
408-1	Operations and suppliers at significant risk for incidents of child labor	118				13.17
GRI 409: Forced Or Compulsory Labor						
3-3	Management of material topics	46, 118				13.16
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	118				13.16
GRI 413: Local Communities						
3-3	Management of material topics	46, 125				13.12
413-1	Operations with local community engagement, impact assessments, and development programs	125, 128, 133				13.12
413-2	Operations with significant actual and potential negative impacts on local communities	128				13.12
GRI 415: Public Policy						
3-3	Management of material topics	46, 139				13.24
415-1	Political contributions	139				13.24

GRI Standard / Other Source	Disclosure	Location (Page)	Omission			GRI Sector Standard Ref. No.
			Requirement Omitted	Reason	Explanation	
GRI 416: Customer Health And Safety						
3-3	Management of material topics	46, 50				13.10
416-1	Assessment of the health and safety impacts of product and service categories	50				13.10
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	50				13.10
GRI 417: Marketing and Labelling						
3-3	Management of material topics	46, 51				
417-1	Requirements for product and service information and labelling	51				
417-2	Incidents of non-compliance concerning product and service information and labelling	51				
417-3	Incidents of non-compliance concerning marketing communications	51				
GRI 418: Customer Privacy						
3-3	Management of material topics	46, 51				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	51				
		152				13.4
		152				13.5
		148				13.6

Topics in the applicable GRI Sector Standards determined as not material	
TOPIC	EXPLANATION
GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022	
13.9: Food security	There are no sufficient information recorded for required data on food security
13.11: Animal health and welfare	As per the company policies, animal husbandry and aquaculture is not practiced within the organizational boundary
13.13: Land and resource rights	There are no sufficient information recorded for required data on land and resource rights
13.14: Rights of indigenous peoples	Indigenous peoples are not available within the scope of the organization
13.23: Supply chain traceability	There are no sufficient information recorded for required data on supply chain traceability
13.25: Anti-competitive behavior	Sensitive data are not disclosed due to market competition

CONSOLIDATED STATEMENT OF ESG PERFORMANCES

	Note	2022/23	2021/22
Environmental Performance			
Resource			
Non-renewable Energy Consumption for Operations (GJ)	2.1	16,355	14,505
Generation of Renewable Energy (GJ)	2.2	26,800	44,655
Water Consumption for Operations (m³)	2.3	81,451	85,265
Waste			
Total Solid Non-hazardous waste (kg)	2.4	10,198	7,966
Total Solid Hazardous waste Disposed (kg)	2.4	1,285	1,716
Emission			
Carbon emitted for operations (tCO ₂ e)	2.5	7,759	10,571
Voluntary Initiatives			
Investments on Environment and Bio diversity Projects (LKR)	3.8	7,318,452	7,073,950
Social Performance			
People & Employees			
Total employees	3.1	7,626	8,589
Employee turnover (%)	3.1	16%	7%
Female employees as a percentage of total employees (%)	3.2	54%	56%
Female employees in decision-making roles	3.2	15	12
Employee engagement score (out of 5)	3.3	4.81	4.42
Employee Trust Index (out of 100)	3.4	99.95	88.76
Total number of injuries	3.5	-	-
Average training hours per employee	3.6	9.2	6.6
Total employee benefits distributed (Rs. 000)	3.8	4,109,935	3,499,498
Customers and Society			
Customer Satisfaction Index (%)	3.7	87%	0
Duty and tariff paid (Rs. 000)	3.8	462,098	299,604
Donations and other social contributions (Rs. 000)	3.8	46,098	32,489
Number of apprenticeships provided for technical education	3.9	27	22
Governance Performance			
Values and Ethics			
Employees trained on Hayleys Life code of business conduct	4.1	96	39
Number of whistle-blower cases reported and solved	4.2	0	0
Management Systems			
Number of total audits conducted on management systems	4.3	14	11
Number of non-compliances reported in management systems	4.3	0	0
Number of times the sustainability committee met	4.4	5	0
Data Privacy and Security			
Number of employees trained on data privacy	4.5	90	85

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 01 - BASIS OF PREPARATION

General Reporting Standards and Principals

This ESG statement is prepared for Kelani Valley Plantations PLC (KVPL) and for its subsidiaries. The indicators reported in the ESG statement are those that are material to the Group and are reported Aligned to;

- The GRI Universal Standards 2021 - issued by the Global Sustainability Standards Board (GSSB)
- International Integrated Reporting Framework (International <IR> Framework) 2021
- The ISO 14064-1:2018 Environmental Commitments & Social Commitments, GHG verification is used to measure and report on the Group’s carbon footprint
- The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange
- United Nations Sustainable Development Goals
- United Nations Global Compact

KVPL applies reporting principles highlighted in GRI standards and <IR> Framework to ensure the quality of information presented. Some key principles are highlighted below.

Materiality

KVPL considers information that is material to financial capital providers in determining KVPL’s value creation ability. A comprehensive materiality assessment is conducted annually, with the engagement of company’s leadership, corporate & estate management teams, and other key stakeholder groups. Refer page 45 to 47 for more information about stakeholder engagement and Materiality assessment.

Accuracy, completeness, and verifiability of data accuracy, completeness, and the verifiability of information are ensured by the certified management systems that are audited twice a year. They are;

KVPL

ISO 22000:2018, HACCP and GMP (Good Manufacturing Practices)

- Rain Forest Alliance (RA)
- Forest Stewardship Council (FSC)
- ISO 14064-1:2018 Environmental Commitments & Social Commitments, GHG verification

Mabroc

Food safety standards

- FSSC 22000
- Rain Forest Alliance Master License Agreement
- ISO 22000:2018
- HACCP
- BRC
- ISO 9001:2015

ISO 45001: 2018 certified Occupational Health and Safety Management System

Comparability

Indicators presented in this statement are calculated based on guidelines presented in GRI sustainability standards.

SECTION 02 - ENVIRONMENTAL PERFORMANCE

2.1 Non- Renewable Energy Consumption

Non-renewable Energy Consumption for Operations (GJ)

Energy Source	Amount (GJ)	
	2021/2022	2022/2023
Total Diesel Usage	12,117	13,995
Total Petrol Usage	2,004	2,062
LP Gas	384	297
Total	14,505	16,355

Basis for Measurement:

Energy consumption consists of consumption of power, heat, and fuel for KVPL’s manufacturing operations. Other than renewable energy generated internally, as solar and hydro power, all other energy sources are from non-renewable sources such as petrol, diesel, and gas. The measurement is calculated based on the meter readings and invoices.

2.2 Renewable Energy Generation

Generation of Renewable Energy (GJ)

Hydr opower Generation	2021/2022 GJ	2022/2023 GJ
Kalupahana	12,215	8,822
Glassugh	30,936	16,404
Battalgalla	902	1,022
Uda Radella	-	142
Solar power generation	2021/2022 GJ	2022/2023 GJ
Dewalakanda	603	410
Total	44,655	26,800

Basis for Measurement:

Renewable energy is generated through solar power plants installed on the roof tops of Dewalakanda Rubber processing center at Dehiowita, in Sabaragamuwa province. Hydro energy is generated through hydro power plants installed at Kalupahana, Glassugh, Battalgalla and Uda Radella Estates. The measurement is based on meter readings of the system installed to facilitate solar and hydro power generation.

2.3 Water Consumption for Operations (m3)

Surface Water Consumption for Factory Operation	Total (L)	Total (m3)
2022/23 (Liters)	81,451,020	81,451.02
2021/22 (Liters)	85,265,201	85,265.20

NOTES TO THE CONSOLIDATED ESG STATEMENT

Basis for Measurement:

KVPL's main water source is field level surface water generated through the water sources within our estates. Water used at the Colombo Head Office, is mainly from municipal water. Water consumption is measured based on meter readings and invoices.

2.4 Waste Disposed

Total Solid Non-hazardous waste (kg)

Non- Hazardous waste (kg)	2021/2022	2022/2023
Bio-degradable Waste / Food waste	6,335	2,786
Glass	161	338
Plastic	398	854
Polythene	402	4,654
Paper	669	1,566
Total	7,966	10,198

Total Solid Hazardous waste

Disposed (kg)

Hazardous Waste	2021/2022	2022/2023
Empty Chemical cans	1,067	845
Medical Waste	53	31
Batteries	11	7
Bulbs	198	106
E-Waste	388	297
Total	1,716	1,285

Basis for Measurement:

Majority of polythene, plastics and glass are generated at the KVPLs estates and collected waste is segregated and dispatched through approved suppliers of the Central Environmental Authority (CEA). Waste water is treated, reused operations in our factories and the balance is released to the outside after it reach to approved PH level.

2.5 Emission

Carbon Emitted for Operations (tCO₂e)

GHG Emission (TCO ₂ e)	2021/22	2022/23
Scope 01	5,253	3,844
Scope 02	3,804	3,817
Scope 03	1,514	97
Total GHG emission tCO ₂ e	10,571	7,759

Basis for Measurement

Emissions are limited to CO₂ emissions from energy and do not include other greenhouse gases. The methodology of measurement of the emission follows the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (Revised Edition). Reporting is primarily under Scopes 1 and 2 with some elements of the optional Scope 3, according to data availability. Invoices and meter readings are used when measuring consumption. Assumptions are used where required to arrive at estimated quantities of consumption when exact qualities are not available. Emission from petrol or diesel given to employees is calculated based on the actual usage of the fuel cards (a card that can be used to pump fuel from fuel stations) given to employees and fuel issues reports at the estates. Assumptions are used to identify the litres of usage based on the prevailing fuel prices in each month.

SECTION 03 - SOCIAL PERFORMANCE

People & Employees:

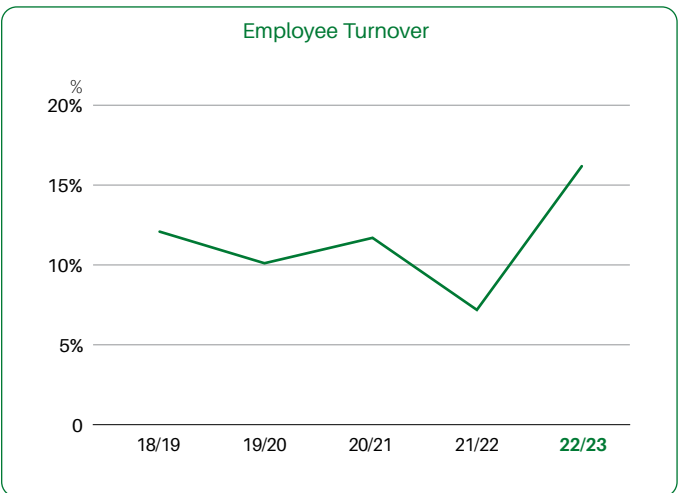
3.1 Total employees and Employee Turnover

Employee composition as at 31st March;

Status	Gender	2022
Contract	Female	842
	Male	649
Permanent	Female	3,281
	Male	2,854
Grand Total		7,626

2021/22	Category	Male	Female	Total
Permanent	Ex	85	12	97
Contract	Non Ex	384	151	535
	Manual	3336	4621	7957
Total	Total	3805	4784	8589

2018/19	2019/20	2020/21	2021/22	2022/23
12%	10%	12%	7%	16%



3.2 Female employees as a percentage of total employees (Employee Diversity)

Category	Male	Female	Total
Executive	85	15	100
Non-Executive	400	149	549
Manual	3,018	3,959	6,977
Total	3,503	4,123	7,626

3.2 Female employees in decision making roles

2022/23	No. of Heads
Managerial Level	4
Executive	11
Total	15

2021/22	No. of Heads
Managerial Level	2
Executive	10
Total	12

Basis for Measurement:

Employee diversity is a measure of total female employees as a percentage of total employees. Senior management includes employees above senior manager designations, and the middle management includes employees above Executives and Assistant manager designations, but below senior manager designations. Both middle management and senior management employees are considered as employees in decision making capacity.

3.3 Employee engagement score (out of 5)

2022/23	2021/ 22	2020/21	2019/20	2018/ 19
4.81	4.42	4.29	3.94	3.99

Basis of Measurement

Employee engagement survey is conducted internally and is open to all employees. The survey includes 20 questions based on the GPTW Employee Engagement Questionnaire. Year under review, 96 % of all employees responded. The survey is carried out by the HR division, with proper mechanisms (online and through kiosk machines) in place to ensure the integrity and independence of the results.

3.4 Employee Trust Index (out of 100)

2022/23	2021/ 22	2020/21
99.95	88.76	78.2

Basis of Measurement

Employee Trust Index is measured by use of GPTW Employee Trust Index based on credibility, respect, fairness, pride and camaraderie. Results were categorized based on parameters such

as highly positive perception, positive, mixed perception and low perception. Comparison with the averages of Sri Lanka's Best 50 companies.

3.5 Total number of injuries

Days/ Absenteeism	Rate	Total No.	2022/23 Rate	2021/ 22 Total No.
Injuries	0.14%	6	0.19%	12
Occupational diseases	0.01%	Nil	0.01%	Nil
Lost working days	0.15%	46	0.20%	65
Work related fatalities	-	Nil	-	Nil

An injury is defined as non-fatal or fatal injury arising out of, or during, work. Injury rate is calculated based on the frequency of injuries, relative to the total time worked by all workers during the reporting period.

An occupational disease is defined as disease arising from a work situation or activity, or from a work-related injury (Examples - stress or regular exposure to harmful chemicals).

Lost working days are the number of days that cannot be worked (and are thus 'lost') because of a worker or workers being unable to perform their usual work due to an occupational disease or accident.

Injuries and occupational diseases are recorded based on the logs maintained by the medical officer of respective locations.

3.6 Average training hours per employee

Training details report 2022/23

Category	Training Head Count			Training P/Hours		
	Male	Female	Total	Male	Female	Total
Executive	1,317	143	1,460	8,060	1,116	9,176
Non-Executive	1,226	1,957	3,183	2,452	2,936	5,388
Manual	6,217	29,823	36,040	16,900	38,689	55,589
Total	8,760	31,923	40,683	27,412	42,740	70,152

Average hours of training per year per employee

Category	P/H Per Person - 2021/22			P/H Per Person - 2022/23		
	Male	Female	Total	Male	Female	Total
Executive	0.5	0.0	0.5	1.1	0.1	1.2
Non-Executive	0.1	0.1	0.2	0.3	0.4	0.7
Manual	0.9	5.0	5.9	2.2	5.1	7.3

NOTES TO THE CONSOLIDATED ESG STATEMENT

Category	P/H Per Person - 2021/22			P/H Per Person - 2022/23		
Total	1.5	5.1	6.6	3.6	5.6	9.2

Basis of Measurement
Training hours per employee is calculated based on total hours of training provided to each employee category and the total employees trained. Employee training hours are measured based on online portal maintained in the group level.

3.8 Total employee benefits distributed (Rs. 000)
Statement of Value Addition and Distribution - 2022/23

For the year/ period ended 31st March	2022/23		2021/22	
	Rs. '000		Rs. '000	
Revenue	21,073,623		12,925,850	
Other income	249,654		347,560	
	21,323,277		13,273,411	
Cost of material and services obtained	(13,584,397)		(7,292,981)	
Value addition	7,738,880		5,980,430	
Value created shared with		%		%
Employees	4,109,935	53.0%	3,499,410	58.5%
Government of Sri Lanka	627,007	8.1%	309,872	5.2%
Shareholders	680,000	8.8%	303,408	5.1%
Lenders of Capital	(74,502)	(1.0%)	50,814	0.8%
Deferred tax impact	568,112	7.3%	(30,715)	-0.5%
Value Retained for expansion & Growth				
Depreciation	420,484	5.4%	373,586	6.2%
Profit	1,407,844	18.2%	1,474,056	24.6%
	7,738,880	100%	5,980,430	100%

Basis of Measurement:
Statement of value created and distributed measures the financial value the Group created and how the financial value thus created is distributed amongst different stakeholders and thereby facilitates economic and social progress. Financial transactions recorded in the accounting system are the basis for this calculation.

Value created increased by 29% as a result of increase in value distributed to government, Share Holders and provision for deferred tax. This reflects major portion of value created has been shared with our shareholders and Government.

Investments on Environment and Biodiversity Projects (LKR)		
Investment (LKR)	2021/22	2022/23
Effluent/ Water Treatment Cost (if any cost other than constructions. Ex: Chemical Purchasing, Upgrading, Electricity, Labour & Other)	3,370,343	2,363,549
Soil Management & Conservation (include Cover Crops, Drains Labour/ Terracing Labour/Quality Testing,etc)	1,735,921	1,530,691
Planting/maintenance of Agro-forestry & Fuelwood / Native and Shade Trees	47,550	109,900
Rainforest Alliance/FSC Program Certification Maitain Cost/ Establishment of Vegetative Barriers & Chemical Free Buffer Zones	1,844,542	3,238,793
Other	75,594	75,520
Total	7,073,950	7,318,452

Customers and Society:

3.7 Customer Satisfaction Index (%)	
2022/ 23	2021/22
87 %	-

Basis of Measurement:
Measuring customer satisfaction is at high priority for every business because client’s feedback is a valuable contribution to the development of a company. KVPL, we measure customer satisfaction in Tea sector mainly using a questionnaire filled by our main buyers. The dedicated marketing division of tea, conducts the survey for every financial year end via formal surveys and informal interactions. We monitor customer satisfaction index (CSI) metric that reflects the overall customer satisfaction with KVPL estates product quality, Head office and Estate management service, company overall performance, etc. It allows KVPL marketing team to fine tune and further develop the quality of product and services. This metric allows KVPL to gain insights into various marketing aspects and have a clear picture of a KVPLs overall picture.

3.8 Duty and Tariff Paid (Rs. 000) Duty and Tariffs Breakdown		
For the year ended 31 March	2022/23	2021/22
	Rs.'000	Rs.'000
Duty & Cess on exports	63,925	72,272
Corporate income tax	384,754	218,972
Other taxes including value added tax	13,418	8,359
	462,098	299,604

Basis of Measurement:
Income tax paid increased due to increase in tax rates during the year. Duty & Cess also increased due to increase in export volumes by Mabroc.

3.8 Donations and other social contributions (Rs. 000)		
	2022/23 Rs. '000	2021/22 Rs. '000
Community Development & Awareness Programmes	37,260	25,051
Housing for Workers & Family	8,838	7,439
TOTAL	46,098	32,489

3.9 Number of apprenticeships provided for technical education	
2022/ 23	2021/ 22
27	22

Apprenticeships for technical education include paid and unpaid internships for youth who have completed or are following vocational or technical training as well as research placements, in collaboration with local and foreign universities and other higher/ tertiary education institutes.

SECTION 04 - GOVERNANCE PERFORMANCE

Values and Ethics 4.1 Employees trained on Hayleys Life Code of business conduct	
2022/ 23	2021/ 22
96	39

Basis of Measurement:
Calculated the training head count on Hayleys Life Code to the Head office and Estate Management staff. Last financial year, we have trained only the head office employees.

4.2 Number of whistle-blower cases reported and solved
No cases reported for last two financial years.

4.3 Number of total audits conducted on Management Systems	
2022/ 23	2021/ 22
14	11

Basis of Measurement:
Non-compliance reported from the management systems and compliances audits are extracted from audit reports.

4.4 Number of times the sustainability committee met	
2022/ 23	2021/ 22
5	0

Basis of Measurement:
ESG/ Sustainability steering committee was announced in this financial year and met every other months. Minutes were done and circulated among the leadership.

4.5 Number of employees trained on data privacy	
2022/ 23	2021/ 22
90	85

Basis of Measurement:
Governance of data and information security is vested with the separate information security divisions of group IT and Group auditing. These divisions are consisted with experts on the data privacy and security and prime objective was to safeguarding information assets of the company.

GLOSSARY

FINANCIAL TERMS			
ACCOUNTING POLICIES The Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.	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).	CONSUMABLE BIOLOGICAL ASSETS The biological assets those that are to be harvested as agricultural produce or sold as biological assets.	EBIT Abbreviation for Earnings Before Interest and Tax.
ACCRUAL BASIS Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.	B Billion.	CSE Abbreviation for Colombo Stock Exchange.	EBITDA Abbreviation for Earnings before Interest, Tax, Depreciation and Amortisation.
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.	BIOLOGICAL ASSETS A living animal or plant.	CURRENT RATIO Current assets divided by current liabilities. A measure of liquidity.	EFFECTIVE TAX RATE Income tax expenses divided by profit from ordinary activities before tax.
AGRICULTURAL PRACTICES Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion in to agricultural produce or in to additional biological assets.	BIOLOGICAL TRANSFORMATION It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological assets.	CURRENT SERVICE COST Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.	EIR Abbreviation for Effective Interest Rate.
	BORROWINGS/DEBT All interest-bearing liabilities. Such as Bank loans , Overdraft, Long term loans, Debentures and Finance Obligations.	DCF METHOD A method of valuing project, Company or asset using the concepts of the time value of money. All future cash flows are estimated and discounted by using cost of capital to give their present value(PVs).	ENTERPRISE VALUE-EV Market capitalisation plus market value of debt, minority interest & preference shares minus total cash & cash equivalent.
	CAPEX Abbreviation for Capital Expenditure.	DEBT TO EQUITY RATIO Borrowing divided by Equity.	ENTERPRISE MULTIPLE-EM Enterprise value divided by earnings before Interest Tax Depreciation & Amortisation (EBITDA).
AGRICULTURAL PRODUCE Is the harvested product of the entity’s biological assets.	CAPITAL EMPLOYED Total equity, non-controlling interest and interest bearing borrowings.	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.	EPS Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.
AMORTISATION The systematic allocation of the depreciable amount of an intangible asset over its useful life.	CAPITAL RESERVES Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.	DERIVATIVE Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.	EQUITY Shareholders’ fund.
AVAILABLE FOR SALE Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.	CASH EQUIVALENTS Abbreviation for liquid investments with original maturity periods of three months or less.	DIVIDEND Distribution of profits to holders of equity investments.	EQUITY INSTRUMENTS Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
AWDR Abbreviation for Average Weighted Deposit Rate.	CASL Abbreviation for the Institute of Chartered Accountants of Sri Lanka.	DIVIDEND COVER Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.	EQUITY METHOD The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor’s share of net assets of the investee. The profit or loss of the investor includes the investor’s share of the profit or loss of the investee.
AWPLR Abbreviation for Average Weighted Prime Lending Rate.	CBSL Abbreviation for Central Bank of Sri Lanka.	DIVIDEND PAYOUT Dividend per share as a percentage of the earnings per share.	EVA Abbreviation for Economic Value Addition. The return earned beyond the cost of capital.(Weighted Average Cost of Capital into Capital Invested minus Net Operating Profit).
BASIC EARNINGS PER SHARE Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.	CONTINGENT LIABILITY A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.	DIVIDEND YIELD Dividend per share as a percentage of the market price. A measure of return on investment.	FAIR VALUE Fair Value is the amount for which an asset could be exchanged between a knowledgeable or liability settled between knowledgeable willing parties in an arm’s length transaction.
			Ha Hectares.
			IBR Abbreviation for Incremental Borrowing Rate.
			INTEREST COVER Profit before tax plus net finance cost divided by net finance cost. Measure of an entity’s debt service ability.
			IAS Abbreviation for International Accounting Standards.
			IFRIC Abbreviation for International Financial Reporting Interpretations Committee.
			IFRS Abbreviation for International Financial Reporting Standards.
			LIBOR Abbreviation for London Inter- Bank Offered Rate.
			MARKET CAPITALISATION Number of shares in issue multiplied by the market value of a share at the period date.
			MARKET VALUE ADDED-MVA The difference of market capitalisation and book value of share capital.
			m Million.
			NET ASSETS PER SHARE Shareholders’ funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.
			NON-CONTROLLING INTEREST The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.
			COMPREHENSIVE INCOME Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS’s.
			PRICE EARNINGS RATIO Market price of a share divided by earnings per share as reported at that date.

GLOSSARY

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the business.

RETIREMENT BENEFITS

Present value of a defined benefit.

OBLIGATION

The present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

CURRENT SERVICE COST

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

INTEREST COST

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.

ACTUARIAL GAINS AND LOSSES

The effect of difference between the previous actuarial assumptions and what has actually occurred and effects of changes in actuarial assumption.

RETURN ON EQUITY

Attributable profits to the shareholders divided by shareholders funds.

RETURN ON CAPITAL EMPLOYED

Profit before tax plus net interest cost divided by capital employed.

RETURN ON ASSETS

Profit before tax plus net interest cost divided by total assets.

REVENUE RESERVES

Reserves considered as being available for distributions and investments.

RPT

Abbreviation for Related Party Transactions.

SEGMENTS

Constituent business units grouped in terms of similarity of operations and location.

SLFRS / LKAS

Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

SLIBOR

Abbreviation of Sri Lanka Inter Bank offered Rate.

SoRP

Statement of Recommended practice.

SUBSIDIARY

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

SLAS

Abbreviation for Sri Lanka Accounting Standards. Also known as LKAS and SLFRS.

TOTAL BORROWING

Total borrowing consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with resources.

TURNOVER PER EMPLOYEE

Consolidated turnover of the company for the year divided by the number of employees.

VALUE ADDITION

The quantum of wealth generated by the activities of the group measured as the difference between turnover and the cost of materials and services bought in.

WORKING CAPITAL

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

NON-FINANCIAL TERMS

AGM

Abbreviation for Annual General Meeting

CROP

The total produce harvested over a given period of time (usually during a financial year).

EXTENT IN BEARING

The extent of land form which crop is being harvested

IMMATURE PLANTATION

The extent of plantation that is under-development and is not being harvested.

JEDB

Abbreviation for Janatha Estate Development Board

KVAL.N0000

CSE stock code for the company.

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, including any Director (whether Executive or otherwise) of that entity.

Ltr

Litre.

MATURE PLANTATION

The extent of plantation from which crop is being harvested.

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.

ESG

Environment, Social and Governance.

GHG

Green House Gas.

SDG

Sustainable Development Goals.

CORPORATE INFORMATION

NAME OF COMPANY

Kelani Valley Plantations PLC

LEGAL FORM

A Public Limited Company, incorporated in Sri Lanka on 18 June 1992.

REGISTRATION NUMBER

PQ 58

ACCOUNTING YEAR END

31 March

STOCK EXCHANGE LISTING

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

STOCK CODE

KVAL.N0000

PRINCIPAL LINE OF BUSINESS

Producing and processing of Tea and Rubber

DIRECTORS

A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer
F Mohideen
S C Ganegoda
C V Cabraal
L N De S Wijeyeratne
- *Resigned w.e.f.28.06.2022*
N Ekanayake
- *Appointed w.e.f.29.06.2022*

SUBSIDIARIES

Kalupahana Power Company (Pvt) Ltd.
Mabroc Teas (Pvt) Ltd.
Kelani Valley Resorts (Pvt) Ltd.

AUDIT COMMITTEE

N Ekanayake - Chairman
- *Appointed w.e.f. 29.06.2022*
F Mohideen
C V Cabraal
L N De S Wijeyeratne
- *Resigned w.e.f.28.06.2022*

MANAGING AGENT

DPL Plantations (Pvt) Ltd.
400, Deans Road, Colombo 10, Sri Lanka.

SECRETARIES

Hayleys Group Services (Pvt) Ltd
400, Deans Road, Colombo 10, Sri Lanka.
Telephone: (94-11)2627650
E-mail: info@sec.hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

REGISTERED OFFICE / HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka.
Telephone: (94-11) 2627700, 2686274-5 (2 Lines)
Fax : (94-11) 2694216
E-mail : postmaster@kvpl.com
website : www.kvpl.com

BANKERS

Bank of Ceylon
NDB Bank
Sampath Bank
Hatton National Bank
DFCC Bank
Citi Bank N.A.
People’s Bank
Amana Bank

AUDITORS

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

NOTICE OF THE MEETING

NOTICE OF ANNUAL GENERAL MEETING
KELANI VALLEY PLANTATIONS PLC
Company Number PQ 58

NOTICE IS HEREBY GIVEN THAT THE
THIRTY-FIRST ANNUAL GENERAL MEETING
OF KELANI VALLEY PLANTATIONS PLC
WILL BE HELD ON MONDAY, 26TH JUNE
2023 AT 09.00 A.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 the final dividend of rupees one and cents fifty (Rs. 1.50) per share as recommended by the Board.

3. To re-elect as a Director Mr. C.V. Cabraal, who retires by rotation at the Annual General Meeting in terms of Article 30(1) of the Articles of Association of the Company.

4. To re-elect as a Director Mr. N. Ekanayake, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 28(2) of the Articles of Association of the Company.

5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. F. Mohideen, in terms of Section 211 of the Companies Act No. 07 of 2007.

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 authorise the Directors to determine donations and contributions to charities for the ensuing year.

8. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.

9. To consider and if thought fit, to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No 7 of 2007:

Special Resolution (1)
That the existing Article 16 be deleted in its entirety and be substituted with the following Article 16;

“Article 16 - Method of Holding General Meetings

A meeting of shareholders may be held either;

- a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.”

Special Resolution (2)
That Article 17 (2) be amended as follows;
“17 (2) A quorum for a meeting of shareholders is present if three (03) shareholders are present in person or through audio visual communication, by themselves or by their proxy.”

Special Resolution (3)
That Article 19 (1) be amended as follows:
“19 (1) (a) In the case of a meeting of shareholders held under paragraph (a) of Article 16, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting –
i. voting by voice ; or
ii. voting by a show of hands

(b) In the case of a meeting of shareholders held under paragraph (b) of article 16, unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or by any other electronic means.”

By Order of the Board,
KELANI VALLEY PLANTATIONS PLC
HAYLEYS GROUP SERVICES (PRIVATE) LIMITED
Secretaries

Colombo.
01st June 2023.

- Notes to shareholders:**
1. The Annual Report of the Company for 2022/23 is available on the corporate website www.kvpl.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. For your reference, the existing Articles are available in the Colombo Stock Exchange website - www.cse.lk.

4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed ‘Request Form - Annexure A’ to the office of the Secretaries.

5. In relation to the final Dividend, the XD date will be 27th June 2023.

FORM OF PROXY

KELANI VALLEY PLANTATIONS PLC
Company Registration Number-PQ58

I/We(full name of shareholder)
NIC No./Reg. No. of ShareholderOf.....
being Shareholder/Shareholders of **KELANI VALLEY PLANTATIONS PLC** hereby appoint:
(1)(full name of proxyholder)
NIC No. of ProxyholderofOr,
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 Thirty First Annual General Meeting of the Company to be held on Monday, 26 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 31 March 2023 with the Report of the Auditors thereon.		
2.	To declare the final dividend of Rs. 1.50 per share		
3.	To re-elect as a Director Mr. C V Cabraal, as set out in the Notice.		
4.	To re-elect as a Director Mr. N Ekanayake, as set out in the Notice.		
5.	To re-appoint Mr. F Mohideen, in terms of Section 211 of the Companies Act No. 07 of 2007.		
6.	To re-appoint Mr. A M Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.		
7.	To authorise the Directors to determine donations and contributions to charities for the ensuing year.		
8.	To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.		
9.	To pass the Special Resolutions to amend the Articles of Association of the Company as set out in the Notice.		
	Special Resolution (1)		
	Special Resolution (2)		
	Special Resolution (3)		

Signed on this day of2023.

.....
Signature of Shareholder

(Instructions are given overleaf)



www.kvpl.com

Kelani Valley Plantations PLC

No. 400, Deans Road, Colombo 10, Sri Lanka.